

## Summary Internal Audit Report

Council:	<b>NEWBOLD VERDON PARISH COUNCIL</b>		Year ending:	31 March 2021
Internal Auditor:	Richard Willcocks		Date of report:	02/04/2021
Audit review date(s)	Interims	02/03/2021	Final	22/04/2021

### To the Chairman of the Council:

#### 1. Introduction

In accordance with the terms of my engagement, I have undertaken a review of **Newbold Verdon Parish Council's** records, policies, and procedures for the financial **year ending 31 March 2021**, following which I completed and signed the Annual Internal Audit Report (part 3 of the 2021 Annual Governance and Accountability Return).

#### 2. Basis of Report

This internal audit report is based upon the National Association of Local Councils (NALC) recommended checklist, and Section 4 (Non Statutory Guidance for Internal Audit) of the 2020 Joint Panel on Accountability and Governance Practitioners' Guide.

The scope of this internal audit is focused on assessing the effectiveness of the Council's internal controls. Where any such controls are found to be deficient, the internal audit will help lead to improvement in those processes.

By applying the principles of internal auditing, outlined in the current Accounts and Audit Regulations and applying the approach to internal audit testing outlined in paragraph 1 above, every effort is made to ensure that all internal audits are conducted with due professional care, integrity and independence. All conclusions derived from the audit are based upon objective and traceable evidence.

#### 3. Aims & Objectives

**Newbold Verdon Parish Council** has a statutory duty to complete an Annual Governance and Accountability Return (the Annual Return) at the end of each financial year. As part of this Return, the Council's internal audit function is required to provide assurance that relevant procedures and controls were operating effectively for the financial year above. The purpose of this exercise is to meet those statutory requirements and provide the Council with an appropriate level of assurance in support of the Annual Return. *Internal audit does not involve the detailed inspection of all records and transactions of an authority in order to detect fraud.*

***The Council is required to take appropriate action on all matters raised in reports from internal and external audit and to respond to matters brought to its attention by internal and external audit. Failure to take appropriate action may lead to a qualified audit opinion.***

#### 4. Scope of Audit

The internal audit exercise involves such testing of the evidence of and evidence of compliance with the 15 statements contained in the **Annual Internal Audit Report** of the Annual Governance and Accountability Return (AGAR), as applicable to the range and financial materiality of the Councils' activities. The statements refer to:

- A. Maintenance of proper financial records and periodic bank reconciliations.
- B. Compliance with the Council's Standing Orders, Financial Regulations and proper accounting for VAT
- C. Adequacy of risk management arrangements.
- D. Effective budgeting, budgetary control and an appropriate level of reserves.
- E. Identification of income due and timely collection and banking of such monies.
- F. Proper administration of petty cash.
- G. Proper administration of salaries of employees and expenses paid.
- H. Maintenance of an accurate and reliable asset register.
- I. The completion of regular bank reconciliations.
- J. The correct basis and accurate preparation of year-end accounts.

- K. Meeting the criteria for exemption from a limited assurance review (if applicable).
- L. The publication of information on a website in accordance with the Transparency Code for Smaller Authorities (if applicable).
- M. Correctly applying the exercise of public rights during the previous year period.
- N. Whether the Council has met its responsibilities as a trustee.

## 5. Findings

The outcomes of the recommended testing required for assurance purposes is shown in the following documents provided under separate cover:

- Internal Audit Checklist.
- Internal Audit Checklist-Appendix 1: Key Policies, Procedures & Documents Review.
- Internal Audit Checklist-Appendix 2: Transaction Spot Check.
- Internal Audit Process (available on request)

## 6. Recommendations

Audit Year Raised	Internal Audit Report Checklist			Compliance Category *	Comments
	Section	Ref	Recommendation		
2021	2. Due Process	2.13	That formal minutes are prepared for all committees of the Council.	3 (MinNC)	All committees have current, terms of reference, which were reviewed in 2020 and which give the committees specific powers and responsibilities. Accepted practice is for formally adopted committees to prepare and publish minutes, whereas working parties are considered a less formal grouping of councillors and do not necessarily have to produce formal minutes.
2021	2. Due Process	2.14	That the Council considers the following recommendation from the 2021 JPAG Practitioners' Guide i.e. that a parish council's website should utilise the exclusive GOV.UK domain name and that this domain name should also be used to support the Council's official email accounts, for both officers and councillors.	2 (OFI)	This recommendation was published for the first time in the 2021 JPAG Practitioners' Guide and is therefore applicable for the financial year commencing 01/04/2021.  See pages 61 & 62 of the 2021 JPAG Practitioners' Guide.
2020	7. Bank Reconciliations	7.4	That actions to amend the bank mandate to remove the 2 previous Clerks and make the current Clerk the primary user are completed as quickly as possible.	2 (OFI)	See latest status update in Appendix 1C: Key Policies, Procedures & Documentation Review. This recommendation subject to possible change in the Council's banking arrangements.

2021	7.Bank Reconciliations	7.4	That Heather Davidson, who resigned from the Council in December 2020, is removed from the bank mandate as an authorised signatory.	2 (OFI)	The Clerk has advised HSBC in writing of this change but has been advised that a meeting at the local HSBC branch would be necessary to action this. This meeting is currently pending.
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## 7. Other Comments/Observations

In my previous years' (2020) internal audit report, I made reference to the Coronavirus pandemic, which at that point had just begin to take hold, with an initial lockdown introduced. Whilst it was clear then that this pandemic would affect all local authorities in some way e.g. governance, administration and financial, I 'm sure that not many of us anticipated that a year on a there would still be restrictions in place. These restrictions have impacted in a number of areas of Newbold Verdon Parish Council's operations e.g. remote meetings, home working for staff and closure of premises. It is the latter of these where any financial downturn would be incurred through the loss of non-precepted income from the hiring of sports pitches and the pavilion. This has had a significant impact of approximately £10K, but the Council has taken action to ensure that it can continue to operate within its means by monitoring its finances regularly, reducing expenditure where possible and utilising reserves as applicable and when necessary.

Also In my previous report, I made a significant number of recommendations that the Council needed to take action on to address shortcomings in its governance and administration and I was aware that this would require a significant input from the then newly appointed Clerk, Josie Flavell, supported by the Council. Having undertaken this latest internal audit review, I am very pleased to report that **all but one** of the recommendations made in my previous report have been satisfactorily addressed. The one recommendation outstanding from then relates to the HSBC bank mandate and it is clear that the reason for this lies with the bank in seemingly making it has difficult as possible to get the mandate updated and which is now further exacerbated because of a further change required to remove the former councillor, Heather Davidson, as an authorised signatory. It seems from recent comments by NALC that this Council is not alone in being concerned about the level of service it receives from the banking sector. Unfortunately, I'm sure that is of little consolation to the Clerk!

Other than those relating to the bank mandate, there are just two new recommendations made in this report, of which **the key one is that relating to the taking and publishing of minutes for all committees of the Council.**

Given the significant progress made by the Council, as highlighted above, I am pleased to report that the overall internal audit assurance opinion is now **GOOD \*** and is a reflection of the professionalism and hard work put in by the Clerk over the past year, together with the support of the councillors, to address so many issues

*\* = see Compliance Categories and Definitions of Internal audit assurance below.*

## 8. Acknowledgments

The help and co-operation of Josie Flavell, Clerk to the Council, is much appreciated by the internal auditor. In particular for agreeing to undertake the pre and post financial year end review meetings remotely i.e. video conferencing meetings via Zoom.

Yours sincerely,



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**COMPLIANCE CATEGORIES**

<b>1. Compliant:</b>	Adherence with the requirements of the audit question. No major or minor non-conformances found.
<b>2. Opportunity for Improvement (OFI):</b>	<p>A situation or condition of internal control that may be weak, cumbersome, redundant, overly complex, or in some other manner, may, in the opinion of the internal auditor, offer an opportunity for the Council to improve its current status.</p> <p>OFI's do not necessitate any immediate remedial action on the part of the Council; however, the Council should give them serious consideration in view of the internal auditor's knowledge and exposure to similar controls and processes.</p> <p>An OFI may be an improvement to the internal control system or could prevent future problems.</p>
<b>3. Minor Non-compliance (MinNC):</b>	<p>A non-compliance that, based on the judgment and experience of the internal auditor, is not likely to result in the failure of the internal control system or reduce its ability to ensure effective control is maintained.</p> <p>It may be either:</p> <ol style="list-style-type: none"> <li>1. A failure in some part of the Council's internal control and assurance relative to a specified requirement.</li> <li>2. A single observed lapse in following one item of testing of the Council's internal controls.</li> </ol>
<b>4. Major Non-compliance (MajNC):</b>	<p>The absence or total breakdown of an internal control process necessary to meet a specified requirement.</p> <p>A number of minor non-compliances against one requirement can represent a total breakdown of an internal control process and thus be considered a major non-conformity.</p> <p>Any non-compliance that would result in the probable delivery of a non-conforming service or action by the Council. Conditions that may result in the failure of or materially reduce the usability of the Council's services for their intended purpose.</p> <p>A non-compliance that, in the judgment and experience of the internal auditor, is likely to either to result in the failure of an internal control process or to materially reduce its ability to assure effective internal control.</p>

**INTERNAL AUDIT ASSURANCE DEFINITIONS**

<b>AUDIT OPINION</b>	<b>EXPLANATION</b>
<b>GOOD</b>	There is a sound system of internal control designed to achieve the Council's objectives. The internal control processes tested are being consistently applied.
<b>ADEQUATE</b>	While there is a basically sound system of internal control, there are weaknesses, which may put some of the Council's objectives at risk.
<b>LIMITED</b>	Weaknesses in the system of internal controls are such as to put the Council's objectives at risk. The level of non-compliance puts the Council's objectives at risk.
<b>UNSATISFACTORY</b>	Control processes are generally weak, leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.