

## Internal Audit Report for the Year ending 31<sup>st</sup> March 2018

### Rawdon Parish Council

Prepared by Diane Brown Internal Auditor

### Introduction

The role of an internal auditor is to ensure that there are robust controls in operation which ensure that a council is functioning effectively.

Internal auditing is an independent, objective assurance activity designed to improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

An effective Internal Auditor should not simply look at the finances of a parish council but should ensure that good working practices are in operation. This includes the examination of the policies and procedures of the organisation being audited.

The scope of this audit is to look at the policies and procedures currently in place, to examine the financial transactions for 2017/18 and to make recommendations for improvement. The report is completed in order of my audit template that I shared with Lis Moore Parish Clerk and Responsible Financial Officer prior to my visit. The conclusions reached from the audit are based on the information given to me by Lis.

If at the end of my visit I feel that I can sign of the Annual Return without qualification then I will do so. My report should go to full council and be discussed and the recommendations considered.

### Previous Audits

The starting point of any audit is to look at the output from previous audits. There was nothing of note from the external auditor on the Annual Return from 2016/17. I was a little confused when reading the minutes of February 2018 that the appointment of the previous internal auditor was not to be continued as he had not been complimentary and his report had been rejected.

I understood a little more on reading the letter from the Chair Cllr Davies to the company concerned and I hope that my style of auditing is more suited to the council's expectations. In my view an Internal Auditor is a critical friend and should have the independence and competence to recommend operational improvements. The aim of the auditor is to improve the organisation being audited to the mutual benefit of all parties.

### Internal Audit Findings

#### Policies and Procedures

My examination of the policies and procedures of the parish council found that all policies were satisfactory. The Standing Orders and Financial regulations is a

combined policy first approved in 2015. My only comment regarding this document is that it should be on the parish council web site.

The council has an overall risk assessment policy and separate arrangements for the Remembrance Day Parade and Christmas Event. As part of the mitigation for identified risks councils should have adequate insurance cover. I examined the insurance cover which Rawdon Parish Council current has with Ecclesiastical and found it to be adequate for all currently known risks.

I was impressed by the review of financial record and controls document which was last reviewed in October 2017. It is excellent practice for an organisation to list the financial controls it currently has in operation and to scrutinise them to ensure that they are fit for purpose. In doing this an organisation is ensuring and reassuring itself that all is well.

The council is served by all other necessary policies such as employment policies and a publication scheme. The only policy that I noted that was missing on this visit was a Complaints Policy so one of my recommendations will be to implement one.

### Code of Conduct and Disclosure of Pecuniary Interest Forms

The Parish Council has adopted a Code of Conduct and I examined the DPI forms for all councillors which are on the Parish Council Web site. I found this area to be satisfactory.

### Web Site

An increasing level of importance is now placed on a parish council web site. It could be described as the shop front of the council, it is helpful if a web site is visually attractive which the council's web site is but it is also good practice to include certain basic information. I have mentioned in a previous paragraph that the Financial Regulations and Standing Orders are missing so this document needs adding. Another document missing is the 2016/17 Annual Governance & Accountability Return (AGAR). This is an important document as it gives meaningful financial information for the council; it includes such information as the Precept, what was spent in year and what will be carried forward at the year end.

Another item which I think should be included is the payments schedule for each month. This is attached to the end of the minutes so residents can determine that they were approved but not what the payments actually were. As the schedule includes salary payments I would suggest that this line is changed to staff rather than individuals names.

### Parish Council Minutes

I examined the parish council minutes for 2017/18 and found them to be satisfactory. All minutes were kept correctly, were on the web site and all financial decisions had been properly recorded.

### Appropriate books of Account.

I examined all financial transactions for the year being audited, all payments were supported by invoices and VAT was properly accounted for. Expenditure in 2017/18 was completed by cheque transactions. Lis and I discussed the use of on-line

banking which many parish councils are now using. Lis stated that in the short term the council are intending to continue with the use of cheques

I noted that expected income had been fully received and banked. I also noted an excellent budgetary system.

I also noted that there were regular bank reconciliations in operation and councillors received regular, accurate and timely financial information.

My only comment on this area is that in my view all councillors should acknowledge that they have seen and noted the bank reconciliation along with the relevant bank statement.

Bank statements are prime documentation in that they cannot be altered and by signing that they have agreed the bank reconciliation to the statement each councillor is ensuring that the accounts are accurate. These documents could be passed around to each councillor at the financial discussion stage of the meeting. This reiterates the fact that the council is a corporate body and evidences that the financial responsibilities are shared. This is further proof of robust financial controls and the forms should then be placed on file in readiness for year-end audits and the examination of the accounts by the public when required. This control can also be added to the already excellent review of financial records and controls document.

### Employees

I reviewed this area and found it to be satisfactory. Rawdon Parish Council has two employees Drew and Lis Moore. They are both supported by a contract, employment policies and tax is properly applied. Lis has had a recent appraisal and Drew has yet to receive one. Drew has passed his six month appraisal and Lis informed me that he annual appraisal is due in June but that she of course will not be completing it. The Parish Council are considering increasing Drew's hours owing to the need for the collation of the data from the 5 Speeding Indicator Devices that have now been sited in the parish.

### Asset Register

I examined the Asset Register and found it to be satisfactory. I noted that items that had been purchased within 2017/18 had been added to the inventory.

### New Legislation and Challenges posed to Parish Councils.

Lis and I discussed the new EU legislation General Data Protection Regulation (GDPR) which becomes law in May 2018. This will have a large impact on larger Councils but I consider that the impact will not be the same for parish councils. Parish councils will be a low risk area however it is always good to be prepared for all eventualities and Lis has the matter in hand and is aware of what is required.

### Annual Return

Lis had prepared section 2 of the Annual Return in draft and I could ascertain that the figures noted on it were correct. I could therefore sign the Annual internal audit report page of the Annual Return 2017/18 without qualification.

## Recommendations

Listed below are the recommendations from this audit;

- The Standing Orders and Financial Regulations document to be placed on the web site
- The implementation of a Complaints Policy
- The Annual Return for 2016/17 should be on the web site; this can be replaced by the year currently being audited when the AGAR has been completed. Some parish councils choose to leave previous AGARs on their web site
- Payment Schedules to be included with the minutes
- Increased control by having councillors sign when in attendance at a meeting that they agree the relevant bank reconciliation. The bank statements are currently available so the next step would be to ensure that this process is evidenced

## Conclusion

My audit concluded that there are good systems of financial control within the council.

I was particularly impressed by the thorough process for reviewing financial controls that is currently in operation. I did not have to list them as this had already been completed by Cllr Shemilt.

I would like to thank Lis for her help during the audit process and to wish Rawdon Parish Council all good wishes for the forthcoming year.

Diane Brown  
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