



NASH MILLS

PARISH COUNCIL

Review of Effectiveness of Internal Audit and Auditor v7

Last reviewed & adopted	Oct 2022
Agenda Reference	
Review Date	May 23

Introduction

In association with the monitoring and approval of the system of internal control, Nash Mills Parish Council must also review the effectiveness of the internal audit and auditor each financial year. The review of the effectiveness of internal controls was last undertaken in May 2022 and will be reviewed in June 2023.

The Account and Audit Regulations 2015 require councils to ensure that an effective system of internal control and audit is in place and is reviewed to enable Nash Mills Parish Council to positively answer all assertions in the AGAR (Annual Governance and Accountability Return).

Assertion 6 Internal Audit

We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.

Assertion 7 Reports from Auditors

We took appropriate action on all matters raised in reports from internal and external audit.

Internal Audit

Last Year NMPC appointed Susan Cook of Auditing Solutions as Internal Auditor for 2022/23. The external Auditor is appointed centrally (PKF Littlejohn) 2021/22 all objectives from the internal audit report were reported to council and action undertaken or comments noted.

2022/23 full report has been circulated to council however there are two points with comments that require response/action, and these are detailed below.

Asset Registers / Inventories

The Practitioner's Guide requires all councils to maintain a record of all assets owned. We are pleased to note compliance with this requirement and have examined the Council's register in order to ensure that it has been updated to reflect any new additions and / or disposals in the year.

Where possible the registration/serial number should be recorded on the register. We note that these are recorded in some, but not all cases.

For clarity we also suggest that, when assets are disposed of the register value for those assets is adjusted to NIL with the disposal date recorded.

We would also like the Council to consider the potential benefits of developing a photographic register of the assets held, particularly of potentially at-risk assets (benches, play equipment etc), which a number of our clients have found of assistance when pursuing either an insurance claim or in assisting any police enquiry where theft or wilful / accidental damage has occurred.

Conclusions

No issues of concern arise in this area of our review process, although, as indicated above we suggest that the asset register should be expanded to record registration/serial numbers along with photographic evidence of the asset.

Clerk Actions

Asset register to be updated throughout the year with photographic evidence.

Serial numbers are completed where we have them-these are not available for historic assets.

Review of Accounting Arrangements & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and that no anomalous entries appear in cashbooks or financial ledgers. The Council operates Current accounts with Lloyds Bank and Nat West with the Lloyds Bank Current Account being used for its day-to-day transactions. Surplus funds are currently held in a Nat West savings account and a Lloyds Bank 32 day savings account. We have: -

- Ensured that an appropriate coding structure is in place in the RBS Rialtas Alpha accounting software;
- Ensured that the closing balances for 2021-22, as reported in the Statement of Accounts and AGAR for that year, have been correctly rolled forward as opening balances for 2022-23 in the Alpha software;
- Checked and verified a sample of four months' transactions in the Current account cashbook (June, October, December 2022 and March 2023) by reference to the supporting bank statements;
- Verified transactions on all other accounts for the year to 31st March 2023 by reference to supporting bank statements, etc;
- Noted that payments are made exclusively online or by Standing Order / Direct Debit, with the resultant removal of risk that cheques remain unpaid for any significant time; and

Reviewed and agreed detail of bank reconciliations on the Current Account as at 30th June, 31st October, 31st December 2022 and March 2023, to the cashbooks and bank statements, noting that they are checked, verified, and signed off by the Finance Lead at least quarterly during the year. The reconciliation at 31st December 2022 included some items from the January ledger, and the value of these was handwritten onto the reconciliation, rather than included within the reconciliation.

Conclusions

We are pleased to record that no issues have been identified in this area at this stage of our review warranting formal comment or recommendation; we would however remind the Clerk that in the unusual event that there are reconciling items, these should be included in the body of the reconciliation.

Clerk Actions

No actions required-this relates to bank reconciliation for Dec that was reviewed in January as there was no December meeting. The accounting software would not enable me to express the reason for the amendments, so a handwritten note was added for clarity.

Meeting the standards		
Expected Standard	Evidence of Achievement	Is this standard achieved/needs
Scope of internal audit	<p>Scope of audit work considers risk management processes and wider internal control.</p> <p>Terms of reference and financial regulations define responsibilities in relation to preventing fraud.</p> <p>NMPC appointed Susan Cook @ Auditing Solutions for the 2022/2023 internal audit minute ref 22/141/FPC</p>	Need to approve auditor for 2023/24 later in 2023
Independence	<p>Internal Auditor has direct access to RFO.</p> <p>Reports are made in own name to management.</p> <p>Auditor does not have any other role within the council.</p>	<p>Yes</p> <p>New auditor to council to enable more independence after long term use of previous auditor.</p>
Competence	<p>No evidence that internal work has not been carried out ethically, with integrity and objectivity.</p> <p>Internal auditor familiar with governance processes and accounting regulations for parish councils</p>	<p>Yes (previously a clerk and accountant)</p>
Relationships	<p>Clerk/RFO and councillors are consulted on the internal audit plan and on the scope of each audit.</p> <p>Responsibilities for officers and internal audit are defined in relation to internal control, risk management and fraud and corruption matters.</p> <p>The responsibilities of council members are understood, and training carried out as necessary.</p>	<p>Yes, during review of internal control audit plan is discussed.</p> <p>Clerk and the majority of Cllrs have attended training Newly elected Cllrs are booked in for new Cllr training.</p>
Audit Planning and reporting	<p>The audit is a feature of a wider plan with regards to internal control. Policy and procedural reviews and Monthly reports and strong internal control procedures embed this approach within NMPC.</p>	<p>An annual audit plan is in place</p> <p>The review of Internal control is now in place every 6 months,</p> <p>A rolling programme of policy, procedural and risk assessment reviews is being undertaken to ensure that the policies and procedures adopted are compliant and current.</p> <p>New for 2023 – Clerk has requested that a Cllr for internal control be appointed (May 2023 agenda item)</p>

Characteristics of Effectiveness		
Expected Standard	Evidence of Achievement	Is this standard achieved/needs
Internal audit work is planned	Planned internal audit work is based on risk assessment and designed to meet the body's governance assurance needs.	Yes, plan in place and terms of reference/ letter of engagement agreed by council.
Understanding the whole organisation its needs and objectives	The annual review demonstrates how audit work will provide assurance in relation to the body's annual governance statement.	yes
Be seen as a catalyst for change	Supportive role of audit for corporate developments such as corporate governance review, risk management and ethics.	yes
Add value and assist the organisation in achieving its objectives	Demonstrated through positive management responses to recommendations and follow up action were called for.	Yes. Copy of report with the recommendations is circulated once received and council to be updated in full prior to next audit being instructed. Circulated regularly. Last circulation post audit May 2023
Be forward looking	When identifying risks and in formulating the annual internal control plan, changes on national agenda are considered. Internal audit maintains awareness of new developments in the services, risk management and corporate governance.	Yes, Clerk regularly receives updates from advisory services regarding changes to procedural templates or regulations. Quality council award attained Qualified Clerk New Councillors attending training Clerk continuing CPD and a trained internal auditor/ Internal audit lead for HAPTC and trainer.
Be challenging	Internal audit focuses on risks and encourages members to develop their own responses to risks, rather than relying solely on audit recommendations. The aim of this is to encourage greater ownership of control environment.	Yes Council has a good awareness of risk. Risk Assessments are created when new projects are being delivered.
Ensure the right resources are available	Adequate resource is made available for internal audit to complete its work. Internal auditor understands the body and the legal and corporate framework in which it operates.	Rigorous systems have now been implemented in line with previous auditors' recommendations. Parish specific accounting package purchased April 2020. Qualified sector specific Internal auditor engaged External Auditor report to be circulated after Sept 2023