



Internal Controls v.3

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Adequate and Effective Systems

Review of Effectiveness

The authority has responsibility under regulation 5(1) *the Accounts and Audit Regulations 2015*, for conducting, at least annually, a review of the effectiveness of the system of internal control. The review is informed by the work of:

- The Council and its Committees (if applicable)
- The Clerk/Responsible Finance Officer
- The Internal Auditor
- The External Auditor

Annual review of the control systems enables the council to accurately complete the section 2 of the Annual Governance and Accountability return (AGAR).

" we maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed it's effectiveness'

The Effectiveness of the System of Internal Control

The system of internal controls at Nash Mills Parish Council currently consists of:

1. Appointment of Clerk and Responsible Financial Officer
2. Adoption of Code of Conduct for Members and employees
3. Standing Orders and Financial Regulations
4. Adoption of Financial and Management risk assessment
5. Asset Register and annual review of accuracy.
6. Six Monthly review of effectiveness of internal controls (June/December annually)
7. Six Monthly review of the effectiveness of the internal auditor (May/December annually).
8. Review of internal audit arrangements and implementation of any recommendations.
9. Review of the audit plan calendar (*appendix 1*)
10. Terms of Reference for the Internal Auditor (*appendix 4*)
11. Safe and efficient arrangements to safeguard public money
12. Regular scrutiny of financial records and proper arrangements for the approval of expenditure
13. Procedures in place to ensure that direct debits and standing orders are approved by Council
14. Adherence to the internal financial control systems detailed in the financial regulations and the attached appendix (*appendix 2*)
15. Scrutiny of calculations provided by payroll provider
16. Regular employer returns to HM Revenue and Customs
17. Completion of quarterly vat return and the RFO ensuring they are up to date in matters of VAT and other taxation issues as necessary

18. Regular budget monitoring statements provided to council
19. Preparation and dissemination of regular financial reports comparing actual expenditure against forecasts
20. Regular review of such reports by officers, and by members in Committee and Council.
21. Procedures for dealing with and monitoring the Council's Grants scheme.
22. Minutes properly numbered with a master copy kept in safekeeping
23. Procedures for document receipt, circulation, response, handling and filing
24. Procedures in place for recording and monitoring Members' Interests and Gifts and Hospitality received.

Scope and Responsibility

Nash Mills Parish Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. In discharging this overall responsibility, Nash Mills Parish Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

Purpose of the Systems of Internal Control

The system of internal control is designed to manage risk at a reasonable level rather than to eliminate all risks of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them effectively and economically.

Supporting Documents

Appendix 1 Audit Plan Calendar

Appendix 2 Payment & Financial Controls Summary

Appendix 3 Review of the Effectiveness of the Internal Auditor

(available on request)

Financial Regulations

Financial and Management Risk Assessment.

JPAG 2019

Audit Plan Calendar

Item	Month
Council to approve terms of reference for Internal Auditor	January
Council to Appoint internal auditor	January
Council to review financial and management risk assessment.	January/May
Council to complete annual return	April/May
Internal Auditor to receive all accounts for the year end	May
Council to review any issues raised by auditor	May-July
Council to review that audit has been carried out in line with recommended practise (ethically and with integrity and objectivity)	May-July
Council to send annual return to external auditor	May-June
Electors able to exercise their rights	June/July
Council to review effectiveness of internal control	June/Dec
Councillors to receive report from external auditors	Sept
Council to review financial systems and control	December
Council to review audit plan	December
Council to review effectiveness of Internal auditor and audit	Nov/May
Council to review Financial Regulations	December
Please note that due to the Covid-19 crisis some of these timescales may be extended	

Appendix 2

Payment & Financial Controls Summary

1. Regular payments to be made via direct debit or standing order (salaries, garage rental, hall rental, clerk mobile, ICO subscription), and any other additional appropriate regular payments signed off by council.
2. Annual sign off of DD payments by resolution.
3. All other payments to be made by online payment in the first instance, however our financial regulations allow for alternative methods of payment should the need arise.
4. Verification of new supplier's bank details to be obtained by the clerk with a test payment and a call back if deemed necessary.
5. The parish clerk holds authority to set up payments from Lloyds bank ready for authorisation by two other Cllrs.
6. All cheques or bank letters to be signed by Clerk plus two Cllrs.
7. Any signatory given online access agrees not to share password information.
8. Clerk to provide a monthly schedule of payments to be made to support the online banking authorisation.
9. Clerk to text Cllr 1 once all payments are loaded and ready to be authorised.
10. Cllr 2 to be notified once this first stage is completed.
11. Clerk to be advised once submission is complete.
12. Clerk to complete bank reconciliation to ensure that payments tally with monthly schedule of agreed payments.
13. Clerk to send a remittance advice to the supplier.
14. Monthly payment reports and budget reports to be provide to all Cllrs.
15. Additional sign off to be completed by an alternative Cllr periodically to prevent fraud.
16. Clerk to mark all invoices as paid once remittance has been sent.
17. Clerk to update financial spreadsheets once bank reconciliation has been finalised.

Appendix 3

Review of Effectiveness of Internal Audit and Auditor adopted Agenda item Nov 2020

Meeting the standards		
Expected Standard	Evidence of Achievement	Is this standard achieved/needs
1. Scope of internal audit	Scope of audit work takes into account risk management processes and wider internal control. Terms of reference and financial regulations define responsibilities in relation to preventing fraud. NMPC appointed Phillip Roden @ Etaerio for 2019/20audit Minute ref 20/011/FPC	Need to approve auditor for 2020/21 later in 2020
2. Independence	Internal Auditor has direct access to RFO. Reports are made in own name to management. Auditor does not have any other role within the council.	yes
3. Competence	No evidence that internal work has not been carried out ethically, with integrity and objectivity. Internal auditor familiar with governance processes and accounting regulations for parish councils Qualification: ICAEW	Yes (previous experience on DBC audit panel when it was all audited by DBC before it was disbanded). Has been NMPC auditor for a number of years.
4. Relationships	Clerk/RFO and councillors are consulted on the internal audit plan and on the scope of each audit. Responsibilities for officers and internal audit are defined in relation to internal control, risk management and fraud and corruption matters. The responsibilities of council members are understood, and training carried out as necessary.	Yes, during review of internal control audit plan is discussed. Clerk and the majority of Cllrs have attended training.
5. Audit Planning and reporting	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	An annual audit plan is now in place (agreed with internal control policy at December meeting) The review of Internal control is now in place a rolling programme of policy,

	embed this approach within NMPC.	procedural and risk assessment reviews is being undertaken to ensure that the policies and procedures adopted are compliant and current.
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 to be 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 where called for.	Yes. Copy of report with the recommendations to be circulated once received and council to be updated in full prior to next audit being instructed.
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.
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
Ensure the right resources are available	Adequate resource is made available for internal audit to complete its work.	Last year a much more detailed audit took place as the clerk was new in post with no handover. Rigorous systems

	Internal auditor understands the body and the legal and corporate framework in which it operates.	have now been implemented in line with auditors recommendations. These systems will be reviewed in light of any finding from this year's audit.
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Appendix 4

Terms of Reference for Internal Auditor

The purpose of internal audit is to review and report to Nash Mills Parish Council on whether its systems of financial and other internal controls over its activities and operating procedures are effective. Internal audit is an independent, objective, assurance activity designed to improve the council's operations.

NMPC engages with Etaerio for the purposes of an internal audit service which is reviewed on an annual basis.

Roles and Responsibilities

Etaerio will conduct the internal audit work for your council in relation to the 2020 Annual return and such subsequent annual returns as required by the council.

The work undertaken will specifically relate to the Annual Internal Audit Report and aiding the Council to fulfil its obligations under section 1 of the Annual Return. In conducting this work, we will comply with the requirements of

- 'Governance and Accountability for Local Councils- A Practitioners' Guide (England)'
- The Accounts and Audit (England) Regulations 2015 (as amended)
- Such other guidance and best practise that may be prevailing from time to time.

Additional internal audit work in relation to the Council's obligations under the regulations may also be undertaken by separate agreement.

Audit Planning

Etaerio will plan our audit with due care to ensure that the appropriate level of resources is made available to conduct our work, and that the council can meet its statutory reporting obligations.

Reporting

Etaerio will prepare a summary report on areas of non-compliance where such non-compliances are limited in nature and result in an unqualified internal audit report. Where it may be necessary to qualify an internal audit report, we shall prepare a detailed report on these areas on non-compliance that have led to a qualification. Where necessary Etaerio will attend council meetings to discuss the audit report and findings and reserve the right to charge an additional fee should this service be required. This fee will be agreed in advance of any such meeting.

Independence and Correspondence

Etaerio will ensure that staff conducting, and supervising audits are appropriately trained and qualified for the level of work undertaken. We will ensure that we maintain independence from the day to day activities of the council and we will not provide any additional consultancy or advisory services to the council which may compromise our audit independence.

Access to information and Officers.

In order to facilitate completion of the audit work NMPC will ensure that all documents are provided in a timely manner subject to reasonable notice being given. NMPC will ensure that access to documents and staff members is granted as appropriate and necessary.

Remuneration

The fee for audit work will be in accordance with the prior agreed fee. The fee includes all travel and out of pocket expenses. If additional audit time is required or additional services are requested, the fee for these will be agreed in advance and invoiced accordingly.

