



NASH MILLS

PARISH COUNCIL

Review of Effectiveness of Internal Audit and Auditor v5

Last reviewed & adopted	November 2021
Agenda Reference	21/164/FPC
Review Date	May 22

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 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.

Last Year NMPC appointed Philip Rhoden of Etaerio as Internal Auditor. The external Auditor is appointed centrally.

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 Phillip Roden @ Etaerio for 2021/22 audit Minute ref 21/014/FPC</p>	Need to approve auditor for 2021/22 later in 2021
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>	yes
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>Qualification: ICAEW</p>	<p>Yes (previous experience on DBC audit panel when it was all audited by DBC before it was disbanded).</p> <p>Has been NMPC auditor for a number of years.</p>

<p>Relationships</p>	<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</p>
<p>Audit Planning and reporting</p>	<p>The audit is a feature of a wider plan with regards to internal control. Policy and procedural reviews and</p> <p>Monthly reports and strong internal control procedures embed this approach within NMPC.</p>	<p>An annual audit plan is now in place</p> <p>The review of Internal control is now in place every 6 months, 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>

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. Circulated regularly. Last circulation post audit May 2021
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	<p>Adequate resource is made available for internal audit to complete its work.</p> <p>Internal auditor understands the body and the legal and corporate framework in which it operates.</p>	<p>Rigorous systems have now been implemented in line with auditors' recommendations. Parish specific accounting package purchased April 2020.</p> <p>Clerk has circulated report detailing steps taken or to be taken following audit May 2021</p> <p>External Auditor report circulated Sept 2021</p>

Internal Auditor Recommendations & Clerk responses 2020/21

Control Area	Recommendation(s)	Clerk/RFO Comments
1	Proper Bookkeeping.	None.
2	Standing Orders and Financial Regulations adopted and applied; and payments controls.	<p>I understand that the council obtains a discount through SLCC with an office supplies supplier resulting in invoices being made out to SLCC Enterprises. I recommend that the council confirms with SLCC that they have established with HMRC that invoices through its discount scheme addressed in this manner are acceptable for VAT reclaim purposes by the council.</p> <p>I understand that due to coronavirus restrictions, payment lists presented to meetings and the supporting invoices have not yet been signed to evidence their approval. I recommend that as planned these documents are signed once it is permitted to do so.</p>
3	Risk management arrangements.	None.
4	Budgetary controls.	None.
5	Income controls.	None.
6	Petty cash procedures.	Not applicable.
7	Payroll controls.	<p>As the warden now has a pay-as-you-go mobile for council business purposes, I recommend that the council checks (e.g. with HMRC) whether there are any reporting requirements regarding the purchase of the mobile or topups provided by the council e.g. P11D reporting requirements.</p> <p>Business use only and NMPC purchased the telephone therefore I believe there are no HMRC implications.</p> <p>What's exempt <i>You don't have to report anything to HM Revenue and Customs (HMRC) or deduct and pay tax and National Insurance if both the following apply:</i></p> <ul style="list-style-type: none"> • <i>you provide your employee with only one mobile phone or SIM card</i> • <i>the phone contract is between you and the supplier</i> <p><i>Your employee has a 'pay as you go' mobile and you reimburse them for business calls</i></p> <ul style="list-style-type: none"> • <i>You must report the amount on form P11D. You don't have to deduct and pay any tax or National Insurance</i>

8	Assets controls.	<p>The internal audit identified that the value used for one of the additions to the asset register included rather than excluded VAT. This has been amended for the purposes of the AGAR. I recommend that going forward additions to the asset register are included if and as appropriate at their cost net of reclaimable VAT.</p> <p>Noting that these have been included for the AGAR, the internal audit identified a relevant purchase in the year not included on the asset register. I recommend that the guidance in the Practitioners' Guide is used to help identify potential items for inclusion.</p>	<p>mistakenly included a PPE invoice with VAT</p> <p>was unaware that the finance software licence was an asset.</p>
9	Bank reconciliation.	<p>I recommend that as bank reconciliations are not currently approved by means of a 'wet signature' due to virtual meetings, the minutes reflect that the reconciliation presented has been approved, using the word 'approved' rather than 'noted' or 'received'.</p>	Clerk noted
10	Year-end procedures.	<p>Noting that this has been amended for the 2020/2021 AGAR, I recommend that going forward (and as was already the case for the 2019/2020 AGAR) external payroll services provider costs be included within 'all other payments' rather than 'staff costs'.</p>	Amended for current year
11	Exempt Authority	Not applicable.	
12	Public Rights	<p>Re the public rights notification in 2020 re the 2019/20 AGAR: whilst the 'explanatory notes' requirement was covered on the council's website by the inclusion of a link to the NAO document: 'Local authority accounts: a guide to your rights', I recommend that going forward the 'Local authority accounts: a summary of your rights' pages included in the external auditor's public rights notice template are included with the published notice.</p>	Noted for this year
13	AGAR Publication Requirements	None.	
14	Basic IT controls.	None.	
15	Responsibility as a trustee.	Not applicable.	