



# NASH MILLS

## PARISH COUNCIL

### Review of Effectiveness of Internal Audit and Auditor v6

Last reviewed & adopted	November 2021
Agenda Reference	21/164/FPC
Review Date	Sept 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 <b>21/014/FPC</b></p>	Need to approve auditor for 2022/23 later in 2022
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 2022
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 2022</p> <p><b>External Auditor report circulated Sept 2022</b></p>

**Clerk Report to Council – Internal Auditor Recommendations.**

	<b>Control Area</b>	<b>Recommendation(s)</b>	<b>Clerk Comments for Council</b>
1	Proper bookkeeping.	None.	
2	Standing Orders and Financial Regulations adopted and applied; and payments controls.	<p>Appreciating that it appears to be difficult for DBC to provide compliant VAT invoices re garage hire (e.g., a VAT invoice to cover a whole year at a time), I recommend that a request is made to DBC for a compliant VAT invoice, so that at least the council will have the request on file. Post internal audit note: I understand from the clerk that she has e-mails on file about this and VAT receipts for part of the year until DBC stopped providing these as confirmed by DBC e-mail.</p> <p>Authorisation on documents supporting payments is evidence by means of a grid stamp for three sets of initials. In the payments sample tested, two sets of payroll documents only had two sets of initials. I recommend that going forward, the three sets of initials are obtained as per the financial regulations to evidence these checks.</p>	<p>This was supplied to the auditor as I had it on file already.</p> <p>The face sheets detailing the full transactions and amounts had 3 signatures but it was the supplementary admin forms that I supply that had not been initialled.</p>
3	Risk management arrangements.	In the early part of the year, per the minutes, some minutes were not signed at the following meeting. Noting that the following meeting minutes did note the approval of the minutes, I recommend that going forward, the council takes note of s41 of the Local Government Act 1972. Post internal audit note: the clerk has responded that this was due to Covid, and her understanding was that this was OK as long as they were signed asap after in particular given a clinically vulnerable family member.	I do not feel that this point should have been included as this was during Covid 19 restrictions and the minutes were signed at the earliest, safe opportunity.
4	Budgetary controls.	None.	
5	Income controls.	None.	
6	Petty cash procedures.	Not applicable.	

7	Payroll controls.	<p>Noting that the numbers have been corrected on the AGAR, the internal audit identified two posting errors resulting in a small overstatement in 'Box 4 Staff Costs' (&amp; a corresponding understatement of Box 6). To provide an easier audit trail, and to reduce the chance of error, I recommend that as the existing approach is generally to base postings to account code 4000 on 'Rialtas' around 'net pay' figures', the full net pay figure is posted as the debit entry, and any amount that does not qualify for inclusion in Box 4 is then deducted by means of a credit entry to account code 4000 - this is the process that was used at the start of the year.</p> <p>The internal audit identified that, although this is a very small amount, back pay paid relating to the NJC pay award for 2021/22 to the clerk in Mar-22 did not include an amount in relation to the 'inner fringe' increase. I recommend that back pay includes increases to the inner fringe allowance where applicable.</p> <p>Salaries are calculated based on NJC payscales, and per the clerk's contract "calculated by pro-rata reference to the standard full-time working week for local government staff of 37 hours." The calculation methodology used applies the NALC-converted hourly rates which gives very similar results. I recommend that the council considers whether the simpler method, pro-rating the annual NJC figures (and dividing by 12 to give the monthly salary) would be useful, e.g., to use as a check on the more complex calculation.</p>	<p>There were 2 entries totalling £31 that were mis posted under staff costs rather than working from home/mileage allowances. These were corrected prior to the AGAR being submitted and the accounting software adjusted to reflect this. Method suggested by Auditor effective from 1/4/2022.</p> <p>Noted.</p> <p>Noted.</p>
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**Clerk Report to Council – Internal Auditor Recommendations.**

8	Assets controls.	<p>There are a small number of instances in the asset register where the acquisition date is not included. I recommend that going forward, the acquisition date, or a note in this column in relation to this is included for all additions.</p> <p>The internal audit identified one addition to the asset register where the delivery cost was not included in the asset register value. Noting that this instance has been updated for the purposes of the AGAR, I recommend that delivery costs are included going forward on the basis that they are a "cost of acquisition".</p>	<p>This was noted and updated. (£10 adjustment) although I disputed the inclusion.</p>
9	Bank reconciliation.	<p>I recommend that the figures in bank reconciliation provided to the external auditors are not rounded (i.e., that they include pence).</p> <p>Not all bank reconciliations on file were signed by the preparer (RFO). I recommend that it is good practice for the bank reconciliation to be signed by the preparer prior to review and sign off.</p>	<p>Noted.</p> <p>Noted.</p>
10	Year-end procedures.	<p>The internal audit identified that the prior year box 9 ("assets") figure on the 2022 draft AGAR had not been updated to the 2021 figure. Noting that this has now been updated, I recommend that this is noted for future reference.</p>	<p>Noted- this was an oversight in the draft document.</p>
11	Exempt Authority	Not applicable.	
12	Transparency Code	Not applicable.	
13	Public Rights	None.	
14	AGAR Publication Requirements	None.	
15	Basic IT controls.	None.	