

Anston Parish Council Mid-Year Internal Audit Mid-Year 2021-22

Introduction

At the start of the audit there was a Zoom session with Chris Pilkington, Clerk and Michael Gazur, Responsible Financial Officer. This was an excellent opportunity to discuss the current situation at Anston Parish Council and to scope the audit based on the agreed audit programme.

My role as your internal auditor is to ensure that there are robust controls in place which confirms that the council is functioning effectively.

Internal auditing is an independent, objective assurance activity designed to improve an organisations operation. 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.

For larger councils having at least one visit other than the year end one is good practice. I conduct two audits per year for Anston Parish Council, a year- end visit and a mid-year one. Simply having one audit at the year-end it not sufficient owing to the pressures of the completion of the Annual Governance and Accountability Return (AGAR). Having a mid-year audit is an opportunity to reflect on current processes and determine if any improvements can be made. Discussions can be centred around system improvements and can further strengthen, in my view, the relationship between auditor and auditee which benefits the organisation.

Mid-Year Visit Programme

- Progress from the previous audit recommendations
- External Audit opinion
- Examination of the Council minutes since the last audit to determine activity
- Register of Interests and compliance with the Code of Conduct
- Staff Appraisals
- Budgetary process
- VAT
- Risk assessment update
- Insurance
- Website
- Financial transaction testing since the last audit
- Ensuring robust financial controls remain in place
- Challenges to the Council since the last visit

The Audit

At the beginning of all audits there is a discussion concerning the implementation of the recommendations from the previous internal audit report. The notes from this discussion are in italics next to each recommendation.

Recommendations from the last report

- Missing DPI to be included on the website. *When completing the pre audit work by looking at the website I was surprised to see that DPI's, for all councillors were not on the website. Chris explained that there had been security issues with which he was currently dealing. As soon as possible all DPI's will be reinstated to the Council's website including the formerly missing one.*
- Timely completion of all appraisals. *This has not been actioned yet, but progress is being made and Chris stated that all appraisals will be completed as soon as possible.*
- The problem of the Allotment Committee being inquorate to be resolved. *This was deemed as being rectified and the last meeting was quorate.*
- A formal system to be implemented for the documenting of internal controls. *At its meeting on 7th July the Finance & General Purposes Committee adopted a revised internal control checklist for councillors to work through when conducting internal control checks. One matter the Committee wanted advice on was how often the various checks should be done over the budget year. I stated at least twice a year and that the checks must be completed prior to the internal audit and the completed form to be presented to the auditor as proof that the Council was evaluating its own financial controls to ensure that they remained effective.*
- A timetable for the updating of all policies annually to be implemented. *This was discussed and has not been actioned yet.*
- Consideration as to which assets need to be included in the Council's asset registers and the basis of their inclusion. For example, only assets of a certain value, determining what that benchmark is and the risks attached to any items not being included. *Progress is on going but this has not been fully actioned yet.*

External Audit Opinion

The External Auditor Report for 2020/21 is on the website. There were no matters arising and the proper notice for the publication and availability for the public inspection of the accounts was completed correctly. I found this area to be satisfactory.

Examination of the Council minutes since the last audit

I examined the minutes which had been published on the website from April to September 2021. I noted the progress on the projects such as the Old Library building, Hillcrest, the Cemetery extension, and the replacement of the playground equipment. During the audit I discussed each project with Chris, and he updated me as to the issues of managing them. The problems associated with the old Library building have been particularly challenging and hopefully these matters will be resolved soon.

Register Of Interests and Compliance with the Code of Conduct

At the mid-year year audit, it is part of the agreed programme that I examine the Disclosure of Interest Forms (DPI's) for each councillor. It is a statutory requirement that upon appointment councillors must complete a DPI form within 28 days and that it is published on the Council website.

As at the date of audit there were no DPIs displayed. Chris explained the reason and that as soon as possible the forms will be displayed again.

I noted that the Code of Conduct on the website is dated 2012. It was reviewed at the October 2021 full council meeting and Chris is to provide me with a copy of the refreshed document.

The Council has adopted the Code of Conduct of Rotherham Council. This is satisfactory but the Code of Conduct should, within the body of the document reflect, that it is the Code of Conduct of Anston Parish Council having been reviewed and then adopted as the Code of Conduct for the Parish Council. To reflect this the document should be headed up accordingly.

Budgetary Process

There is an excellent system in place for the monitoring of the budget.

The budget preparations for next year have commenced with the Council considering what the precept will be for 2022/23.

At this time, indications are that the Precept amount will be increased by inflation.

Chris and Michael are in the process of producing financial information for the Councils Precept discussions. This will be discussed further at the meeting in December 2021.

VAT

I found this area to be satisfactory with VAT properly accounted for and regularly claimed.

Risk Assessment Update

From my previous audits I have noted that the Council updates its Risk assessment Policies annually. The Risk Assessment Policy was last updated in November 2020. I examined it and found it to be satisfactory.

Insurance

The Council uses the Local Government insurance specialist Came and Co (Gallaghers) for its insurance requirements. By doing so the council ensures value for money and uses an insurance company used to dealing with government agencies. I noted whilst completing my financial transaction testing that the Council had renewed its insurance in May 2021 at a cost of £11,334.80.

Financial testing since the last audit

I checked the bank reconciliation for September 2021, to the cash book and bank statements and found it to be correct. I sample checked ten invoices from April to September 2021 and found them to be for appropriate council expenditure. Using the Scribe software makes this a user-friendly exercise with excellent audit trails.

At the mid-year for 2021/22 the Council, had a total of £587,351.81 in its bank accounts. The amount in the cash book at this point is £584,862.21, the resulting difference of £2,488.60 is accounted for by the direct debit to South Yorkshire Pensions Authority. I noted that the Precept deposited half yearly by Rotherham Council of £192,500 had increased the current account on which no interest is received. Although interest rates are low the Council should be mindful of maximising income accrued from interest.

Website

The Parish Council has a user friendly and visually attractive website and all documentation I needed to see during the audit, except for the DPI's, was available.

Ensuring that robust financial controls remain in place.

I have noted that there are robust financial controls in place. I previously recommended that they could be further improved by documenting what they are and subsequently implementing a system to regularly evaluate them. This process would be conducted by councillors and would ensure that the controls remain fit for purpose. I noted that a template for this process had been agreed on the 7th of July meeting of the Finance & General Purposes Committee. The timing of these checks had not been agreed. They need to be completed at least twice a year and they should be produced at each audit to prove that the Council has conducted these fundamental checks.

Challenges to the Council since the last visit

During the audit Chris updated me as to the unique challenges being faced and how they were being dealt with. One area on which he asked my advice was a grant funding application that had been made to the South Yorkshires Community Fund for £66,000. The application has been successful and the Council as the accountable body will receive the funds over a three-year period.

These funds are to benefit a wider geographical area than Anston and includes other areas within the Rotherham boundary. Other beneficiaries (Parish Councils) have requested that funds are given to them directly rather than through Anston Parish Council. This would not be the correct methodology for grant funding. This action is determined by the grant conditions and as the accountable body all project monitoring and final reporting will have to be completed by the Parish Council. Grant funding always has conditions and if these conditions are not met then the grant funder can legally demand their money back. This is known as grant claw back and should be avoided at all costs.

I have experience of this area as I was the Finance Manager for the External Funding team for Sheffield City Council until 2012. There is a general misconception

that once funds hit your bank account that the funds are yours. This is not the case with grant funding.

As the project progresses it is advisable to collate the project outcomes/ outputs data as stipulated by the South Yorkshire Community Fund.

If funds are passed to the other councils, this could result in a dilution of the necessary controls which would be detrimental to the success of the project.

Conclusion

I was again impressed by the excellent accounting systems in operation and the effective team working as evidenced by Chris and Michael.

The recommendations from this audit are listed below.

- DPI's to be published on the Council website as soon as possible.
- Code of Conduct to reflect that it is that of Anston Parish Council having been adapted from the Rotherham Council Model. After the completion of the audit Chris contacted me to say that this was now in hand, but I will check at the next audit.
- The formal system for the documenting of internal controls to be implemented and the evidence placed in the audit file in readiness for both internal audits.
- A timetable for the updating of all policies annually to be implemented. This was recommended at the last audit and has yet to be actioned.
- To monitor the funds in the current account, to maximise interest accrued, minimise interest charges being charged and to ensure compliance with the Financial services compensation Scheme.
- Appraisals. These have not been actioned yet and progress will be noted at the audit.
- To ensure that Anston Parish Council retains the required control for the effective management of the flood recovery project paid for by grant funding.

I would like to thank Chris and Michael for their help during the audit process and to wish Anston Parish Council all the best during the coming year. My next visit will be in May/ June 2022. Unfortunately, this will be my final audit as I plan to retire in July 2022.

Diane Brown Anston Parish Council – Internal Auditor 14/11/2021