

## Anston Parish Council Remote Internal Audit Report year ending 31st March 2020

### Introduction

Owing to the lockdown caused by the COVID-19 Pandemic, internal audits for 2019/20 are being completed remotely. Prior to starting the audit process, I contacted PKF Littlejohn LLP, the external auditors appointed by the Government outlining my approach for the completion of remote audits and received this in response.

Dear Ms Brown

Thank you for your email. Your proposed approach appears reasonable. If you are unable to carry out all of the work you usually do, we would recommend including details of any work you have not been able to perform as a result of the remote working conditions, in your report to the council. If you find it necessary to respond 'No' to any of the objectives listed on the AIAR section of the AGAR, please ensure information is provided in explanation. This is in line with usual practice.

Kind regards

#### **SBA Team**

For and on behalf of PKF Littlejohn LLP

T +44 (0) 20 7516 2200

[sba@pkf-littlejohn.com](mailto:sba@pkf-littlejohn.com)

In addition, the advice from the Yorkshire Local Council's Association (YLCA), was to go ahead as normal with internal audits.

As a Local Government trained Internal Auditor with over 40 years of experience, I am in the position of having a good overview of the method of obtaining assurance which will be particularly useful for this purpose.

The role of an internal auditor is to ensure that there are robust controls in place which confirm that a council is functioning effectively.

Internal auditing is an independent, objective assurance activity designed to improve an organisation's 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.

As the newly appointed auditor for the Parish Council this is the first time, I have completed an audit for you and unfortunately, I was unable to visit before the lockdown. Hopefully, this can be remedied soon.

The scope of the audit was discussed with Chris Pilkington, Parish Clerk and Michael Gazur the Responsible Financial Officer (RFO). Chris, Michael, and I had a remote meeting via Zoom prior to starting the audit which was useful in giving background to the challenges faced by the Parish Council.

My appointment as the Internal Auditor requires two visits per year. At the next visit, I will discuss and agree with Chris and Michael a programme of tasks to be completed so that each visit has a focus and all areas are covered.

At the close of the audit I will complete the internal audit page of the Annual Governance and Accountability Return (AGAR).

This report should go to full council and be discussed, and the recommendations considered.

### Examination of the Council minutes

I examined the minutes for the year being audited and noted the issues and challenges faced by the Council during 2019/20. This was especially important as I had been unable to visit the Parish Council.

I noted several issues in the minutes that I subsequently discussed with Chris and Michael in our Zoom meeting.

Chris explained the number of outstanding projects and the progress made since he started as Clerk two years ago.

These included the extension to the burial ground, the new lease for Crowgate Recreation Ground, new cloud storage system, repairs to the Parish Hall, new website, relationship with the Recreation Charity, staffing structure, review of committees, health and safety issues repairs to the old library and to the Bowling Pavilion. I noted too in the minutes, instances of disruption to the meetings which hopefully has been resolved. I was satisfied that Chris and Michael were taking the necessary action to address the issues noted.

It is a common issue for organisations to start projects without fully understanding their complexities. It is useful at the start of each project, to apply project management skills to ensure that there are the resources for the project and that they are completed effectively. This is an area which should be added to the Risk Assessment Policy. It is recommended that all new projects use a business case methodology with basic questions addressed as to the requirements for each project, who is to lead on it, staffing issues, cost etc.

The issue of disruption to meetings which I noted in the minutes should also be added to this document. This can be a problem affecting service delivery but also can damage the reputation of the Council particularly when meetings are filmed.

I also noted that there were instances of the Finance and General Purposes Meetings not being able to go ahead as they were inquorate. This problem should be examined, and the necessary action taken.

### Financial Policies and Procedures

The Councils Standing Orders and Financial Regulations on the website are dated 2018, from the examination of the Council minutes I noted that both policies were refreshed in 2019 so the new ones need adding to the website.

I noted good practice in that the Risk Assessment Policy had been updated in 2019. From my examination of the minutes I noted areas of concern such as project

management and disruption of meetings which should be added. Risk management is the process whereby organisations look at the risks they face when delivering their services. This is not just about good financial management but protecting an organisation from litigation and reputational issues. It is part of my brief as your auditor to ensure that your risk exposure is effectively managed.

I also noted the Insurance Policy of the Council and with the information I currently have found it fit for purpose. As I learn more about the Council's activities, I will be better placed to give a more informed opinion.

### Councillors and Disclosure of Interest Forms (DPI)

Anston Parish Council has 15 councillors, I looked at the website to ensure that each councillor has completed a DPI form and found that one was missing, this should be added as soon as possible.

### Employees

There are seven employees currently on the payroll. I noted from the minutes that the PC has completed a staffing review and will look at this area in detail when I visit. For the year end process, I established that salaries to employees were paid in accordance with the Council's approvals and PAYE and NI were properly applied.

### Appropriate Accounting Records

I found excellent accounting records for the year being audited. At the year end there was a total of £196,313 in the Council's bank accounts. As the Council has gross income or expenditure exceeding £200k the year end reporting is completed on an income and expenditure basis. Income and expenditure accounting entail the presentation of the accounts which reflects its true financial position rather than what is simply in the bank account. The balances at the year end includes a calculation for debtors and creditors which has a net effect of increasing the year end carry forward to £209,327.

Michael emailed me sufficient financial information for me to be able to complete the audit and gave me access to the on-line accounts system which enabled me to check the information given.

I examined the bank statements for the year 2019/20 and chose a random sample of 10 invoices from them for further scrutiny. The invoices I subsequently examined were for appropriate council expenditure and I did not have to increase my sampling.

I was satisfied that the Council's budget was regularly monitored, and the current reserves are appropriate. It is good practice for Council's to have a Reserve Policy which proves that the Council has a prudent process for calculating its reserves. The reserves should cover all known eventualities and should not be excessive. Although yet to be adopted the Council does have a Reserve Policy which I found satisfactory.

I noted that the Council currently has five bank accounts, two which contain small amounts and I discussed this with Chris and Michael. The bank accounts require rationalisation as to which accounts are needed and the unrequired ones closed. The Unity Bank Trust is the main account of the Council which is a non-interest earning account and closed with year with funds of £105,909. Chris and Michael are to look at this area and to put together a strategy for maximising income from bank interest.

I noted further good controls in place whereby there is a bi-annual check completed by Councillors to ensure that transactions throughout the year are for appropriate Council expenditure and the amounts reconciled to the bank statements.

There is also an excellent system for the division of duties for payments through the main council bank account where payments are input into the system and must be approved by Councillors with bank mandate authority.

I also examined the Asset Register and found it fit for purpose.

### Annual return

I found excellent audit trails for an effective accounting system in operation. I was able to tick all areas of the Internal Audit page of the AGAR positively.

### Conclusion

I was impressed by the accounting systems in operation and I think Chris and Michael make a good team. The Council does have challenges to face in the future and I consider that Chris and Michael are aware of them and making good progress in resolving them.

From this first audit I have the following recommendations. They are not in order of importance but as listed in this report.

- Increase in the number of Councillors on the Finance and General Purposes Sub-Committee to prevent it being in-quorate.
- Additions to the Risk Management strategy for Project Management for future projects and disruption of meetings.
- The missing DPI to be put on the website.
- Rationalisation of the Council's bank accounts
- Consideration of an Investment Strategy which maximises possible interest.

I would like to thank Chris and Michael for their help during the remote auditing process and to wish Anston Parish Council all the best in the coming year.

Diane Brown- Anston Parish Council - Internal Auditor 12/07/2020