

## Ecclesfield Parish Council Draft Internal Audit Report Year-End 2021/22

### Introduction

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 councils the size of Ecclesfield Parish Council, I would recommend having at least one audit other than at the year end. Simply having one audit at the year-end is not sufficient owing to the pressures of the completion of the Annual Governance and Accountability Return (AGAR). Having a mid-year audit for example 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.

I am completing this year end internal audit as a one-off exercise as requested by Andrew Towleron, the Clerk and Responsible Financial Officer. I have worked with Andrew before, so he is familiar with my working practices. This internal audit will be a one off as I am retiring this year after forty years of working within Council Internal Audit Services.

At the start of the audit there was a Zoom session with the Clerk and the Administration Officer. This was an excellent opportunity to discuss the current situation at Ecclesfield Parish Council and to agree on an audit programme suitable for the period agreed.

### Year-end Audit Programme

- Examination of the Council minutes for the year being audited
- Ensuring all Councillors have a completed Disclosure of Pecuniary Interests Form on the Council's website.
- Financial Policies and Procedures.
- Risk Assessment and Register procedure
- Financial transaction testing
- VAT
- Asset Register
- Trust Fund Responsibilities
- Completion of the Annual Governance and Accountability Return (AGAR)

The output from this audit, which is my report, should go to full council and be discussed and the recommendations considered.

### Examination of the Council minutes to determine activity.

I read the Council minutes for the full year being audited so that I could familiarise myself with the Council activity during the year. The queries I had from this exercise were all satisfactorily answered by the Clerk.

### Ensuring all Councillors have a completed Disclosure of Pecuniary Interests Form (DPI) on the Council's website

At the date of audit there were 15 Councillors in place, and all had a completed DPI on the website. The Council has adopted a Code of Conduct and I found this area to be satisfactory.

### Financial Policies and Procedures.

I noted from the Council's website that the fundamental financial and governing policies were all up to date. This included the pivotal Financial Regulations and Standing Orders.

### Risk Assessment and Register procedure

Part of my remit is to ensure that authorities have prepared, and formally adopted at least annually, an appropriate and comprehensive register of assessed risks. The process for the assessment of risks was discussed with the Clerk and I examined the Risk Assessment Policy which had been updated in March 2022 and found it to be satisfactory.

Part of the risk assessment process is to ensure that Councils review their financial internal controls. Internal controls are the mechanisms which prevent or detect fraud in its early stages. An example of a control is ensuring a division of duties in financial processes.

I noted that Ecclesfield Parish Council has a process for internal controls and noted that the last check had been completed in March 2022.

### Financial transaction testing

I noted that the Council has five bank accounts which appears excessive and therefore consideration should be given to streamlining the accounts to ensure which accounts are necessary. A useful part of this exercise could be the implementation of an Investment Policy which would document the Council's strategy for investments. Most councils hold their reserves in short term investments, placing monies in them not needed in the short term. This maximises any interest available which can help to negate the increasingly high bank charges that banks are now inflicting on Councils.

At the year end the Council had a total of £253,523.15 in its cash and bank accounts this included an amount of £59.25 in petty cash that I did not check. I checked this amount to the bank statements and year end reconciliation produced by the financial software Rialtas. I found this to be accurate. There was a good audit trail within

Rialtas for the year end adjustments as the accounts for the Parish Council must be completed on an income and expenditure basis. This means that the accounts must evidence debtors and creditors ensuring that all transactions are posted in the correct accounting years.

The Council scanned and emailed me the bank statements for the year and from these I chose a sample of invoices which she then scanned and emailed to me. These included staffing payments which I found to be satisfactory.

From reading the minutes I noted good practice for budgeting and budget monitoring. There is a monthly review of the progress against the budget which I found to be adequate.

### VAT

I noted a good system for the recording of VAT which ensured that it was being appropriately accounted for. A claim for Vat had been completed in February 2022 and an amount of £5,828.13 had been received in March. I noted an amount of £3,395 in the year end VAT control account.

### Asset Register

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

### Trust Fund Responsibilities

When I began the audit, I was unaware that the Council was responsible for a trust fund. I found this out from reading the minutes. I discussed this with the Clerk who said that he had been in post for six months before he became aware of the Council being responsible for a Trust. The trust is the Grenoside Exhibition Charity. This suggests that the Council is not as proactive as it should be when discharging its responsibilities as a Trustee.

Looking at the Practitioners Guide the Internal Auditor should:

- Confirm that all charities of which the Council is a trustee are up to date with Charity Commission filing requirements.
- That the council is the sole trustee on the Charity Commission register
- That the Council is acting in accordance with the Trust Deed
- That the charity meetings and accounts are recorded separately from those of the council
- Review the level and activity of the charity and where a risk-based approach suggests such, review the Independent Examiners report.

I based my investigation on the bullet points above and found that the return for 2020/21 had been completed at this time the Charity held £29,632. The return has not been completed yet for 2021/22 and this should be completed as soon as possible. Currently the Council is the sole trustee but there were plans for the Charity to become a standalone charity, this was minuted at the meeting of the 12<sup>th</sup> of August. This has not happened yet, Andrew informed me that it had been delayed with no dates set for the transfer.

As there is only £29k in the Charity's account then it may be worth considering giving out the funds as per the Trust Deed and closing the accounts. The Trust Deed states that the funds are to be spent on education purposes for children living in Grenoside. This would be a better option than continuing the current situation. There are some governance issues with the current administration of the Charity but in discussion with the Clerk he stated that both the Council and Charity were aware of them, and was confident that they will be addressed as a matter of urgency

### Completion of the Annual Governance and Accountability Return (AGAR)

I noted that the Council had correctly provided for the period for the exercise of public rights on the Council's website.

As part of the audit process, I complete page 3 of the AGAR. This contains a listing of internal control objectives, and my audit determines if they have been achieved. I found a good accounting system in operation, and I was able to tick all areas of this page of the AGAR positively. My only concern was that the Council had properly met its responsibilities as a trustee, but the Clerk outlined future proposals for improvement which persuaded me to tick box O on the AGAR positively.

### Conclusion and Recommendations

The internal audit was conducted over several weeks, some staff members were ill in this period, and we had to wait for the Rialtas close down being actioned. Consequently, it was a little fragmented, but it has addressed all the internal control objectives required.

The recommendations from the audit are as follows.

- Consideration of the streamlining of the bank accounts.
- Consideration of the implementation of an Investment Policy.
- A review of the Council's responsibilities as a Trustee for the Grenoside Exhibition Charity.
- Completion of the Return to the Charity Commission of the 2021/22 accounts for the Grenoside Charity Committee.

I would like to thank Laura and Andrew for their help during the audit and I would like to wish Ecclesfield Parish Council all the best for the future.

Diane Brown - Internal Auditor Ecclesfield Parish Council 31/05/2022