

Summary Internal Audit Report

Council:	WHITWICK PARISH COUNCIL		Year ending:	31 March 2021
Internal Auditor:	Richard Willcocks		Date of report:	27/05/2021
Audit review date(s)	Interim	09/03/2021	Final	27/05/2021

To the Chairman of the Council:

1. Introduction

In accordance with the terms of my engagement, I have undertaken a review of **Whitwick Parish Council's** records, policies, and procedures for the financial **year ending 31 March 2021**, following which I completed and signed the Annual Internal Audit Report (part 3 of the 2021 Annual Governance and Accountability Return).

2. Basis of Report

This internal audit report is based upon the National Association of Local Councils (NALC) recommended checklist, and Section 4 (Non Statutory Guidance for Internal Audit) of the 2020 Joint Panel on Accountability and Governance Practitioners' Guide.

The scope of this internal audit is focused on assessing the effectiveness of the Council's internal controls. Where any such controls are found to be deficient, the internal audit will help lead to improvement in those processes.

By applying the principles of internal auditing, outlined in the current Accounts and Audit Regulations and applying the approach to internal audit testing outlined in paragraph 1 above, every effort is made to ensure that all internal audits are conducted with due professional care, integrity and independence. All conclusions derived from the audit are based upon objective and traceable evidence.

3. Aims & Objectives

Whitwick Parish Council has a statutory duty to complete an Annual Governance and Accountability Return (the Annual Return) at the end of each financial year. As part of this Return, the Council's internal audit function is required to provide assurance that relevant procedures and controls were operating effectively for the financial year above. The purpose of this exercise is to meet those statutory requirements and provide the Council with an appropriate level of assurance in support of the Annual Return. *Internal audit does not involve the detailed inspection of all records and transactions of an authority in order to detect fraud.*

The Council is required to take appropriate action on all matters raised in reports from internal and external audit and to respond to matters brought to its attention by internal and external audit. Failure to take appropriate action may lead to a qualified audit opinion.

4. Scope of Audit

The internal audit exercise involves such testing of the evidence of and evidence of compliance with the 15 statements contained in the **Annual Internal Audit Report** of the Annual Governance and Accountability Return (AGAR), as applicable to the range and financial materiality of the Councils' activities. The statements refer to:

- A. Maintenance of proper financial records and periodic bank reconciliations.
- B. Compliance with the Council's Standing Orders, Financial Regulations and proper accounting for VAT
- C. Adequacy of risk management arrangements.
- D. Effective budgeting, budgetary control and an appropriate level of reserves.
- E. Identification of income due and timely collection and banking of such monies.
- F. Proper administration of petty cash.
- G. Proper administration of salaries of employees and expenses paid.
- H. Maintenance of an accurate and reliable asset register.
- I. The completion of regular bank reconciliations.
- J. The correct basis and accurate preparation of year-end accounts.
- K. Meeting the criteria for exemption from a limited assurance review (if applicable).

- L. The publication of information on a website in accordance with the Transparency Code for Smaller Authorities (if applicable).
- M. Correctly applying the exercise of public rights during the previous year period.
- N. Whether the Council has met its responsibilities as a trustee.

5. Findings

The outcomes of the recommended testing required for assurance purposes is shown in the following documents provided under separate cover:

- Internal Audit Checklist.
- Internal Audit Checklist-Appendix 1: Key Policies, Procedures & Documents Review.
- Internal Audit Checklist-Appendix 2: Transaction Spot Check.
- Internal Audit Process (available on request)

6. Recommendations

Audit Year Raised	Internal Audit Report Checklist			Compliance Category *	Comments
	Section	Ref	Recommendation		
2021	2. Due Process	2.6	That a full job description is prepared for the newly approved apprentice position and that the Parish Manager is involved in the recruitment process, to ensure that the most suitable candidate is recruited.	2 (OFI)	Working in the parish office with access to a range of financial and administrative data, it is important that successful recruit has a defined role and fully understands the role of an apprentice.
2021	2. Due Process	2.14	That the Council <u>considers</u> the following recommendation from the 2021 JPAG Practitioners' Guide i.e. that a parish council's website should utilise the exclusive GOV.UK domain name and that this domain name should also be used to support the Council's official email accounts, for both officers and councillors.	2 (OFI)	This recommendation was published for the first time in the 2021 JPAG Practitioners' Guide and is therefore applicable for the financial year commencing 01/04/2021. See pages 61 & 62 of the 2021 JPAG Practitioners' Guide.
2020	7. Bank Reconciliations	7.4	That updating of the Unity Trust bank mandate is completed as soon as possible	3 (MinNC)	Delays in completing the online mandate login activation by some councillors has resulted in the update process being needed to be restated.

7. Other Comments/Observations

In my previous years' (2020) internal audit report, I made reference to the Coronavirus pandemic, which at that point had just begin to take hold, with an initial lockdown introduced. Whilst it was clear then that this pandemic would affect all local authorities in some way e.g. governance, administration and financial, I'm sure that not many of us anticipated that a year on restrictions would still be in place. These restrictions have impacted in a number of areas of Whitwick Parish Council's operations e.g. remote meetings, home working for staff and closure of premises. It is the latter of these where any financial downturn would be incurred through the loss of non-precepted income from hall hire, events and activities etc. This Council has not been affected significantly because of this but has taken action to ensure that it can continue to operate within its means by

monitoring its finances regularly, reducing expenditure where possible and utilising reserves as applicable and when necessary.

Regarding this internal audit, it is again pleasing to note that any recommendations made in my previous internal audit report continue to be addressed before the next internal audit is under way, thus reflecting the professionalism and attention to detail of the Clerk. The three new recommendations made in section 6 above are all made with the aim of ensuring that the Council and the Parish Manger working together can ensure that good governance and best practice is maintained.

Therefore, the overall internal audit opinion for this Council is: **GOOD ***

** = see Compliance Categories and Definitions of Internal audit assurance below.*

8. Acknowledgments

The help and co-operation of Cathy Tibbles, Clerk to the Council, is again much appreciated by the internal auditor. In particular for agreeing to undertake the pre and post financial year end review meetings remotely via Zoom.

Yours sincerely,



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COMPLIANCE CATEGORIES

1. Compliant:	Adherence with the requirements of the audit question. No major or minor non-conformances found.
2. Opportunity for Improvement (OFI):	<p>A situation or condition of internal control that may be weak, cumbersome, redundant, overly complex, or in some other manner, may, in the opinion of the internal auditor, offer an opportunity for the Council to improve its current status.</p> <p>OFI's do not necessitate any immediate remedial action on the part of the Council; however, the Council should give them serious consideration in view of the internal auditor's knowledge and exposure to similar controls and processes.</p> <p>An OFI may be an improvement to the internal control system or could prevent future problems.</p>
3. Minor Non-compliance (MinNC):	<p>A non-compliance that, based on the judgment and experience of the internal auditor, is not likely to result in the failure of the internal control system or reduce its ability to ensure effective control is maintained.</p> <p>It may be either:</p> <ol style="list-style-type: none"> 1. A failure in some part of the Council's internal control and assurance relative to a specified requirement. 2. A single observed lapse in following one item of testing of the Council's internal controls.
4. Major Non-compliance (MajNC):	<p>The absence or total breakdown of an internal control process necessary to meet a specified requirement.</p> <p>A number of minor non-compliances against one requirement can represent a total breakdown of an internal control process and thus be considered a major non-conformity.</p> <p>Any non-compliance that would result in the probable delivery of a non-conforming service or action by the Council. Conditions that may result in the failure of or materially reduce the usability of the Council's services for their intended purpose.</p> <p>A non-compliance that, in the judgment and experience of the internal auditor, is likely to either to result in the failure of an internal control process or to materially reduce its ability to assure effective internal control.</p>

INTERNAL AUDIT ASSURANCE DEFINITIONS

AUDIT OPINION	EXPLANATION
GOOD	<p>There is a sound system of internal control designed to achieve the Council's objectives.</p> <p>The internal control processes tested are being consistently applied.</p>
ADEQUATE	While there is a basically sound system of internal control, there are weaknesses, which may put some of the Council's objectives at risk.
LIMITED	Weaknesses in the system of internal controls are such as to put the Council's objectives at risk. The level of non-compliance puts the Council's objectives at risk.
UNSATISFACTORY	<p>Control processes are generally weak, leaving the processes/systems open to significant error or abuse.</p> <p>Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.</p> <p>Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.</p>