Thorp Arch Parish Council Internal Audit Report for the year ending 31st March 2022.

Introduction

My role as your internal auditor is to make sure that there are robust controls in place which ensure that the Council is functioning effectively. Internal auditing is an independent assurance activity designed to improve an organisations operation. It helps an organisation accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The scope of this audit, albeit it remote, is to look at the policies and procedures currently in place, to examine financial transactions in 2020/21 and to make recommendations for improvement. The conclusions reached from the audit will be based on the information given to me by Tina Wormley, Parish Clerk and Responsible Financial Officer. The audit started with a zoom session to facilitate a discussion of the year being audited and I gave Tina a list of the documentation needed which was scanned and emailed to me.

At the close of the audit, I will complete the internal audit page of the Annual Governance and Accountability Return (AGAR). As usual, the output from this audit, which is my report should go to full council and be discussed and the recommendations considered.

 Previous Audits

The starting point of any audit is to look at the output from previous audits. There were no issues reported by the External Auditor on their end of year certificate within the Annual Governance and Accountability Return (AGAR) for 2020/21

My recommendations from 2020/21 were as follows and the notes in italic are the actions taken as advised by Tina.

My recommendations from this audit are as follows,

* I understand that progress is being made regarding the maximisation of funds and there are plans to open an interest earning account. Dealing with banks is rarely an easy process when changing and opening new accounts and banking mandates and the Pandemic has further impeded progress. *This has not been actioned yet. Tina and I discussed this and agreed that an interest earning account should be set up with HSBC. It would make it easier to be able to transfer funds between the Councils current account and the savings one. Although interest rates are not high now any interest accrued will go towards off setting bank charges.*
* The setting up of a Project Plan for CIL.  *This has been actioned.*

Policies and Procedures

I examined the Policies and Procedures documents on the Council’s website. They included,

* Internal Controls Document
* Risk Assessment Policy
* Asset Register
* Standing Orders
* Financial Regulations
* Reserve Policy

The Risk Assessment Policy is dated March 2021 and requires updating. In addition, The Financial Controls Document was also dated March 2021. This should be reviewed in time for the internal audit as assertion 2 of the Annual Governance Statement which requires that the Council maintained an adequate system of internal control designed to prevent fraud and corruption.

Council Minutes

To ascertain council activity in the year being audited I examined all minutes for the year. I noted good practice in the minutes of regular bank reconciliations brought to Council, details of all expenditure and detailed budget monitoring documentation. All queries resulting from this exercise were all satisfactorily answered by Tina.

Website

Thorp Arch Parish Council has a good user-friendly website. I was able to find the expected documents on it. This included the Annual Governance and Accountability Return (AGAR) for 2021/22 which included the provision of public rights during the summer of 2021 This requirement is now an internal control objective on the AGAR so must be checked.

Councillor’s Disclosure of Pecuniary Interest Forms (DPI’s)

 Listed below are the current councillors, the DPIs for all councillors are on the website. I found this area to be satisfactory.

Steve O’Loughlin

Nicola Midgley

Ian Grainger

David Hartley

Amy Surtees

I had only one comment in that Amy Surtees DPI was in the name of Amy Crooks, so a fresh DPI requires completion to reflect the change in name.

I noted that the Council has adopted a new Code of Conduct.

Financial Transactions

Tina emailed me scans of the bank statements for the year being audited. I also

examined a sample of bank reconciliations for the year and was satisfied as to their accuracy. I noted good practice in the Council minutes in that financial information including the bank statements was presented to Council.

At the year-end there was a total of £99,652.17 in the Council’s bank account. This was checked to both the cash book and bank statement. The carry forward has increased owing to the receipt of £37k of Community Infrastructure Levy monies (CIL). This is the final tranche of monies for current house building in the Parish. CIL monies are time limited in that they must be spent in a determined period and on specific activity. They can be spent on the provision, improvement, operation, or maintenance of infrastructure. Or anything else that addresses demands that the housing development places on the area. This gives the Council the freedom to spend the money on a wide range of matters, but it must be in consultation with the community. Consultation has taken place and a CIL Project Group has been set up to project manage the agreed developments.

I recommended last year that an intertest earning account should be set up. This becomes more pressing as more cash is held in an account that does not generate interest. The bank is in a favourable position in that it is holding this amount and charging the Council for their services. I discussed this with Tina, and we agreed that an interest earning account with the current banking provider HSBC could be a way forward. It would be easier to set up and although interest rates are not high any interest accrued could be set against the charges. In this way the Council can evidence that it is maximising all available funds.

I examined the Asset Register and it required updating to remove assets of £2,595 which have been written off and therefore need removing.

Tina is in the process of putting in an annual claim for VAT reimbursement of £1,890.32. I found this area to be satisfactory.

 Staffing

There have been no changes to employees since my last audit. Tina had an appraisal in March 2021. I found this are to be satisfactory.

Recommendations

My recommendations from this audit are as follows,

* Updating the Internal Controls Document.
* Updating the Risk Assessment process
* Funds not being used in the short term to be transferred to an interest earning account.
* Written off items taken off the asset Register.

Conclusion

 Based on my findings, I concluded that the control objectives were being achieved throughout 2021/22 to an adequate standard as specified in the Annual Internal Audit page of the AGAR and I ticked all the relevant boxes positively.

This is my final year as your Internal auditor as I am retiring. I would like to thank Tina for her help during the audit process, as always it was a pleasure to work with her. I would also like to wish all the best to Thorp Arch Parish Council for the future.

Diane Brown- Thorp Arch Parish Council Internal Auditor 20/04/2022