

Internal Audit Report

HARWELL PARISH COUNCIL – YEAR END AUDIT REPORT 2017/18

Annual Return Completion:

Section 1: [Yes – to be signed](#)

Section 2: [Yes – to be signed](#)

Section 4: [Yes](#)

The following Internal Audit was carried out on the adequacy of the systems of control:

Income Controls	Precept and other income, including s106 monies. Income controls were checked and income received and banked cross referenced with the Cash Book and bank statements.
Asset Control	Inspection of asset register and checks on existence of assets Cross checking on insurance cover A separate asset register is in place. The cost value has been entered in Section 2 Box 9 of the Annual Return.
Bank Reconciliation	Regularly completed and cash books reconcile with bank statements All were in order. The bank statements reconciled with the end of year accounts and bank reconciliations for all accounts.
Year-end procedures	Appropriate accounting procedures are used and can be followed through from working papers to final documents Verifying sample payments and income Checking creditors and debtors where appropriate. End of year accounts are prepared on an Income and Expenditure basis and were all in order.
Sole Trustee	The Council has met its responsibilities as a trustee The Council is not a sole trustee.
Risk Assessment	The Risks to the Parish Councils objectives have been fully documented and reviewed and adequate controls put in place to manage those risks. The Council Risk Assessment has not been reviewed in the current year, despite last year's audit report identifying shortcomings including that the document does not refer to the Council's objectives. It is also noted that the Risk Assessment has not been updated to show status of actions due to be completed during 2016. <u>Recommendation 2.</u>

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Recommendations:

1	<p>Issues Raised in Previous Reports</p> <p><u>Issue</u> Two issues raised in the internal audit last year have not been considered and addressed by the Parish Council. These issues relate to the inadequacy of the Risk Assessment; and the NALC advice concerning Internal Audit. Both issues are included in this report (Issues 2 and 3). Although the 2016/2017 Internal Audit Report was circulated to the Parish Council at their June meeting, and in July agreed that the issues would be looked at when the Risk Register was updated. This has not been done during the year, despite reminder by the Clerk. This leaves the Parish Council exposed to unmitigated risks and also unable to demonstrate that it operates in a properly controlled manner. Furthermore, it is often the case that where Risks are not properly understood and managed that further issues will emerge. Issue 4 is an example of this and the Parish Council are perhaps fortunate that the Financial Records for the year were materially correct.</p> <p><u>Recommendation</u> The Parish Council should review the Internal Audit Report in full and agree appropriate actions for each reported issue at the first available meeting. Each action should be allocated a named owner and expected completion date. Progress on all open actions should be formally tracked at each Parish Council meeting and only closed when the Parish Council are satisfied that the risk has been appropriately addressed. This is in line with the Financial Regulations 1.13.</p>
2	<p>Risk Assessment</p> <p><u>Issue</u> Although a Risk Assessment has been documented, the document does not begin by stating the objectives of the Parish Council. If the Risk Assessment is not based on a complete list of objectives, then some key risks may not be identified and consequently controls not implemented. Examples of risk areas that appear to have been omitted include Business Continuity Planning; Discharge of Legal Obligations; Compliance with Regulations and Policies; and Loss of key personnel (other than Clerk). The Parish Council should also schedule for a regular review of the risk assessment to ensure that it remains up to date and that any actions have been completed as planned.</p> <p><u>Recommendation</u> The Parish Council should complete a fresh Risk Assessment which should document all the objectives of the Parish Council, the risks to those objectives and the controls related to those risks.</p> <p>It is recommended that the impact of each risk should be assessed as High, Medium or Low so that appropriate controls can be implemented. Each control should be assessed in terms of design (does it work) and operation (have there been instances where it hasn't been effective). Together these will help the Parish Council to manage their internal</p>

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	control environment most effectively – knowing that all the risks to important activities are appropriately controlled in proportion to the scale of each risk or that the Parish Council have a plan to remediate any inadequate controls by a set date.
3	<p>Internal Audit</p> <p><u>Issue</u> The NALC paper ‘Governance and Accountability for Smaller Authorities in England’ recommends that authorities should periodically carry out a review of the effectiveness of their overall internal audit arrangements at least once every three years and also in the year of any change of internal audit provider or responsible finance officer (4.21).</p> <p>The Communities, Parish and Local Councils (CPALC) suggest that:</p> <ul style="list-style-type: none"> • A good internal audit will comprise 2 parts at different times of the year; • The interim audit is mainly an audit of the Council’s processes and procedures; • It may also include an audit of transactions to ensure the completeness of the Council’s records; • The final audit is undertaken after year end so that account balances may be verified and any problems found at the interim audit have been addressed by the Council; • The Internal Auditor reports to the Council, not the Clerk or RFO; • Written reports should be submitted to the Council after both interim and final audits • The reports should be available on a timely basis to all Councillors so that they can meet their duty to protect the public purse. <p><u>Recommendation</u> The Parish Council should consider the approach to audit assurance including the adequacy of the year-end audit, the need for interim audits and how the internal audits should be reported.</p>
4	<p>Reconciliation of accounts and petty cash</p> <p><u>Issue</u> The monthly reconciliation of the Bank Account and Petty Cash Book is no longer evidenced by Councilor signature or initial. This makes it difficult to show that the control is operated regularly and by an independent councilor on a rotating basis. Several small errors identified in audit testing indicate that the control is not operating adequately and so may not protect the Parish Council funds from loss through error or fraud.</p> <p><u>Recommendation</u> The Parish Council should immediately re-establish the control and report to Parish Council if the control has not operated in the preceding period. Each reconciliation should be dated and evidenced by initial or signature.</p>
5	<p>Payroll Errors</p> <p><u>Issue</u> Small differences were noted between the salary payments made and the calculation of deductions by the HMRC in almost 25% of cases. These differences have been identified</p>

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by the Clerk and corrected through petty cash to ensure that the correct payments were made to HMRC and employees.

Recommendation

Although the amounts involved are not material, the proportion of errors needing correct warrants an investigation into the cause of these errors and to identify how to align the figures produced through payroll with the payments calculated by HMRC.

Comment from Clerk

As discussed with the auditor, these small amounts result from HMRC's calculations of income tax due & are corrected through petty cash rather than changing the standing order at the bank by a few pence. (Calls to the bank regularly involve over 20 minutes' waiting time)

Additional Comments/Recommendations

- Further smaller recommendations were left with Clerk to consider including improvements to the Asset Register, Documentation on the website and whether the use of Fuel Cards delivers best value.
- The Parish Council website and Harwell News seem to be effective in making relevant documents available to public inspection and promoting open government.
- I would like to record my appreciation to the Clerk to the Council for her assistance during the course of the audit work

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14th June 2018

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