

Internal Audit Report

HARWELL PARISH COUNCIL – INTERIM AUDIT REPORT NOVEMBER 2018

Scope

The Internal Audit was carried out at the request of Harwell Parish Council to assess the progress made to mitigate the five issues arising from the 2017/18 annual audit. In particular, the audit has focused on the Risk Assessment coverage to confirm that all the activities the Parish Council is responsible for are identified, assessed and controlled appropriately.

Background

Harwell Parish Council (HPC) is a corporate body granted powers by Parliament to set the precept. The precept is primary source of funds that enable HPC to fulfil its responsibilities to manage land belonging to the parish (the recreation ground, allotments, cemetery and Freeman Orchard) and to represent the community to the District Council and County Council, including planning, highways, traffic, community safety, housing, street lighting, allotments, cemeteries, litter, war memorials, seats and shelters, and rights of way. HPC consists of 11 councillors (currently one of these positions is vacant) and 4 employees and operates from premises located in the Village Hall.

A number of small issues raised in the annual audit gave concern that HPC may not have had sufficient focus on operating a sound framework of internal control, especially as one control was no longer operated. This was not helped by inadequacies in the design of the Risk Assessment process.

During 2018, membership of HPC appears to have stabilised after a period of high turnover and change of Chair. This has at last enabled HPC to thoroughly revisit its Risk Assessment process, which although not yet complete, is developing on a much more rigorous basis.

Findings

HPC has nominated Councillors to revise the Risk Assessment approach and it has sought external help in developing a template. This is intended to replace the current Risk Register which has evolved over time in a somewhat haphazard fashion and does not readily link back to the objectives and responsibilities of HPC nor clearly show actions and accountabilities for managing those risks. The new design incorporates data and links to objectives that were missing from the previous version. However, as the new template has not yet been completed for HPC review, it does not yet help with the internal control environment.

Conclusion

HPC has made significant progress in the revision of its Risk Assessment, but will not benefit from this work until a version has been approved and adopted by HPC. It is recommended that HPC imminently adopt a version that demonstrates complete coverage of responsibilities and activities, albeit without all the control effectiveness assessments complete. These assessments should then be completed before the next annual review, or sooner should any incidents occur, or concerns be expressed relating to those unassessed controls. HPC need to design a process for the annual review, drawing on the staff and other councillors to get a complete picture of how well the controls have operated to manage each risk.

Recommendations:

1	<p>Approval and Review of the Risk Assessment</p> <p><u>Issue</u> The revised Risk Assessment has not yet been completed and approved which means that the Parish Council may continue to be exposed to unmitigated risks and unable to demonstrate that it operates in a properly controlled manner.</p> <p><u>Recommendation</u> The Parish Council recognise that a Risk Assessment is a continually evolving document and are putting in a lot of effort to produce a comprehensive document that addresses the weaknesses previously identified.</p> <p>The HPC should be asked to approve an interim version of the Risk Assessment which incorporates the alignment of objectives and risks and appropriate response (Accept, Reduce, Mitigate, Avoid). Where risks have not been completely evaluated, the ongoing work could be identified with, for example, an amber status.</p> <p>The HPC should also document and approve an annual review process that involves Councillors and staff with relevant knowledge to quantify each risk and assess control effectiveness. This will help ensure that the Risk Assessments remain current, and ongoing work is completed.</p>
2	<p>Risk Assessment</p> <p><u>Issue</u> The new Risk Assessment is being documented on a template derived from the Prince2 Project Management methodology. Whilst this is more rigorous and addresses the shortcomings of the existing risk assessment, it also seeks to capture datapoints which are superfluous to the HPC needs and which may impede the completion and ongoing maintenance of the Risk Assessment.</p> <p><u>Recommendation</u> HPC should adopt a more streamlined template which highlights areas requiring HPC focus.</p> <p>It is recommended that each risk should be assessed as High, Medium or Low (based on an Impact and Probability matrix) 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).</p> <p>Together these will help the Parish Council to manage it's internal 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 has a plan to remediate any inadequate controls by a set date.</p>
3	<p>Interim Internal Audit approach</p> <p><u>Issue</u> 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 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 working with the new internal auditor to agree a rolling 3-year plan for interim audits. This plan should be built on the risk assessment and topics identified in such a way that the interim audits form part of the control environment.</p>
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Additional Comments/Recommendations

- I would like to record my appreciation to the Chair, Councillors and Parish Clerk to the Council for their assistance during the course of the audit work

Jonathan Wood
19th November 2018