

# Pelton Parish Council

Serving the communities of Grange Villa, High Handenhold, Newfield, Pelton, Pelton Lane Ends, Perkinsville

## Pelton Parish Council

**Report to:** Full Council  
**Date:** 28<sup>th</sup> June 2017  
**Report Author** Mrs Maxine Robinson, Act. Parish Clerk  
**Subject:** Effectiveness of Internal Control

### 1. INTRODUCTION

1.1 The Accounts and Audit Regulations require Councils to undertake an annual review of their internal control arrangements which supports the Annual Governance Statement (Section 1 of the Annual Return) and report the outcome of the review to an appropriate meeting of the Council. This review should include a review of the effectiveness of the Council's system for the management of risk.

1.2. A review for the year 2016/17 has now been undertaken and details are provided below.

### 2. INTERNAL AUDIT

2.1 The Accounts and Audit Regulations require a Council to "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control". An annual review of the effectiveness of this system of internal audit is beneficial as part of continually improving governance and accountability. The review is designed to provide sufficient assurance for the Council that standards are being met and that the work of internal audit is effective.

**2.2. Current Arrangements** - The Council's current Internal Auditor was formerly the Audit Manager at Easington District Council, up to its abolition, and currently provides the internal audit service for several local town and parish councils. The Internal Auditor carries out a review each year on our internal controls in accordance with section 4 of the Annual Return, and if required on selected systems during the year.

2.3. Review - Guidance recommends that the review of internal audit covers five categories and these are addressed below.

2.4 **Scope of Internal Audit** – The Internal Auditor carries out all relevant work to satisfy Section 4 of the Annual Return, and any agreed systems work during the year. Reports are produced and all recommendations arising from the audit are discussed with the Parish Clerk.

2.5 **Independence** – The Internal Auditor is given access to all relevant personnel and to all reports, records and supporting documents. Reports are prepared in his name and there is no influence on any recommendations made. The Internal Auditor has no other role within the Council.

2.6 **Competence** – The Internal Auditor is a qualified internal auditor (C.M.I.I.A) and a member of the Institute of Internal Auditors, with many years experience in public sector auditing. There was no evidence of a failure to carry out internal audit work ethically, with integrity and objectivity.

2.7 **Relationships** – The Internal Auditor operates independently within the Council, with freedom to decide his audit priorities and no influence is exerted on the outcome of the audit. The respective responsibilities of officers and internal audit are defined in relation to internal control, risk management and fraud and corruption matters.

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- 2.8 **Planning and Reporting** – The Internal Auditor arranges planning of any work with the Parish Clerk and is available throughout the year for advice. Any Internal reports are submitted to the Parish Clerk and to the relevant Committee and to the external Auditors with the Annual Return.
- 2.9 The purpose of the review of internal audit is to assess effectiveness, and I believe that the Internal Auditor provide an effective internal audit service to the Parish Council. Audits are undertaken on each of the areas within Section 4 of the Annual Return and if required, recommendations were made in an action plan of each of the areas, to improve arrangements and a report submitted.

### **3. INTERNAL CONTROL**

- 3.1 Internal control is the range of policies, procedures and other arrangements designed to safeguard the assets of the Council, and to reduce the chances of losses through fraud, corruption and error. Internal audit is part of internal control, and this has been reviewed in Section 2 of this report. I will now address the remaining features of internal control.
- 3.2 The Parish Council has Financial Regulations and Standing Orders in place which are reviewed and agreed by Council every year to ensure that they are fit for purpose. A recommended list of policies and procedures was received from SLCC and NALC showing what policies the Council must have regarding statutory requirement, those which are good to have and are an audit requirement. This list has been revisited by the new Clerk and progress is being made in reviewing these with a timetable showing when this will be carried out. Any reviewed policies are reported to Council.
- 3.3 I consider that these internal control arrangements are satisfactory bearing in mind the size of the Council and the limited capability for ensuring a division of duties.

### **4. RISK MANAGEMENT**

- 4.1 Another element of internal control is risk management. Risk is the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and to successfully execute its strategies. Risk management is the process by which risks are identified, evaluated and controlled. It is a key element of the framework of governance together with community focus, structures and processes, standards of conduct and service delivery arrangements. A corporate risk assessment review should be undertaken at least annually so as to achieve its priorities and service objectives, and has been reviewed by the Council.
- 4.2. The Council has a risk register which is reviewed annually. The Risk Register along with the asset register were reviewed at the 4<sup>th</sup> January 2017 budget meeting.

### **5. CONCLUSION**

- 5.1. I consider that the Council has adequate internal control arrangements in place.

### **6. RECOMMENDATION**

- 6.1 In the light of the above assessment I would Recommend that Members accept the report on the effectiveness of internal control.

Signed

**Mrs. Maxine Robinson**

**Clerk**

Signed

**Cllr. Gerry Walker**

**Chairman**

28<sup>th</sup> June 2017

Acting Parish Clerk Report prepared 17<sup>th</sup> June 2017

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### Pelton Parish Council

Report to: Full Monthly Council Meeting  
Date: 28<sup>th</sup> June 2017  
Report Author: Mrs Maxine Robinson, Act. Parish Clerk  
Subject: Annual Governance Statement 2016 – 17

In accordance with the requirements on the Responsible Financial Officer (RFO) the following framework has been agreed by Council

In preparing this report, I have consulted the Internal Auditor, Mr. Gordon Fletcher.

The Annual Governance Statement (AGS) is a means to inform the taxpayers and to show how the Council's accountability to the public framework operates, by the onus being on local councils to prepare a report on their activities for the year.

The approach relies on self-certifications by councils that their internal arrangements are being maintained at a level consistent with good practice. The Accounts and Audit Regulations 2015 require smaller authorities to conduct a review of their effectiveness of their systems of internal control and to prepare an annual governance statement in accordance with proper practices. The purpose of this report being to report publicly on its arrangements for ensuring that its business is conducted in accordance with the law, regulations and that the public money is safeguarded and properly accounted for.

#### **1. We have put in place arrangements for the effective financial management during the year and for the preparation of accounting systems.**

- 1.1 Throughout the year, Full Council have on a monthly basis scrutinised Council accounts and have, at least quarterly done a full bank reconciliation of the accounts. Every month, all invoices and payments have been presented to Full Council, where payments have been either agreed, or further clarification requested before payment, then payment in all cases has been made by cheque.
- 1.2 The Finance Committee has met to consider accounts, review the budget and prepare for the budget setting process prior to setting the Precept. The Full Council and Finance Committees have also met to consider the Internal and External Auditor Reports, recommendations and have reviewed progress on actions taken.
- 1.3 In February, the Council took the decision to purchase the Rialtas Alpha Accountancy System as the programme of choice to accurately record the Council's financial affairs and produce the reports required to assist members in the management of the Council's

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finances. The full year's accounts were subsequently up-loaded to the system. This has proved to be an asset in demonstrating the Council's finances and will help in future budget management.

- 1.4 The Full Council and Finance Committee will, during the coming year, develop a medium / long term financial plan, which the council will review in September, once both Internal and External Auditor's reports are known and any comments which might be made are responded to. The Rialtas Alpha programme will assist in the MTFP process.
- 1.5 The Internal Auditor will do a further audit in the coming financial year to see how the Rialtas programme is functioning within Council business requirements and expectations.
- 1.6 The Council considered and adopted the accounts at its May meeting. By formally approving the accounts, the Council asserts that it has prepared the accounts in the way prescribed by law and in accordance with proper practices.

### **2. We have maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.**

- 2.1 The Council asserts that they have undertaken this role at least once during the year and have considered its Financial Standing Orders and Audit Reports. The Financial Standing Orders, Standing Orders, Risk Assessment and Asset Register are reviewed annually. The insurance policy was reviewed in conjunction with the Asset register, employees and roles and responsibilities of councillors and volunteers in order that the correct level of insurance was identified. The insurance also includes fidelity insurance.
- 2.2 The Council reviewed the Allotment rent collections and risk assessed the process. The Council and Allotment Associations worked together to adopt a robust protocol to indicate the process to be undertaken and the recording and banking arrangements required.
- 2.3 The Council established an improved system of staff records and management, including improved recording of time sheets, holiday cards, staff training and HMRC records.
- 2.4 The Council undertook a review of the HMRC PAYE services and concluded that the ongoing problems of storing data would be more cost effectively served by using accountancy services. HMRC Pay role is now contracted out.
- 2.5 The Council have a legal responsibility to offer a pension fund to all employees. The NEST pension scheme has been chosen and will be managed by the same accountancy service as for HMRC PAYE, commencing during 2017/18. There are no employees of the Council who are either eligible, or wish to be part of the scheme at the present time.
- 2.6 Local elections were held in May 2017. A Members Information Pack was developed for all councillors, containing current and recently reviewed Policies, Code of Conduct, Financial Standing Orders etc. so that all councillors were starting at the same point, with up to date information at their finger-tips.
- 2.7 During 2017/18 a Staff Handbook will be established.
- 2.8 All policies are reviewed on a regular basis and are adopted at the Annual Parish Council

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Meeting in May. Some policies have been with the Council for several years and while there has been little change, they still need to be reviewed. The Council has a Policy file with all policies listed as indicated by NALC as being essential or desirable. The Council is going through a planned review of all policies and each policy as it is reviewed during 2017/18 will be clearly identified as to the author, when it was adopted by council and when it is due for review.

2.9 A Planning Register has been established, which details all applications made in the ward, and the council's response made. Commenced May 2017

2.10 An order proforma has been established for purchases commencing May 2017

### **3. We took all reasonable steps to assure ourselves that there were no matters of actual or potential non-compliance with laws, regulations and proper practices that could have a financial or reputational impact on the Council.**

3.1 All financial matters are resolved at Full Council Meetings.

3.2 There is not a petty cash system, all payments are by cheque agreed at Full Council.

3.3 All Councillors are provided with up-dates, as produced by the County Association and NALC, as they are received.

3.4 In November, all Councillors, and the Clerk (Acting and recently left clerk), were offered training on the roles and responsibilities of the Councillor / Clerk / Council and how this related to the legal responsibilities / practices and expectancies of Council / Councillors. The training was provided through County Durham Association of Local Councils County Training Partnership.

3.5 All Councillors elected in May were provided with an induction pack (as detailed above).

### **4. We provide opportunity during the year for the exercise of elector's rights.**

4.1 The Council appointed an Acting Clerk at the end of October, in replacement of the previous Clerk. Since this appointment the Council has worked towards establishing better means of contact with the electorate, moving from a home run office to a part time Clerk, based in a local office in the community with part home working continuing. This commenced late 2016 in the local community centre and in March 2017 a firm office was established close to the Reception of the community centre. There are allocated times when open to the public.

4.2 The Council has 4 notice boards in the community where it displays all agenda, minutes, notices and other relevant information. It also displays some notices in the two community centres in the Ward. All details of the office and Clerk contact details are displayed here. This information will also be included on the web site – see below.

4.3 The Council has undertaken the development of a web site which will be operational during 2017/18 onwards.

4.4 The 2016/17 Accounts and other relevant information has been agreed to be posted on the Durham County Council website, via the Durham County Association Local Councils while

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the web site is being completed.

4.5 The Council has produced a newsletter in the past and aims to print a newsletter twice a year in the future. The next one will contain more information on the Council Office opening, how to contact the Council / Councillors and the annual report as well as other council information of interest.

4.6 Members of the public are invited to be present at all meetings and can participate during agenda item - Public Participation.

### **5. We have carried out an assessment of the risks facing the authority.**

5.1 A Financial Risk Assessment is completed every year and the contents of the risk assessment are the subject of Full Council scrutiny before adoption.

### **6. We have throughout the year an adequate and effective system of internal audit of the accounting records and control systems.**

6.1 Council has at every stage been presented with the financial business of the Council at its Full Council and Finance Meetings.

6.2 The Rialtas Alpha Accountancy System was investigated, live linked to the company to demonstrate its functions for members to review, then adopted in February 2017. All accounts are now on that system, which produces better reports to assist members in the management of the council business.

### **7. We took appropriate action on matters raised by internal or external audit.**

7.1 The Acting Clerk reviewed the internal and external auditors comments made over the last 2 years and identified where improvement could be made in a report presented to Council on 7<sup>th</sup> December 2016. Whilst there was not a failed audit, there were comments which Council needed to consider improving its level of functioning. The Acting Clerk also identified other areas where the Council could improve on the way it conducted its business. At the close of the Civic period, the following had been completed

- A. Three years VAT had been reclaimed
- B. All documentation is in order, as required by the auditor, and had been prepared for submission to the internal auditor.
- C. Proper review and recording of financial matters (correct wording) within the minutes.
- D. An independent accountant had been appointed for HMRC PAYE
- E. Bank reconciliations are being presented.
- F. HR, Policies committee established
- G. Matters of Information sheets initiated to prevent oversight of business occurring.
- H. Detailed budget setting and separate Precept setting and agreements established.
- I. Risk register completed and asset register and insurance policy subsequently reviewed
- J. Policies and Procedures updated and others under a schedule of review.
- K. Clerk's Terms and Conditions of Service reviewed and agreed.

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- L. Staged payments for larger grants
- M. Risk assessments and insurance proof from contractors – will be established in 2017/18 as contracts are out for tender / reviewed.
- N. Allotments – full review completed and risk assessment / rent collections and financial recordings completed.

**8. We consider any litigations, liabilities or commitments or events or transactions that affect the Council's accounts.**

8.1 This we believe has been found to be sound in both our accounts and minutes.

In essence, there has been a lot of administrative ground work covered during 2016/17 and systems are in place which demonstrate how the Council deals with its business and finances. Whilst there are areas identified in this document, which are programmed into the work schedule and meeting timetable for the coming year, we believe that we have complied with all the questions above. We have explained how the Council has met each of these areas and have implemented all recommendations noted over the last two years.

Mrs Maxine Robinson  
Acting Clerk  
15<sup>th</sup> June 2017

Signed

Chairman

28<sup>th</sup> June 2017