

Drewsteignton Parish Council – Agenda Support Document

Extra-ordinary Meeting to be held Thursday 25th June 2020

7.30pm via Zoom.

Agenda Item E5.6.20 b): Internal Audit Response & Review of effectiveness.

1. Confirmation of Audit Receipt

Drewsteignton Parish Council (DPC) acknowledges receipt of the Annual Internal Audit Report (year ending 31 March 2020) dated 27 May 2020 and thanks Melanie Bickell (appointed Internal Auditor) for her work.

DPC notes the commissioning of the report and prior Interim Audit Report (24 October 2019) was undertaken to enable DPC to prepare its Annual Governance Statement (AGS). The terms of reference stated as the “*Basis of Report*” are an acknowledgement of the DPC terms of appointment for the Internal Auditor.

The following audit responses reflect the formal review of the report by DPC members and commitment that DPC will develop action plans to address the audit findings and will report the status of the action plans to the council.

2. Internal Control Objectives – Internal Auditor’s Summary & Recommendations

DPC notes and accepts the Internal Control Objective findings for Objectives A to K inclusively. The report determines there is an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and its effectiveness has been satisfactorily reviewed.

3. Internal Control Objectives – Internal Auditor’s Summary & Recommendations

3.1 Assertion #1 - DPC accepts the audit findings and will develop a General Reserves Policy by December 2020. The Clerk has recently begun the exercise to change Bank provider and will action the requirement for a separate reserves account. All other arrangements for effective financial management are in place. The council will respond positively to this Assertion.

3.2 Assertion #2 - DPC accepts the audit findings that positive action has been undertaken since the prior Interim Report. DPC does not accept the audit finding that DPC have not carried out a review of the effectiveness of its system of internal control. The council in preparing and approving the Internal Audit Policy DPC 015 (March 2020) implemented measures designed to review the effectiveness of internal control. The submission of the Annual Internal Report to the council, our formal audit response including the review of the effectiveness of the Internal Auditor (Appendix 1) and review of the effectiveness of the DPC Internal Audit (Appendix 2) demonstrates a review of the effectiveness of our system of internal control. The council will respond positively to this Assertion.

3.3 Assertion #3 – DPC accepts the audit findings and will include details of our bank reconciliation, significant variances, and expenditure over £100 in the 2019/20 year-end accounts. On completion the council will respond positively to this Assertion.

3.4 Assertion #4 - DPC notes that the relevant parts of the year-end Accounts will be actioned under Assertion 3. The council will respond positively to this Assertion.

3.5 Assertion #5 – DPC does not fully accept the Audit findings and notes the council has taken steps to address the requirements of both the Freedom of Information Act and GDPR in preparing and approving its Data Protection Policy DPC013 (March 2020). The council will adopt the internal audit recommendation to create a Freedom of

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Information Policy/Procedure. The existing DPC website will be updated in 2020/21 and the new platform will allow all council policies to be displayed. As an interim measure, parishioners will be advised to contact the Clerk for copies of any policies. The council notes that other WDBC and Mid Devon PCs have the same issue to address, due to age and structure of their websites. The council has committed to provide Data Protection training for members and is currently awaiting a suitable course to be offered by DALC. The Clerk has been appointed as Data Protection Officer and has received training to support this role. The council considers there is limited risk of financial penalty or damage to reputation. The council will respond positively to this Assertion.

- 3.6 Assertion #6 - DPC accepts the audit findings that positive action has been undertaken since the prior Interim Report and that no areas of concern have been reported. The council will respond positively to this Assertion.
- 3.7 Assertion #7 - DPC accepts the audit findings that positive action has been undertaken since the Interim Report and accepts some actions remain to be completed. The completion of these actions will continue to be monitored by the council noting the need to protect the public purse, the availability of members (volunteers) and managing the priorities of the Clerk. The council will respond positively to this Assertion.
- 3.8 Assertion #8 - DPC accepts that no areas of concern have been reported. The council will respond positively to this Assertion.

4. **Responses to “Further Comments/Recommendations” not included in 2. Objectives or 3. Assertions**

- 4.4 Recommendation carried from interim audit October 2019 to be completed immediately – A Publication Scheme is adopted and published on the council’s website to comply with the Freedom of Information Act. (High Priority)

Response – Limitations of the existing website prevents publication of policies. Provision for has been made in the 2020/21 budget to update the website and quotations are currently being requested from local website developers. Opportunities to share costs with other local PCs are being explored.

- 4.6 Recommendation carried from interim audit October 2019 – Privacy Statement to be published on the council website to comply with the requirements of GDPR.

Response – DPC will prepare and approve a Privacy Policy by 30 September 2020.

- 4.8 Recommendation carried from interim audit October 2019 – Risk assessment to be carried out on Cllrs continuing to use personal email addresses and devices for council business to ensure GDPR requirements are being met – consider use of Cllr. own device/email policy (Medium Policy)

Response – DPC has switched email provider and as a result access, service and security concerns have been addressed. Use of private email addresses will be reviewed by the council and the recommendation to develop a Device/Mail Policy will be actioned by end September 2020.

- 4.9 Recommendation carried from interim audit October 2019 – Risk assessment to be carried out on Cllrs storage of council matters on personal devices/removable media

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to ensure GDPR requirements are being met – consider removable media policy 10.
(Medium Priority)

Response – the council does not consider the need to issue computer/notepad devices to members. The recommendation to develop a Media Policy will be actioned by 30 September 2020.

4.10 Recommend that the clerk is paid travelling costs reimbursed in accordance with the March 2019 Local Government NJC (England, Wales & Northern Ireland). Casual User Allowance Engine capacity (as per item 6.4 below) – currently paid at £0.45ppm (Medium Priority).

Response – the council has previously considered this matter (20 January 2020) and determined that it will align paid travel mileage rates with the policy of both Devon County Council and West Devon Borough Council, noting the need to protect the public purse.

The attached reviews of the **Effectiveness of the Internal Auditor** (Appendix 1) and the **Effectiveness of the DPC Internal Audit** (Appendix 2) form part of our response to Assertion #2.

Prepared by Cllr. Peter Brennan for 15 June 2020 PC meeting.

Appendix 1: Review of effectiveness of the Internal Auditor

Melanie Bickell has acted as the Drewsteignton Parish Council internal auditor for 2019/20 fiscal year. The work as Internal Auditor is done on a paid basis.

For internal audit to be effective, the following criteria have been considered:

Independence

Melanie Bickell has no involvement in the council's financial controls, procedures or decision making. The Internal Auditor is not related to, any member of the Council or the Clerk. The Internal Auditor has direct access to the Council should she think this necessary.

Competence

Melanie Bickell is a qualified FMAAT and operates as an individual. The Internal Auditor has experience of carrying out audit work for other local parish councils. The Internal Auditor has built up knowledge of local council finance over the years. The Internal Auditor has a copy of "Governance and Accountability for Local Councils – a Practitioner's Guide 2016" which the Internal Auditor uses as a reference tool for her audit work.

The council notes the issue on the 27 May 2020 of an incorrect report which included elements from both DPC and Merton PCs audit report. A revised report was subsequently received on the 5 June however, the report is dated the 27 May 2020. Contrary to the terms of reference, both reports were issued to the Clerk and not directly to council members.

There is no evidence or reason to believe that the internal audit was not be carried out competently, ethically and with integrity and objectivity.

Scope of Work

DPC is satisfied the scope of the internal audit work carried out by the Internal Auditor followed the suggested approach to internal audit provided by Appendix 9 of the "Governance and Accountability for Local Councils – a Practitioner's Guide 2016."

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Audit Report

Melanie Bickell has prepared a report in their own name and addressed it to the council. It has been presented in full to the council at the 15 June 2020 meeting and actions to be undertaken will be minuted.

Recommendation: That Drewsteignton Parish Council considers that the system of internal audit is sufficiently effective.

Signed by: _____ Date: _____

Print Name and Position: _____

Appendix 2: Review of the effectiveness of the DPC Internal Audit

Reviewed and adopted on 25 June 2020

Characteristics of 'effectiveness'	Evidence of Achievement	Areas for development
1. Scope of internal audit	Terms of Reference were approved on the scope of audit work and considered risk management processes and wider internal control. Risk Assessment defines audit responsibilities in relation to fraud	Review Audit Response process with Internal Auditor.
2. Independence	Internal Auditor has direct access to all records. Reports are made in own name to the council. Auditor does not have any other role within the council	Re-state need for report to be issued direct to council members.
3. Competence	No evidence that internal audit work has not been carried out ethically, with integrity and objectivity.	Avoid "cut & paste" errors.
4. Relationships	Responsible Officer consulted on the internal audit and on the scope of each audit. Responsibilities for officers and internal audit are defined in relation to internal control, risk management and fraud and corruption matters. The responsibilities of council members are understood; training of members is undertaken as necessary.	Review potential relationship conflict given DPC Clerk's roles with Winkleigh and Merton PCs.
5 Audit Planning and reporting	The Audit takes account of corporate risk. The details of the	None noted.

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	internal audit will be approved by the council as report received. Internal Audit has reported in accordance with the objectives and responsibilities of the council	
Internal audit work is planned	Planned Internal audit work is based on risk assessment and designed to meet the council's needs.	None noted.
Understanding the whole organisation its needs and objectives	The annual audit demonstrates how audit work will provide assurance in relation to the Councils responsibilities	None noted.
Be a catalyst for change	Supportive role of audit for developments such as risk management and ethics.	Both interim and annual reports have benefited DPC.
Add value and assist the organisation in achieving its objectives	Demonstrated through positive management responses to recommendations and follow up action where called for.	Both interim and annual reports have benefited DPC.
Be forward looking	When identifying risks and in formulating the annual audit, changes on national agenda are considered. Internal audit maintains awareness of new developments in the services and risk management	Future opportunity to develop.
Be challenging	Internal audit focuses on risks and encourages The council to develop their own responses to risks, rather than relying solely on audit recommendations. The aim of this is to encourage greater ownership of the control environment.	Response to Audit was a useful exercise for members to understand the process in more detail. Links to increased member knowledge.
Ensure the right resources are available	Adequate resource is made available for internal audit to complete its work. Internal Auditor understands the body and the legal and corporate framework in which it operates.	No issues noted.

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