

ETWALL PARISH COUNCIL

**Minutes of the Finance Committee held on  
Monday 9th May 2022**

Present:

**Committee Members:**

Cllr N Ireland (Chair), Cllr A Muller and Cllr B Payton.

In attendance: Clerk, Rachel Male.

425 **Apologies for Absence** – Cllr C Rowley and Cllr A Kirke.

426 **Declaration of Interests** – None.

427 **Public Speaking** – no members of the public present.

428 **To confirm and agree as a true record the non-confidential Minutes of the Etwall Parish Council, Finance Committee meeting held on 24th January 2022**

**RESOLVED** that the Minutes of the Finance Meeting held on 24th May 2022 were agreed as a true record.

429 **Terms of Reference for Internal Audit**

A draft budget document was discussed and ran through.

**RESOLVED** that the updated draft document (attached), be recommended to Council for approval

430 **Finance Risk Assessment Review**

A draft budget document was discussed and ran through.

**RESOLVED** that the updated draft document (attached), be recommended to Council for approval

431 **Meeting closed 19.21**

Signed: .....

Date: .....

# ETWALL PARISH COUNCIL

Report of the Finance Committee for recommendation to full Council

## **Internal Audit – Terms of Reference**

The Accounts and Audit Regulations 2006 require that all local councils review the effectiveness of internal audit on an annual basis and that all members of the council understand both their and the councils' responsibilities.

In order to comply with this requirement for the financial year (2021/22) a review was undertaken by the Finance Committee at a meeting on 9<sup>th</sup> May 2022, the outcome, 'The Terms of Reference for the Internal Auditor', is as follows: -

### 1 Scope of Internal Audit –

The Finance Committee, in consultation with the RFO (the Clerk), have reviewed the scope of the Audit Programme and are satisfied that it takes account of corporate risk.

The Finance Committee undertook a review of the Council's 'Financial Risk Assessment' document updating where necessary and is satisfied that the identified financial risks and internal financial controls are adequate.

### 2 Independence and Responsibilities –

The Finance Committee is satisfied that our new Internal Auditor, Brian Wood, is suitably independent of Etwall Parish Council, holding no other role and having no connection with any current members.

In the event of any fraud being uncovered by the appointed Internal Auditor direct access will be required to those charged with governance, i.e. the Chair.

The Finance Committee consider that all reports from the internal auditor should be made in writing and in the auditor's own name, and in addition completed on a 'negative basis' i.e. only those areas where improvements or amendments are recommended are included in the report. If, however there are NO matters arising, i.e. nothing to bring to the attention of Members, the report should say so.

### 3 Competence –

The Finance Committee is satisfied that our new internal auditor, Brian Wood, is suitably qualified and competent. There is no evidence that might suggest his previous audits have not been carried out ethically, and with integrity and objectivity. The Finance Committee therefore recommends his appointment as auditor of the council's accounts for the next financial year.

#### 4 Relationships –

The recommended Audit Programme has been prepared in consultation with the RFO.

The responsibilities of the RFO in respect of any audit of the council's accounts are defined in the 'Conditions of Employment'. The council's risk assessment document is reviewed at least annually in consultation with the RFO.

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In order to ensure the Parish Council conforms to the Accounts and Audit Regulations 2006, the Finance Committee offer the above report and list the following recommendations to the Parish Council for formal approval and acceptance.

The Finance Committee make the following recommendations:

- 1) The Council record that each member has a copy of the Parish Councils adopted Finance Regulations, Standing Orders and Finance 'Risk Assessment' documents.
- 2) That Brian Wood is our Internal Auditor for next year's financial audit.
- 3) The Council request the Internal Auditor carry out an audit of the Parish Council accounts as detailed in the audit programme attached as appendix 1
- 4) The Council request the Internal Auditor to report (in writing) in his own name in accordance with the plan.
- 5) The reviewed and updated 'Financial Risk Assessment' document should be adopted.
- 6) The Internal Auditor is given direct access to those charged with governance, i.e. the Chair.
- 7) The Internal Auditor is requested to submit reports on a 'negative basis'. If however there are NO matters arising, the report should say so.

## INTERNAL AUDIT SERVICE FOR ETWALL PARISH COUNCIL

## AUDIT PROGRAMME – 2021/22

I certify that I have carried out the tests detailed below in accordance with the suggested approach contained in the 2003 edition of "Governance and Accountability in Local Councils in England and Wales – A Practitioners Guide". Where an entry has been made in column 4 the supporting Working Papers are attached.

Signed.....Date.....

1 Internal Control	2 Tests	3 Initial if Yes	4 W/P Reference	5 Comments
Previous Internal Audit Report	Do the minutes record that Council has considered the Internal Audit Report for the previous year and the matters arising addressed?			
Proper bookkeeping	Is the cashbook maintained and up to date?			
	Is the cashbook arithmetically correct?			
	Is the cashbook regularly balanced?			
Standing Orders and Financial Regulations	Has the Council formally adopted Standing Orders and Financial Regulations?			
	Has a Responsible Financial Officer been appointed?			
	Have items or services above a de minimis amount been competitively purchased?			
	Are payments in the cashbook supported by invoices and have they been authorised and minuted?			
	Has VAT on payments been identified, recorded and reclaimed?			
	Is Section 137 expenditure separately recorded and within statutory limits?			
Risk Management Arrangements	Does a scan of the minutes identify any unusual activity?			

1 Internal Control	2 Tests	3 Initial if Yes	4 W/P Reference	5 Comments
Risk Management Arrangements (contd)	Do the minutes record the Council carrying out an annual risk assessment?			
	Is insurance cover appropriate and adequate?			
	Are internal financial controls documented and regularly reviewed?			
Budgetary Controls	Has the Council prepared an annual budget in support of its precept?			
	Is actual expenditure against the budget regularly reported to Council?			
	Are there any significant unexplained variances from budget?			
Income Controls	Is income properly recorded and promptly banked?			
	Does the precept recorded in the cashbook agree to the District Council's notification?			
	Are security controls over cash adequate and effective?			
Petty Cash Procedures	Is all petty cash spent recorded and supported by VAT invoices/receipts?			
	Is petty cash expenditure reported to Council?			
	Is petty cash reimbursement carried out regularly?			
Payroll Controls	Do salaries paid agree with those approved by Council?			
	Are other payments to the Clerk reasonable and approved by Council?			

1 Internal Control	2 Tests	3 Initial if Yes	4 W/P Reference	5 Comments
Payroll Controls (contd)	Has PAYE/NIC been properly operated by the Council as an employer?			
Assets Controls	Does the Council keep an Assets Register of all material assets owned?			
	Is the Register up to date?			
	Do asset insurance valuations agree with those in the Register?			
Bank Reconciliation	Is there a bank reconciliation for each bank account?			
	Is the bank reconciliation carried out regularly on the receipt of statements?			
	Are there any unexplained balancing entries in any reconciliation?			
Year-End Procedures	Are year-end accounts prepared on the correct accounting basis?			
	Do accounts agree with the cashbook?			
	Is there an audit trail from underlying financial records to the accounts?			
	Where appropriate, have debtors and creditors been properly recorded?			

## Etwell Parish Council - FINANCE - RISK ASSESSMENT

Items within remit of Finance Committee : ( NOTE: Some of these items are part of the RFO's responsibilities. )  
 Financial Regulations, Insurance, Spend to Budget, Budget planning, Insurance, Maintain Financial Calendar

Item	Risk	Impact	Probability	Actions
1	Public Liability (Mandatory)	H	L	Continue existing cover
2	Employers Liability (Mandatory)	H	L	Continue existing cover
3	Money (Mandatory)	H	L	Continue existing cover
4	Fidelity Guarantee (Mandatory)	H	L	Amend annual cover in line with the formula – total balances plus 50% precept
5	Property (Buildings and Machinery) & Property Contents (see Insur Schedule for complete list of items)	M	L	Continue with insurance cover and review regularly
6	Officials Indemnity (Councillors and Clerks)	M	L	Continue with existing cover
7	Libel & Slander (Councillors, Clerk and other employees)	M	L	Continue with existing cover
8	Personal Accident (Councillors, Clerk and other employees)	L	L	Covered
9	Legal Expenses (Mandatory) (Claims against Council)	M	L	Covered
10	Accounting System (Loss of data due to system fault)	M	L	Back up data weekly and store off site. Passwords to be kept by Chair & Vice Chair
11	Loss of Services of Employee	L	M	Immediately advertise any vacancy (if permanent loss) and request help from remaining employees to cover temporary loss or consider temporary employment
12	Administration (Sudden loss of Clerk )	M	M	Immediately advertise vacancy. Enlist assistance of Temp. Clerk if possible. As last resort, arrange temporary cover from within Council for Payroll etc
13	Administration (Payment Arrangements)	L	L	All Payments must be reported to Council for approval. All Cheque stubs and invoices must be initialled by signatories. Electronic payments to be authorised by two members.

## Etwell Parish Council - FINANCE - RISK ASSESSMENT

Item	Risk	Impact	Probability	Actions
14	Pension and payments to HMRC not paid timely	M	L	RFO to have systems in place to ensure payments are made by the correct date.
15	Administration (Bank Reconciliation)	L	L	To be carried out on receipt of each Bank Statement and reported at each PC meeting
16	Agency Advice	L	L	Continue with Membership of DALC
17	Failure to ensure reviews of charges not undertaken	L	L	Where applicable All committees to review level of charges annually.
18	Incorrect Precept	L	L	Ensure proper detailed consideration of all Council requirements when preparing to calculate Precept.
19	Precept – Inadequate monitoring of performance	H	L	Continue to regularly consider budget monitoring report
20	Illegal Expenditure	L	L	Always ensure expenditure is within legal powers before approval.
21	Accounting – Non-standard and/or non-compliant records kept	H	L	Ensure adequate, complete and statutory financial records and accounts are kept. The use of proprietary software will ensure smooth transition when changing Clerks / RFO's.
22	Accounting – Non-compliance with statutory deadlines for the completion/approval/submission of accounts and other financial returns	H	L	Ensure that all accounts and returns are completed and submitted by the deadlines
23	Accounting – Non-compliance with internal audit requirements	H	L	Ensure an Internal Auditor has been appointed
24	PC budgets overspent	M	L	Include Monthly report of 'Spend to Budget' within Council Meeting.
25	Financial Regulations not adhered to	H	L	Clerk to monitor. Internal Auditor to Report
26	Section 136 claims not processed on time	H	L	RFO to monitor.



## Etwall Parish Council - FINANCE - RISK ASSESSMENT

27	Internal Audit Terms of Reference	H	L	Internal Audit Terms of Reference annually approved in accordance with the minimum requirements suggested in 'Governance and Accountability in Local Councils in England and Wales – A Practitioners Guide' Appendix 8 Page 129.
		H	L	Internal Audit takes into account the Council's risk management processes (this document) and internal controls
		H	L	Terms of reference define audit responsibilities in relation to fraud (direct reporting to Chairman/Council).
28	Internal Audit - Independence	H	L	Independence - Internal auditor has direct access to those charged with governance (Council).
		H	L	Internal audit reports made in own name to management.
		H	L	Internal auditor to have no other role within the Council.
		H	L	Competence – There should be no evidence that the internal audit work has not been carried out ethically, with integrity and objectively.
		H	L	Relationships – Responsible officers (Clerk/RFO) is consulted on the internal audit plan and on the scope of each audit.
		H	L	Responsibilities for officers and internal audit are defined in relation to internal control, risk management and fraud and corruption matters.
		H	L	The responsibilities of the Council Members are understood.
29	Internal Audit – Planning and Reporting	H	L	The audit plan properly takes account of corporate risk.
		H	L	The Council has approved the plan.
		H	L	Internal audit is expected to report on a “negative” basis (report only areas of concern/recommendations).