

4 May 2022

Jane Olds
13 Oak Close
Bicester
Oxfordshire
OX26 3XD
01869 247171
janeolds.parishclerk@gmail.com

Internal Audit Report for North Leigh Parish Council

From Jane Olds – Internal Auditor

I reviewed the documents provided and met with the Clerk, Allison Leigh, on 28 March via Zoom and finalised the information on 4 May on receipt of the AGAR.

BASIS OF REPORT

This internal audit report is based upon the JPAG (Joint Panel on Accountability and Governance) Governance and Accountability for Smaller Authorities in England 2021 publication.

The scope of this internal audit is focused on assessing the effectiveness of the Council's internal controls and was outlined in the original Letter of Engagement. Where any such controls are found to be deficient, the internal audit will help lead to improvement in those processes.

By applying the principles of internal auditing, outlined in the current Accounts and Audit Regulations and applying the approach to internal audit testing outlined above, every effort is made to ensure that all internal audits are conducted with due professional care, integrity and independence. All conclusions derived from the audit are based upon objective and traceable evidence.

Please note: it would be incorrect to view internal audit as the detailed inspection of all records and transactions of the Council in order to detect error or fraud. It is the periodic independent review of a Council's internal controls resulting in an assurance report designed to improve effectiveness and efficiency of the activities and operating procedures under the Council's control. Managing the Council's internal controls should be a day-to-day function of the staff and Councillors and not left for internal audit. (Source: Governance and Accountability for Smaller Councils - A Practitioners' Guide 2021 – Section 4).

Annual Return Section	Process	Findings	Recommendations and actions
A	Bookkeeping Arrangements	Appropriate books of account have been kept properly throughout the year and are well maintained with sound audit trails.	No further recommendations.

Annual Return Section	Process	Findings	Recommendations and actions
B	Council's Financial Regulations have been met with regard to expenditure	<p>The Council's Financial Regulations have been met in that appropriate authorisations have been given for each level of expenditure.</p> <p>Payments were supported by invoices, and expenditure was approved and VAT appropriately accounted for.</p>	No further recommendations.
C	Review of Internal Controls	<p>The Council did not update the Risk Assessment during the financial year.</p> <p>However, I have seen the draft.</p>	<p>Ensure that the Risk Assessment is reviewed annually – preferably at the beginning of the Financial Year in order that it can be used as a working document throughout the year.</p> <p>JPAG recommendations, should be used (currently starting at 5.89 and criteria 5.91).</p>
D	Budgetary Controls (Precept requirement)	The annual Precept requirement resulted from an adequate budgetary process.	While all was considered at a meeting, both the draft budget amount (both expected expenditure and expected income) and the Precept amount should be agreed by Full Council and Minuted.
D	Budgetary Controls (Budget monitoring)	Progress against the budget was monitored and minuted regularly.	No further recommendations.
D	The final Outturn is in line with expectations.	The final outturn was materially in line with expectations.	No further recommendations.
E	Income controls	Expected income was fully received and properly recorded.	No further recommendations.
F	Petty cash controls	Petty cash is not operated by the Council.	No further recommendations.
G	Payroll controls	Salaries to employees were paid in accordance with Council approvals.	No further recommendations.

Annual Return Section	Process	Findings	Recommendations and actions
H	Asset Controls - the register has correctly recorded all material assets?	The current asset register has correctly recorded all material Assets. The correct basis of valuation has been applied.	No further recommendations.
H	Asset Controls - all additions correctly recorded?	Additions in the year have been correctly recorded within the Cash Book and Register.	No further recommendations.
H	Asset Controls - all Deeds and Titles established and shown on register?	Deeds and Titles need to be established and shown on the Register.	Investigate the Land Registry numbers and show on the Asset Register.
I	Bank Reconciliations	Periodic and year-end reconciliations were properly carried out.	No further recommendations.
J	Accounting Statements	The Accounting Statements prepared during the year were prepared on the correct accounting basis and were supported by an adequate audit trail.	No further recommendations.
K	Limited Assurance Review Exemption	The Council does not meet the exemption criteria.	No further recommendations.
L	Information published on website	The information is available.	No further recommendations.
M	Exercise of Public Rights	The Parish Council published the exercise of public rights on the website and noticeboard.	Note that the earliest date for 21/22 is 1 June due to the Jubilee bank holiday.
N	AGAR Publication Requirements	The Parish Council complied with the publication requirements for the 2020/21 AGAR	No further recommendations.
O	Trust Funds (If applicable)	The Parish Council does not operate as a Trustee.	No further recommendations.

Transparency Compliance

Process	Criteria	Findings	Recommendations and actions
Review of Internal audit action plan has been considered and actioned?	Good Practice	The Internal Audit had not been reviewed the previous year.	See below.

Process	Criteria	Findings	Recommendations and actions
External Audit recommendations have been considered and actioned.	Good Practice	The Conclusion of Audit report had been received for 20/21 and had been published on the website.	No further recommendations.
		Findings: 1. CTRS grant had been included in Box 2 which was not correct. 2. RFO approved Section 2 after the Council had approved it. 3. Public Rights dates set for 32 days rather than the statutory 30 in 19/20.	Ensure Box 2 for 20/21 is restated correctly and consider Assertion 3 when completing Section 1 (Annual Governance Statement) of the 21/22 AGAR RFO to ensure that Section 2 is approved before the meeting. Ensure that the dates are just 30 working days including the first 10 working days of July.
Accounting Statements agreed and reconciled to the Annual Return	Section 2 of the Annual Return is complete and accurate and reconciles to the statement of accounts.	The accounting statements in this annual return present fairly the financial position of the Council and its income and expenditure.	No further recommendations.
Compliance with the Transparency Act	While the Parish Council does not fall in to the criteria for Councils below the £25k threshold, it is good practise for Parish Councils above the threshold to comply.		
Compliance with the Transparency Act	1) Expenditure over £100 is recorded on the Council Web-Site and with all information requirements	Available on the website.	No further recommendations.
Compliance with the Transparency Act	2) Annual Return published on the Web-Site	Available on the website.	No further recommendations.
Compliance with the Transparency Act	3) Explanation of significant variances	Not currently available.	Recommend including in the future.
Compliance with the Transparency Act	4) Explanation of difference between Box 7 & 8 if applicable	Not applicable.	No further recommendations.

Process	Criteria	Findings	Recommendations and actions
Compliance with the Transparency Act	5) Annual Governance Statement recorded	Available on the website.	No further recommendations.
Compliance with the Transparency Act	6) Internal Audit Report Published	AGAR report available on the website.	Include the full Internal Audit report on the website too.
Compliance with the Transparency Act	7) A List of Councillors' responsibilities	Available on the website.	No further recommendations.
Compliance with the Transparency Act	8) Details of Public Land and Building Assets	Not currently available.	Recommend including in the future.
Compliance with the Transparency Act	9) Minutes & Agenda	Available on the website.	No further recommendations.

Further Recommendations:

Following the completion of the Internal Audit, the Council should undertake a review of effectiveness as per Regulation 6 of the Accounts and Audit Regulations 2015. A blank form can be supplied.

Training

The Clerk and the Councillors should be encouraged to take up the training offered by the local County Association and SLCC to increase their knowledge and expand the Clerk's professional development. The Clerk may like to consider CiLCA (Certificate in Local Council Administration) in the future; the expenditure for this should be paid for by the Council, but can be split over different employers if necessary. CiLCA would be of great benefit, not only to the Clerk's professional development, but to the Council, particularly the possibility of the adoption of the General Power of Competence.

Employment

The Clerk is employed by the Council and the Council, therefore, should be mindful that it is, as a corporate body, an employer. The Council should be commended on beginning the appraisal process and should be reminded that this should be ongoing. It was noted that the Clerk's hours were fewer than those of other Councils of a comparable size; the Council may wish to ask either OALC or SLCC to undertake a review of the Clerk's hours.

Council Business

It was noted that the May meeting was after 6 May but appeared to have been held virtually when the provision for meeting online had finished. The Council should be mindful that any decisions taken at virtual meetings after 6 May should have been re-affirmed at a legally convened in-person meeting.

Standing Orders

On initial inspection of the documents, it was noted that while the Council had reviewed the Standing Orders annually, they had not been updated for some time and do not appear to be based on the latest NALC model (published in 2018). The Council should be reminded that it is the Council as a body which

is responsible for ensuring that the documents are kept up-to-date when new versions are published by NALC.

Risk Assessment

As mentioned above, the Risk Assessment should be reviewed annually – preferably at the beginning of the financial year – so that it can be used as a working document. Unfortunately, this was omitted in this financial year. Consideration will need to be given to Assertion 5 of Section 1.

Banking

Consideration should be given to bank accounts which hold more than £85,000 due to the Financial Services Compensation Scheme thresholds. Holding all the funds in one bank account is not prudent. Additionally, there are more appropriate ways of investing the funds for a more satisfactory return.

Finance Reports

I recommend that the Council includes a financial report as part of the papers for the regular meeting agenda which is publicly available. This should include the state of the bank accounts (amounts in the bank accounts), any outstanding payments, any standing order or direct debit transactions and any income received.

I also recommend that the Council receives and publishes a budget monitoring report of actual expenditure over budget at least quarterly in order that the Council is able to ensure expenditure is on track.

Financial Responsibility and Budget Setting

It was noted that some payments were made by a Councillor and then reclaimed. With the new debit card in place this should now be avoided as all payments should be made by the Clerk.

It was noted that a Councillor, on occasion, had negotiated expenditure outside a meeting. The Council should be reminded that while the Clerk may have delegated authority (generally in conjunction with the Chairman / Vice Chairman) to approve emergency spending (for matters such as health and safety) between meetings, no Councillor may act to authorise any expenditure or agree contracts individually.

I noted the previous Internal Auditor's comments about Direct Debits and Standing Order payments. I recommend that a formal list of regular payments (monthly and annual) is considered and agreed at the April meeting.

Payments

I noted that some of the invoices I reviewed did not have formal minute references because they were described as 'long term agreements' which had been agreed prior to the Clerk's employment or sometimes that the agreement to actually undertake the work / place the order was not worded clearly in the Minutes.

I recommend that long term agreements – such as the cemetery bin emptying or the grass cutting – should be reviewed at least every three years, particularly to ensure that the Council is obtaining best value for money.

More attention should be taken in minuting decisions of expenditure; this should include the name of the contractor / supplier together with the amount of expenditure agreed.

Reserves

I noted that the Council had fairly significant reserves but that much of these were not currently earmarked for specific projects. I strongly recommend that much of the general reserve is allocated to earmarked reserves as, moving forward, the Council could find it difficult to justify the Precept with the current levels. Advice on allocating reserves is published in the Joint Practitioners Guide from Section 5 of the 2022 edition.

I also recommend that the Council adopts a Reserves Policy which is reviewed annually in order to explain the different types of reserves and record the levels of the Reserves appropriate for the year.

Assets

The Parish Council assets should be inspected for risk and the condition minuted at least annually. This should be a project for the entire Council. The main Asset Register should list the items individually in order to ensure that the correct dates of purchase and values – both purchase price and insurance – are recorded.

Members' Interests

As part of the Localism Act 2011, the District Council is required to receive and publish the Members' Interest forms of Parish Councillors. The Council should ensure that there is a link from the Parish Council website to the appropriate part of the District Council's website.

GDPR / Information Publication Scheme

It is good to see that the Council has registered with the Information Commissioner. The ICO requires that a publication scheme which details where the information can be obtained is adopted by the Council. A model publication scheme is available on the ICO website.

Councillor Email Accounts

As part of GDPR, it is recommended that all Councillors should use the email addresses provided for them by the Council.

Document Management

In our discussions, I noted that many of the Parish Council Minute books and records are stored in the Memorial Hall. As the Minute books are the only record of the meetings and should be kept in perpetuity, I strongly recommend that just the last five years or so are kept with the Clerk, with the rest being deposited with the County Archive for safety. A review of other documents, both paper and electronic, should also be undertaken following adoption of a Document Retention policy.

The Council currently backs up the electronic documents onto a USB 'stick'. This technology is notoriously unreliable and an alternative backup should be used. I recommend using the Cloud as file storage - such as OneDrive or Dropbox - together with at least one external hard drive.

Conclusion

The above are recommendations to help the Council improve its processes and in no way detract from the work it, and the Clerk, has already done.

North Leigh Parish Council Precept for the year 21/22 was set at £30,000.

In general, I believe that the Council has competent arrangements in place to satisfy itself that its systems of internal financial control are transparent and effective. There are approval and authorisation controls to minimise risk. The audit and management trail for financial transactions is good.

This report should be noted and taken to the next meeting of the Council for minuting to inform them of the Internal Audit work carried out.

I hope that this report is of help to the Council. If you would like any further assistance or clarification, please do contact me.

Jane Olds

Jane Olds
Internal Auditor