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2022/23 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 5 May via Zoom and finalised the information on 7 May.

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 2022 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 2022 – 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	The Council has adequate Internal Control provision including a Councillor Responsible for Internal Financial Control.	Adopt an Internal Controls policy and checksheet to help the Councillor understand the role.
C	Review of Risk Assessment	The Council has assessed the significant risks to achieving its objectives using their Risk Assessment; the document was adopted at a meeting on 11 May 2022 and has been published.	<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> <p>The SLCC has a template document in the Advice section which the Council may find useful to use to ensure that all points are covered.</p>
D	Budgetary Controls (Precept requirement)	The annual Precept requirement resulted from an adequate budgetary process.	No further recommendations.
D	Budgetary Controls (Budget monitoring)	Progress against the budget was monitored and minuted regularly.	No further recommendations.

Annual Return Section	Process	Findings	Recommendations and actions
D	Reserves were appropriate	Reserves required more explanation.	The Council should be mindful that the amounts of reserves held should be available publicly. A policy should be devised.
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.
E	VAT	VAT had been appropriately accounted for.	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.	Minute for noting the salary scale, amount and number of hours following the Clerk's review.
H	Asset Controls - all material assets correctly recorded	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 and removals 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.
H	Investment Registers	No investment register was currently required.	No further recommendations.
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.

Annual Return Section	Process	Findings	Recommendations and actions
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 notice on the website and noticeboard with the following dates: 14 June to 25 July.	The Public Rights Dates Calculator should help in the future.
N	AGAR publication Requirements	The Parish Council complied with the publication requirements for the 2021/22 AGAR.	No further recommendations.
O	Trust funds (If applicable) – the Council met its responsibilities as a trustee	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 been reviewed the previous year.	No further recommendations.
External Audit recommendations have been considered and actioned.	Good Practice	The Conclusion of Audit report had been received for 21/22 and had been published on the website. Findings: The Council should have answered 'no' to Box 4 of Section 1. The Council should have answered 'no' to Box 5 of Section 1.	Ensure that the Council takes the Internal Auditor Report into account before considering the Annual Governance Statement.

Process	Criteria	Findings	Recommendations and actions
		The Internal Auditor should have answered 'no' to Box M as the dates included one additional day.	
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 Code	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 Code	1) Expenditure over £100 is recorded on the Council website and with all information requirements	Available in the minutes.	No further recommendations.
Compliance with the Transparency Code	2) Annual Return published on the website	Available on the website.	No further recommendations.
Compliance with the Transparency Code	3) Explanation of significant variances	Available on the website.	No further recommendations.
Compliance with the Transparency Code	4) Explanation of difference between Box 7 & 8 if applicable	Not applicable.	No further recommendations.
Compliance with the Transparency Code	5) Annual Governance Statement recorded	Available on the website.	No further recommendations.
Compliance with the Transparency Code	6) Internal Audit Report Published	Available on the website.	No further recommendations.
Compliance with the Transparency Code	7) A List of Councillors' responsibilities	Available on the website.	No further recommendations.
Compliance with the Transparency Code	8) Details of Public Land and Building Assets	Not currently available.	Recommended including in the future.
Compliance with the Transparency Code	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 should be supported in training her completion CiLCA (Certificate in Local Council Administration) which will 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. Investment in staff is essential, particularly as the Council should recognise that a qualified professional Clerk is the Council's main asset.

The Council may also support the Clerk's attendance at SLCC conferences as part of professional development.

The Councillors should continue to be encouraged to take up the training offered by the local County Association to increase their knowledge.

Risk Assessment

As mentioned in Point C. above, the Council must assess the significant risks to achieving its objectives, but the current document does not comply with all the recommendations in the Practitioners' Guide. I recommend that the template document provided by SLCC is adapted and adopted.

Reserves

As mentioned last year, the Council has significant reserves but that much of these funds were not currently earmarked for specific projects.

I strongly recommend that the Parish considers the earmarked reserves and agrees to adopt a full Reserves Policy which should be reviewed annually. Guidance can be found in the latest edition of the Practitioners' Guide (JPAG). The Policy should be published as this is public money which should not be concealed.

Moving forward, the Council could find it difficult to justify the Precept with the current levels.

Local Council Administration (CAB)

As mentioned in OALC's updates last autumn, it is recommended that all Councils hold a reasonably up-to-date version of Local Council Administration (formerly known as Charles Arnold Baker after the first author). The Council's copy is the 11th Edition. As the 13th Edition has recently been published, I recommend investing in a new copy. A discount can be obtained from the SLCC Bookshop or via NALC.

Cyber Security

With instances of cyber crime and attacks on councils increasing, I recommend ensuring that passwords are strong and that online security is in place. Not only should there be a backup of data to the cloud, but also a monthly backup to a removable hard drive to ensure that if the cloud data is corrupted or held to ransom, there is a reasonably recent backup which can be re-installed.

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.

I have noted that many of the actions which I recommended last year have been completed; the Clerk and Council should be commended for this.

North Leigh Parish Council has an electorate in the region of 1834 and the Precept for the year 22/23 was set at £50,000.

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