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Internal Audit Report for Tetsworth Parish Council

From Jane Olds – Internal Auditor

I reviewed the documents provided and met with the Acting Clerk, Paul Carr, on 12 April via Zoom and finalised the information on 26 April.

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	The Council's Financial Regulations have been met in that appropriate authorisations have been given for each level of expenditure. Payments were supported by invoices, and expenditure was approved and VAT appropriately accounted for.	No further recommendations.
C	Review of Internal Controls	I have noted that Council has assessed the significant risks to achieving its objectives using their Risk Assessment and have seen the document.	The Risk Management Assessment is adequate. However, the Council should review and update it annually using the JPAG recommendations (2021 version - starting at 5.89 and criteria 5.91) and publish it on the website.
D	Budgetary Controls (Precept requirement)	The annual Precept requirement resulted from an adequate budgetary process.	Both the budget amount and the Precept amount should be agreed and Minuted separately by Full Council.
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.
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.

Annual Return Section	Process	Findings	Recommendations and actions
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 shown on the Register.	Publish the registration numbers 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.	Include accompanying meeting documents wherever possible.
M	Exercise of Public Rights	<p>The Parish Council published the exercise of public rights on the website and noticeboard.</p> <p>The External Auditor noted in their report that the name of the RFO was not included on the AGAR; however, the name was available on the document inspected.</p>	<p>I recommend that the notice is posted on the noticeboard, published in the Finance section of the website, and that the dates are noted and Minuted prior to publication. Ensure that the hard copy is signed.</p> <p>Note that the earliest date for 21/22 is 1 June due to the Jubilee bank holiday.</p>
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.	Conduct a review of effectiveness.
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.	
		Findings: as above in point M, the EA believed that the Notice did not have the name of the RFO on the Electors' Rights notice.	Ensure that the RFO signs the hard copy of the Electors' Rights notice and that the name is typed on the form.
		The time frame between approval of the AGAR and the commencement of the public rights period was unacceptable according to the External Auditor.	Ensure the notice is published as soon as practicable after the meeting the AGAR is approved.
Accounting Statements agreed and reconciled to the Annual Return	Section 1 of the Annual Return Part 1 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	Not currently available.	Good practice to include this.
Compliance with the Transparency Act	2) Annual Return published on the Web-Site	Available on the website.	No further recommendations.

Process	Criteria	Findings	Recommendations and actions
Compliance with the Transparency Act	3) Explanation of significant variances	Not currently available.	Include on the website.
Compliance with the Transparency Act	4) Explanation of difference between Box 7 & 8 if applicable	Not applicable.	No further recommendations.
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 Available on the website.	Also publish the detailed report.
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	Available on the Asset Register.	Include on the website.
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 Councillors – and Clerk once appointed – 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 ILCA or CiLCA (Certificate in Local Council Administration) in the future.

Agreement to purchase resources such as the latest edition of the 'yellow book' *Local Council Administration* should also be considered.

Minutes

On reviewing the Minutes, I noted that items for decision were occasionally being raised under the topic of "Matters Arising" and "Any Other Business". All items for decision should have their own clearly written motion / agenda item in order that the Council – and any members of the public – are able to prepare adequately for the meeting; this will also help to focus the members on the items of business needing decision. Therefore, I recommend changing "Matters Arising from the Minutes" to "Update on Progress from the Minutes (where decisions are not to be made)" and "Any Other Business" to "Items for information or next agenda". I hope that this will help with focus, but I can provide more guidance if needed.

Financial Responsibility

While the Clerk/RFO is responsible for the day-to-day running of the Parish, the Council should be reminded that, as a corporate body, it is the Council which is responsible for financial governance; this responsibility should not be taken lightly. The Council may wish to adopt an Internal Financial Control Policy for guidance and appoint a Councillor Responsible for Internal Financial Control.

Risk Assessment

As mentioned in Point C. above, the Council must assess the significant risks to achieving its objectives. The current document should be reviewed and could be updated into a table with the inclusion of the likelihood of the risk multiplied by the impact. The Joint Practitioner's Guide (2022 version: <https://www.nalc.gov.uk/library/our-work/jpag/3698-practitioners-guide-2022/file>) gives comprehensive advice from point 5.84 (page 43).

Budget Setting

I should like to see more significance made of the budget and precept setting. The overall budget total should be minuted and a draft budget published for consideration. For clarity, once the budget has been considered, the total amount of Precept should also be minuted. It then helps to clarify the amount requested is the amount deposited by the District Council.

Finance Reports

I have seen that the Council provides a financial report, but this should be published prior to the meeting as part of the agenda papers.

Payments

I noted that quite a few of the invoices I reviewed did not have formal minute references. I recommend that long term agreements or regular suppliers – such as the dog 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.

I recommend that other payments such as the annual subscriptions or mobile telephone contract should be included in a list of regular expenditure which should be agreed at the April meeting for the new financial year. It may be more convenient to set up standing orders for some of the regular, monthly, payments.

Debit Card

While the Council does not hold petty cash (rightly in my opinion), to reduce the need for the Clerk and Councillors to make personal expenditure on behalf of the Council, the Council may like to consider the provision of a debit card or charge card on the bank account for the Clerk / RFO in order that items such as Zoom, anti-virus software or website domain names can be bought in the Parish's name without the need to resort to the Clerk or another Councillor having to use their personal accounts. With the appropriate safeguards and procedures this would be acceptable.

Reserves

I 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 JPAG.

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.

Document Management

In our discussions, I noted that many of the Parish Council Minute books are still in the Parish. As these 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.

Conclusion

The above are recommendations to help the Council improve its processes and in no way detract from the work it has already done, particularly managing without a Clerk for some time.

Tetsworth Parish Council has an electorate in the region of 584 and the Precept for the year 21/22 was set at £27,000.

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