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2021/22 Internal Audit Report for Hailey Parish Council

From Jane Olds – Internal Auditor

I reviewed the documents provided – which covered the year April 2021 to March 2022 – and met with the Clerk, Tracey Cameron, on 14 June via Zoom. I finalised the information following receipt of the AGAR on 1 July. This report only covers the above year and should not be used for the year 2022/23.

Unfortunately, I have not been able to finalise my report as quickly as I would have liked due to the length of time it has taken to receive much of the information.

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 throughout the year and are maintained with audit trails.	No further recommendations
B	Council's Financial Regulations have been met with regard to expenditure	The Council's Financial Regulations appear to 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 did not appear to assess the significant risks to achieving its objectives using their Risk Assessment.	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. JPAG recommendations should be used (currently starting at 5.89 and criteria 5.91). Question 1 of AGAR Section 1 should be considered carefully in view of the findings.
D	Budgetary Controls (Precept requirement)	The annual Precept requirement resulted from an adequate budgetary process.	The budget amount (both expected expenditure and expected income) and the Precept amount should be agreed and minuted in order that the final outturn can be confirmed.
D	Budgetary Controls (Budget monitoring)	Progress against the budget was monitored regularly.	Ensure that the progress is minuted and that the budget monitoring report is published.
D	The final Outturn is in line with expectations.	The final outturn appears to be in line with expectations.	No further recommendations.

Annual Return Section	Process	Findings	Recommendations and actions
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?	I have not seen current asset register but I have been assured that no assets have been purchased in the year 21/22.	I would have expected the litter bins purchased in June and August, the Tommy figure and the two finger posts to be considered as assets.
H	Asset Controls - all additions correctly recorded?	With my comments above in mind, I would consider that additions in the year have not been correctly recorded within the Cash Book and Register.	The Asset Register should be updated as soon as possible.
H	Asset Controls - all Deeds and Titles established and shown on register?	Deeds and Titles do not appear to be included on the Register.	Establish the Title numbers for the land and buildings and include it on the asset register.
I	Bank Reconciliations	While the periodic reconciliations appear to be in order, it was not possible to ascertain whether the year-end reconciliation was properly carried out as I have not received all the bank statements to check the balances.	Ensure that all bank statements requested by the Internal Auditor are provided in good time.
J	Accounting Statements	The Accounting Statements prepared during the year appear to have been prepared on the correct accounting basis and were supported by adequate invoices. However, it has been difficult to gather the full information.	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.

Annual Return Section	Process	Findings	Recommendations and actions
M	Exercise of Public Rights	The Parish Council published the exercise of public rights on the website and noticeboard with the dates 23 June to 2 August. This was one day too short.	Ensure that the Electors' Rights dates are for 30 working days and cover the first ten working days of July. Minute the dates for information.
N	AGAR Publication Requirements	The Parish Council complied with the publication requirements for the 2020/21 AGAR.	Ensure all the documents are published on the website.
O	Trust Funds (if applicable)	The Parish Council operates as a Trustee for two external bodies – Allotment for the Labouring Poor and the Joan Smith Educational Charity. It is understood that returns have been filed.	Ensure that the accounts are kept separate from the main Parish Council administration.

Transparency Compliance

Process	Criteria	Findings	Recommendations and actions
Review of Internal audit action plan has been considered and actioned?	Good Practice	It did not appear that the Internal Audit had been reviewed the previous year.	Ensure that the Internal Audit Report is received and minuted.
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: Electors' Rights dates incorrect.	Ensure the dates are correct. Question 4 of AGAR Section 1 should be considered carefully in view of the findings.

Process	Criteria	Findings	Recommendations and actions
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.	It has not been possible to ascertain whether the accounting statements in this annual return present fairly the financial position of the Council and its income and expenditure as I have not received all the bank statements or cash book requested.	Ensure that all information is provided in a timely manner.
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 on the website.	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	Available on the website.	No further recommendations.
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 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. I recommend including a regular agenda item and budget for training.

Minutes

On reviewing the Minutes, I noted that agenda items for "Matters Arising" and "Any Other Business" were often included. 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".

As 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 should help with focus and avoid the times when decisions may be made by accident under those two items.

Financial Responsibility and Budget Setting

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 and this responsibility should not be taken lightly. I understand that the Council has now appointed a Councillor Responsible for Internal Financial Control to help the Clerk.

Banking

I recommend that the Council reviews the bank mandate annually as part of its review of finances in April.

The Council should consider the provision of a debit card or charge card on the bank account in the Clerk/ RFO's name in order that items such as Office 365, 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.

Payments

I noted that a number of the invoices I reviewed were paid for by Councillors and then reimbursed. This can cause issues with the VAT reclaim as it should be the Council which places the order and pays the bill. While the Council as a corporate body may make a payment, Councillors do not have individual authorisation to spend. Therefore, all expenditure should be made through the Clerk. This is for the protection of the Councillors as much as the Council.

I recommend that other payments such as the annual subscriptions should be included in a list of regular expenditure which should be agreed at the April meeting for the new financial year.

Risk Assessment

As mentioned in Point C. above, the Council must assess the significant risks to achieving its objectives, but it does not appear that the Risk Assessment was reviewed last year. The new document must cover all the financial aspects of Council business – the Joint Practitioner’s Guide gives comprehensive advice. The Council must consider and assist in completing the document as soon as possible as it is the Council which must take responsibility for this with the Clerk’s guidance.

Reserves

I noted that the Council had reserves but that much of these did not appear to be 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.

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.

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.

Document Management

I note that many of the Parish Council Minute books are in the Village Hall. 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 using the Document Retention policy.

Conclusion

The above are recommendations to help the Council improve its processes.

Hailey Parish Council has an electorate in the region of 984 and the Precept for the year 21/22 was set at £35,266.

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