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2022/23 Internal Audit Report for Waterperry with Thomley Parish Council

From Jane Olds – Internal Auditor

I reviewed the documents provided and met with the Clerk, Lawrence Wootten, on 26 April via Zoom and finalised the information on 20 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 reasonable Internal Control provision.	The adoption of a policy and Councillor Responsible for Internal Financial Control is recommended.
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 23 February and has been published.	The Risk Management Assessment is adequate. However, the Council should review and update it annually using the JPAG recommendations (2022 version - starting at 5.84) and publish it on the website. Attention may need to be given to the recommendation at 5.92 relating to the assessment matrix.
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 and minuted regularly.	No further recommendations.
D	Reserves were appropriate	Reserves were adequately accounted for.	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.

Annual Return Section	Process	Findings	Recommendations and actions
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.	No further recommendations.
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 and removals 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?	There are currently no Deeds or Titles.	No further recommendations.
H	Investment Registers	No investment register was 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 meets the exemption criteria.	No further recommendations.
L	Information published on website	The information is fully 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: 1 June to 14 July.	No further recommendations.
N	AGAR publication Requirements	The Parish Council complied with the publication requirements for the 2021/22 AGAR.	No further recommendations.

Annual Return Section	Process	Findings	Recommendations and actions
O	Trust funds (If applicable) – the Council met its responsibilities as a trustee	The Parish Councillors operate as Trustees for an external body. Returns are filed.	Advice should be obtained on the unusual nature of the Trust.

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.	Review the effectiveness of Internal Audit.
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	As the Parish falls into the criteria for Councils below the £25k threshold, it must conform to the criteria and publish the items below.		
Compliance with the Transparency Code	1) Expenditure over £100 is recorded on the Council website and with all information requirements	Expenditure is 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.

Process	Criteria	Findings	Recommendations and actions
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 applicable.	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 should be congratulated on his completion of FILCA and supported in any further training including CiLCA (Certificate in Local Council Administration). The qualifications 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.

I recommend that the Councillors, too, should continue to attend the training offered by OALC to increase their knowledge and understanding of the sector. I recommend including a regular agenda item for training.

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). I recommend the Council invests in a new copy. A discount can be obtained from the SLCC Bookshop (if a member) or via NALC.

Code of Conduct

The District Councils issued a revised Code of Conduct last spring and this should now be adopted. As the Council has just been through the elections process and completed the Register of Members' Interests forms it will not be necessary to complete additional forms.

The Register of Members' Interests forms should be published on the District Council's website and a link provided from the Councillor page of the Parish website to the District Council's data.

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 held by the Council can be obtained, is adopted by the Council. A model publication scheme is available on the ICO website.

AGAR completion

Completing the AGAR. For the future, Section 1 of the AGAR should not be completed before receipt of the signed Annual Internal Audit report; it is not possible for the Council to competently complete the Annual Governance Statements if the Internal Audit portion has not been returned. Furthermore, Section 2 of the AGAR can only be completed once Section 1 has been agreed.

In future years, I require that Section 2 (the Accounting Statements) of the AGAR should be sent to me in draft form before the Council has considered it.

Debit Card

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 Office365, 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.

Finance Reports

I recommend that the Council includes a financial report as part of the regular meeting agenda and then recorded in the Minutes. 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 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.

Document Management

In our discussions, I noted that the Clerk is in possession of some of the Parish Council Minute books. 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.

Civility and Respect Pledge

I noted that the Council has not yet signed up to the Civility and Respect pledge. This has been developed by NALC, SLCC and One Voice Wales. It is designed as a starting point to encourage all Councils – regardless of size – to be civil and respectful to all, but it also has advice and assistance which can be used should any member fall short of the pledge. While the current Council is well-run and amicable, it is not known what will happen in the future.

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.

Waterperry with Thomley Parish Council has an electorate in the region of 148 and the Precept for the year 22/23 was set at £7,150.

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