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Internal Audit Report for Longcot Parish Council

From Jane Olds – Internal Auditor

I reviewed the documents provided and met with the Clerk, Tina Brock, on 14 March via Zoom and finalised the information on 13 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.	No further recommendations.
D	Budgetary Controls (Budget monitoring)	Progress against the budget was monitored and minuted regularly.	Agree the frequency of the budget monitoring report (recommend 3 times a year) and publish report on the annual finance webpage.
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?	All appropriate Deeds and Titles have been established and are shown on the Register.	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 met the exemption criteria.	No further recommendations.
L	Information published on website	The information is available.	Include supporting documentation for meetings where possible.
M	Exercise of Public Rights	The Parish Council published the exercise of public rights on the website and noticeboard.	Ensure 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. 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 been reviewed the previous year.	No further recommendations.
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	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 Act	1) Expenditure over £100 is recorded on the Council Web-Site and with all information requirements	Included in the Minutes.	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	Available on the website.	No further recommendations.
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	Available on the website.	No further recommendations.
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.	No further recommendations.
Compliance with the Transparency Act	9) Minutes & Agenda	Available on the website.	No further recommendations.

Further Recommendations:

Following the completion of the Internal Audit, I strongly recommend that the Council completes a review of effectiveness. A blank form can be supplied.

Training

A budget should be allocated for training for both the Clerk and Councillors and the Councillors encouraged to take advantage of the training provided by OALC to increase their knowledge and understanding of the sector. I recommend including a regular agenda item for training.

Financial Responsibility

While the Clerk 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 recommend that an Internal Financial Controls Policy is adopted and a Councillor Responsible for Internal Financial Control is appointed to help the Clerk.

Reserves

I noted that the Council had reserves but that much of these were not currently earmarked for specific projects. I strongly recommend that more of the general reserve is allocated to earmarked reserves. Advice on allocating reserves is published in the Joint Practitioners Guide. This is an annual publication and as my comments relate to reserves moving forward I recommend reading section 5 of the new edition (from page 38). The Policy should be reviewed annually, early in the financial year.

Working from Home Allowance

As the Council does not incur the costs of a parish office, the Council should budget for the Clerk to receive the HMRC-agreed tax free working from home allowance of £6 per week or the Clerk should be able to adjust her tax code accordingly.

Banking

The Council should undertake a review annually to ensure that the banking provision is fit for purpose and that the bank mandate is up-to-date.

As part of the banking review, the Council might like to consider some form of payment card on the account for the Clerk, in order that items such as Office 365, can be ordered online. With the appropriate safeguards in place this would be more appropriate than the Clerk having to use their own personal debit card for Parish Council expenses.

Staff Appraisal

The Clerk is employed by the Council and the Council, therefore, should be mindful that it is, as a corporate body, an employer. I recommend that the Council performs an annual review of the Clerk's employment. Employment training provided by OALC should be undertaken by the Councillors.

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.

Longcot Parish Council has an electorate in the region of 423 and the Precept for the year 21/22 was set at £7,600.

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