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2022/23 Internal Audit Report for Deddington Parish Council

From Jane Olds – Internal Auditor

I reviewed the documents provided and met with the Clerk, Susan Fuller, on 29 March via Zoom and finalised the information on 11 June following receipt of the draft AGAR.

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	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	The Council has adequate Internal Control provision including a policy and a Councillor Responsible for Internal Financial Control.	A check sheet, advised by OALC, should be used by the Councillor to assist in the review.
C	Review of Risk Assessment	The Council has assessed the significant risks to achieving its objectives using their Risk Assessment and the document was adopted at a meeting on 15 March 2023 and has been published.	Consider the Risk Assessment at the beginning of the financial year in order that it can be used as a working document through the year. Consider re-evaluating the content of the document in line with the Practitioners' Guide recommendations. There is also a template document available in the advice section of the SLCC 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.	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 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.
H	Investment Registers	Investment registers were properly accounted for.	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.
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: 30 June to 10 August 2022.	It is good practice to minute the dates as part of the year end procedure.
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 Council operates as a Trustee for two external bodies. 'Nil' Returns are filed.	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: None	No further recommendations.
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	Not currently available.	Good practice to include this.
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	Not currently available.	Good practice to include this.
Compliance with the Transparency Code	4) Explanation of difference between Box 7 & 8 if applicable	Not currently available.	Good practice to include this.

Process	Criteria	Findings	Recommendations and actions
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 asset register.	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. As the Clerk is CiLCA qualified, she may like to consider looking at the Level 4 Community Governance qualification. I recommend including a regular agenda item and budget for training.

Risk Management Assessment

The Risk Management Assessment is adequate. However, I recommend looking at the SLCC model template which uses an assessment matrix is based on the JPAG recommendations (2022 version - starting at 5.84).

Finance Reports

I recommend that the Council includes a financial report as part of the regular meeting agenda. 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.

Internal Financial Control 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 and this responsibility should not be taken lightly. The Council has appointed a Councillor Responsible for Internal Financial Control and an Internal Financial Control policy is adopted. However, a checklist would be a useful addition to the process. It is not necessary for the Councillor to have experience of finance as this is to check that procedures have been followed and amounts are correct.

Payments

I noted that some of the invoices I reviewed did not have formal minute references because they were described as 'long term agreements' some of which had been agreed prior to the Clerk's employment. I recommend that long term agreements – 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 and that the Council may like to agree a list of preferred suppliers.

Furthermore, I recommend that other regular 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.

Document Management

In our discussions, I noted that many of the Parish Council Minute books are currently in the Parish Office. 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.

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.

Councillor Email Accounts

As part of GDPR, it is recommended that all Councillors should use the email addresses provided for them by the Council preferably using the deddingtonparishcouncil.org domain name. The Clerk would then be able to manage the accounts.

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 were recommended by the previous Internal Auditor have been completed; the Clerk and Council should be commended for this.

Deddington Parish Council has an electorate in the region of 1850 and the Precept for the year 22/23 was set at £60,611.

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