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2022/23 Internal Audit Report for Lewknor Parish Council

From Jane Olds – Internal Auditor

I reviewed the documents provided and met with the Clerk, Barbara Drysdale, on 13 March via Zoom and finalised the information on 16 April 2023.

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>	See below for recommendations.
C	Review of Internal Controls	The Council has adequate Internal Control provision including a Councillor Responsible for Internal Financial Control.	An internal control checklist may be of help.
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 9 May 2022 and has been published.	The Risk Management Assessment is reasonably comprehensive. However, the Council should ensure it is reviewed and updated annually using the JPAG recommendations (2022 version - starting at 5.84) and publish it on the website. The recommendation at 5.92 relating to the assessment matrix should be considered.
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.	However, a policy explaining the levels would be advisable.
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.
E	VAT	VAT had been appropriately accounted for.	No further recommendations.

Annual Return Section	Process	Findings	Recommendations and actions
F	Petty cash controls	Petty cash is operated by the Council.	Consideration should be given to closing the Petty Cash account in favour of a debit card.
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?	Not applicable.	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 does not meet 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: 8 June to 19 July 2022.	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 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 not been fully reviewed the previous year as no additional report had been provided.	Review the internal audit and complete a review of effectiveness.
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: the 20/21 public rights dates were incorrect and therefore the previous Internal Auditor should have ticked 'no' to box M.	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	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.

Process	Criteria	Findings	Recommendations and actions
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	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 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.

I noted that the Clerk held a very elderly version of Local Council Administration and recommend that the new version (13th edition) is purchased. Discount codes are available.

Agenda and Meeting Papers

It is good practice to publish the documents submitted as part of the agenda (apart from those which are confidential) on the website in order that any members of the public are able to understand what the Council will be considering at the meeting.

Banking

I recommend continuing to review the banking arrangements at least annually.

In order to remove the necessity of holding petty cash, I recommend that the Council considers 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 general purchases 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.

Internal Financial Control

It is good to see that the Council has a Councillor Responsible for Internal Financial Control. As mentioned above, a check sheet is recommended by OALC to assist with the monitoring.

Payments

I noted that some of the invoices I reviewed did not have formal minute reference agreements prior to making the payment because they were described as 'long term agreements'. I recommend that long term agreements – such as the village newsletter donation, hedge cutting or dog bin emptying – should be reviewed at least every three years, particularly to ensure that the Council is obtaining best value for money or the provision is still adequate.

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

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.

Document Management

In our discussions, I noted that the Clerk is in possession of some of the historical 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.

Councillor Email Accounts

As part of GDPR, it is recommended that all Councillors should use the email addresses provided for them by the Council using the Council's formal domain name which can be controlled by the Clerk (if necessary) rather than Gmail 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, is currently doing.

Lewknor Parish Council has an electorate in the region of 553 and the Precept for the year 22/23 was set at £18,000.

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