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## 2023/24 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 April via Zoom and finalised the information on 1 May.

### **BASIS OF REPORT**

This internal audit report is based upon the Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide in England 2023 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: Source: (JPAG) Practitioners' Guide 2023 – Section 4).

<b>Annual Return Section</b>	<b>Process</b>	<b>Findings</b>	<b>Recommendations and actions</b>
A	Bookkeeping Arrangements	Appropriate books of account have been kept properly throughout the year and are well maintained with audit trails.	No further recommendations.

<b>Annual Return Section</b>	<b>Process</b>	<b>Findings</b>	<b>Recommendations and actions</b>
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, expenditure was approved and VAT appropriately accounted for.	See below for recommendations regarding minuting authorisations.
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 to assist the councillor 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 15 May 2023 and has been published.	The Risk Management Assessment is reasonably comprehensive. The Council should ensure it is reviewed and updated annually using the JPAG recommendations 2024 version - starting at 5.89) and publish it on the website. The recommendation at 5.97 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 but, once the CIL funding is taken out, are limited.	See below for 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.

<b>Annual Return Section</b>	<b>Process</b>	<b>Findings</b>	<b>Recommendations and actions</b>
E	VAT	VAT had been appropriately accounted for.	No further recommendations.
F	Petty cash controls	Petty cash is operated by the Council.	Consideration should be given to closing the petty cash account. The majority of the year's expenditure could have been included in the Clerk's expenses or – preferably – paid for with a debit card on the Council's account.
G	Payroll controls	Salaries to employees were paid in accordance with Council approvals.	See below for 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	No additions or removals have been made.	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	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 available.	See below for additional 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: 6 June to 17 July 2023.	No further recommendations.

Annual Return Section	Process	Findings	Recommendations and actions
N	AGAR publication Requirements	The Parish Council complied with the publication requirements for the 2022/23 AGAR.	No further recommendations.
O	Trust funds (If applicable) – the Council met its responsibilities as a trustee	The Parish Council operates as a Custodian Trustee. No accounts are held and no returns are necessary.	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 22/23 and had been published on the website.  Findings: ensure that the trust fund boxes are correctly ticked before submission.	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 practice 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	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

As mentioned last year, 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 and Decision Making

Minutes need to include resolutions and more factual detail about those resolutions.

For example, the decision to pay the deposit for the CCTV gave no indication of the company engaged to undertake the work, the value of the deposit, the total cost or the amount of the grant received; this information is needed in the short term to check the payments and may be needed in the future and therefore should be included in the minutes. I would expect to see a text along the lines of "The Council **RESOLVED** to agree to engage [contractor name] to provide the CCTV equipment at a total cost of £xx with a deposit of £x which was to be paid xx September, the final amount of £x due on completion. The grant of £x received from xx would be put towards the expenditure."

It is useful to have the word "resolved" in bold and capital letters as this then indicates that the Council has made a formal decision.

There are still some 'regular payments' which have not been reviewed. The contracts for the dog bin emptying, the website and the grass cutting should be reviewed at least every three years to ensure

that the Council is obtaining best value for money and to ensure that the contractor is still fit for purpose. The approval of the contracts should be formally minuted with the name of the contractor and the amount of the contract.

### **Information Published on the Website**

As mentioned last year, 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.

It is also good practice to have the draft minutes available on the website in good time before the next meeting – they may be marked as 'draft and unapproved' and a note on the website indicating that they may be subject to change. This is a requirement of the Transparency Code and while the Council does not currently fall into the necessary bracket, it is likely to be only a matter of time before this is rectified.

### **Staff Salary**

The staff employment was reviewed a number of years ago. I recommend that the salary band is pegged to a salary scale in the NALC / NJC pay agreement which is a national annual negotiation. While it is sometimes slow in being announced, it is a recognised amount and one which has been robustly considered.

### **Village Hall Expenditure**

I noted that the Council was paying for items for the village hall. While there is no problem with the Council purchasing the items/paying for the works if the items are then donated to the Village Hall Trustees, it should be noted in the minutes that this is the course of action taken. What the Council must not do is to process the payments on behalf of the Trustees merely as a way of avoiding the cost of the VAT element.

It is recommended that any items purchased and then donated to the Trustees should be included in the Asset Register.

### **Reserves**

I recommend that the Parish considers its earmarked reserves and agrees to adopt a full Reserves Policy which should be reviewed annually (a model document is available on the SLCC website). The overall amount of unallocated reserves which the Parish holds is low once the village hall contingency and the CIL fund is taken into account. I recommend that the Council considers building up additional reserves for items such as an asset replacement fund (for bins, benches, defibrillators etc), election costs (which could amount to more than £2,000), clerk sickness / overtime and even professional fees. Guidance can be found in the latest edition of the Practitioners' Guide (starting at 5.31).

### **Councillor Email Accounts**

As mentioned last year, it is recommended that all Councillors use email addresses provided for them by the Council using the Council's formal domain name which can be controlled by the Clerk (if necessary) as opposed to the current Gmail accounts.

The government's Parish Council Domains Helper Service ([parish.helper@domains.gov.uk](mailto:parish.helper@domains.gov.uk)) is able to help with advice, as will the Parish's website provider. It may be that part of the review of the website provision should include the costs of email accounts.

## **Conclusion**

The above are recommendations to help the Council improve its processes and in no way detract from the work it, and particularly the Clerk, has already done.

I have noted that many of the actions which I recommended last year have been completed including the suggestion to have the list of regular payments and annual subscriptions minuted and the minute books taken to the archives. The Clerk and Council should be commended for this.

Lewknor Parish Council has an electorate in the region of 554 and the Precept for the year 23/24 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