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Internal Audit Report for Chadlington Parish Council

From Jane Olds – Internal Auditor

I reviewed the documents provided and met with the Clerk, Anne Ogilvie, on 11 May via Zoom and finalised the information on 18 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 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 are acceptable.	No further recommendations.
B	Council's Financial Regulations have been met with regard to expenditure	The Council's Financial Regulations are now being met.	No further recommendations.

Annual Return Section	Process	Findings	Recommendations and actions
C	Review of Internal Controls	I have noted that Council assessed the significant risks to achieving its objectives using their Risk Assessment and have seen the document.	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 numerical assessment matrix.
D	Budgetary Controls (Precept requirement)	The annual Precept requirement for 2021/22 was limited. The amount minuted was larger (£15,180) than the amount (£14,916) submitted to WODC.	The setting of the budget and Precept must have individual agenda items and be agreed at Full Council. The budget consideration should include minuting the total expenditure and income.
D	Budgetary Controls (Budget monitoring)	Progress against the budget was monitored and minuted during the latter part of the year.	Ensure that progress against the budget is monitored regularly.
D	The final Outturn is in line with expectations.	It was difficult to ascertain whether the final outturn was materially in line with expectations due to the limited budget.	With the procedures now put in place this will be more straight forward.
E	Income controls	Expected income was received.	Ensure that all income is minuted in the future.
F	Petty cash controls	Petty cash is not operated by the Council.	No further recommendations.
G	Payroll controls	Salaries to employees are now paid in accordance with Council approvals.	Ensure that the HMRC PAYE system is up-to-date.
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 now been applied.	No further recommendations.
H	Asset Controls - all additions correctly recorded?	Additions in the year have now been correctly recorded within the Cash Book and Register.	No further recommendations.

Annual Return Section	Process	Findings	Recommendations and actions
H	Asset Controls - all Deeds and Titles established and shown on register?	Deeds and Titles need to be established.	Once the titles are established they should be published on the asset register.
I	Bank Reconciliations	Periodic and year-end reconciliations were properly carried out.	No further recommendations.
J	Accounting Statements	The Accounting Statements prepared at the end of the year were prepared on the correct accounting basis and were supported by an audit trail.	No further recommendations.
K	Limited Assurance Review Exemption for 2020/21	It was not possible to assert that the Council had met the exemption criteria because it did not complete the forms in the correct order or time frame.	Ensure that the correct time frame is used this year.
L	Information published on website	The information is partially available.	No further recommendations.
M	Exercise of Public Rights	While the Parish Council published the exercise of public rights, the dates did not comply with the requirements and were published before the AGAR had been completed.	Ensure that the dates comply with the requirements in the legislation.
N	AGAR Publication Requirements	The Parish Council did not comply with the publication requirements for the 2020/21 AGAR. There is no minuted record of the approval of the AGAR before 30 June.	Ensure that the AGAR is completed in the correct order and within the correct time frame.
O	Trust Funds (If applicable)	The Parish Council operates as a Custodian Trustee.	Further investigation needs to be made into the Council's responsibilities.

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.	Ensure that the Internal Audit is reviewed (see below).
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 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	Available on the website.	Ensure that the list is published for 21/22.
Compliance with the Transparency Act	2) Annual Return published on the Web-Site	Available on the website.	Ensure that the list is published for 21/22.
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.	Ensure that the list is published for 21/22.
Compliance with the Transparency Act	6) Internal Audit Report Published	Available on the website.	Ensure that the list is published for 21/22.
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 website.	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, 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 has undertaken training, but I recommend that the Councillors, too, should be encouraged to take up the training offered by the local County Association to increase their knowledge and understanding of the sector. I recommend including a regular agenda item for training.

Financial 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. I commend the Council for appointing a Councillor Responsible for Internal Financial Control.

This Councillor should have a check sheet to help them make the appropriate checks on the accounts. For instance, with the payments, I recommend that the Councillor identifies a number of payments from the bank statement and then follows them back through the Minutes checking the process of paying and agreeing to place the order / undertake the work. The Councillor should also check that any income is also recorded and that VAT is reclaimed at least annually.

Budget Setting

Next year, more significance should be made of the budget and precept setting. The overall budget (both income and expenditure) totals should be minuted and published for consideration. For clarity, once the budget has been considered, the total amount of Precept should also be minuted. It then helps to clarify the amount requested is the amount deposited by the District Council and also makes sure that the outturn at the end of the year is in line with expectations.

Banking

I understand that the Council is currently reviewing the banking arrangements. I recommend that the Clerk/RFO is an administrator on the bank account(s) and that the Council has at least three Councillor authorisers / signatories. To protect the Council and staff, a similar procedure should be maintained whether cheques or online payments are made – ie that the Clerk prepares the payment and at least one Councillor (for online) authorises it having seen and checked the appropriate paperwork.

As part of the banking review, the Council should consider some form of payment card on the account for the Clerk, in order that items such as Office365, Dropbox or anti-virus software, can be paid for 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.

The Council should review the bank mandate annually as part of its review of finances in April.

Payments

I noted that a few of the invoices I reviewed did not have formal minute references because they were described as 'long term agreements' which had been agreed prior to the Clerk's employment. I recommend that long term agreements – such as the grass cutting – should be reviewed at least every three years, particularly to ensure that the Council is obtaining best value for money.

I recommend that other 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.

Members' Interests

As part of the Localism Act 2011, the District Council is required to receive and publish the Members' Interest forms of Parish Councillors. The Council should ensure that there is a link from the Parish Council website to the appropriate part of the District Council's website.

Document Management

In our discussions, I noted that many of the Parish Council Minute books are still in the Parish. 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. This should be a collaborative project with the Councillors.

Trusts

It is understood that the Council has responsibility for at least one Trust. In order for the Clerk and Council to have a better understanding of the area, I recommend that the Clerk and at least one Councillor attends the OALC Charities and Trusts course.

Website

The Council should be commended for reviewing the website provision and for committing to implement a new Parish Council website which will include Parish Council email addresses.

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 recently completed.

Chadlington Parish Council has an electorate in the region of 744 and the Precept for the year 21/22 was set at £14,916.

In general, I believe that the Council now has competent arrangements in place to satisfy itself that its systems of internal financial control will be transparent and effective. There are approval and authorisation controls to minimise risk. The audit and management trail for financial transactions is now 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