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2022/23 Internal Audit Report for Minster Lovell Parish Council

From Jane Olds – Internal Auditor

I reviewed the documents provided and met with the Clerk, Debra Rouget, on 18 May via Zoom and finalised the information on 14 June on receipt of the AGAR figures.

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 throughout the year and are maintained with some audit trails.	See Finance comments below.

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, partially, in that appropriate authorisations have been given for each level of expenditure, but the agreement to make the order / purchase was often not minuted.</p> <p>Payments were supported by invoices, and expenditure was approved and VAT appropriately accounted for.</p>	Ensure that the agreement to make the order / purchase is minuted.
C	Review of Internal Controls	The Council has Internal Control provision including a policy and a Councillor Responsible for Internal Financial Control.	Ensure that that a checklist is provided to help the Councillor.
C	Review of Risk Assessment	The Council has not assessed the significant risks to achieving its objectives.	<p>The Council should review and update the Risk Assessment annually using the Practitioners' Guide recommendations (2022 version - starting at 5.84) and publish it on the website.</p> <p>There is a template at the end of the Practitioners Guide or SLCC has a template document in the Advice section which the Council may find useful to use to ensure that all points are covered, but membership of SLCC is required.</p>
D	Budgetary Controls (Precept requirement)	The annual Precept requirement resulted from a budgetary process.	As mentioned last year, the budget amount (both expected expenditure and expected income) and the Precept amount should be agreed and minuted in order that the final outturn can be confirmed.

Annual Return Section	Process	Findings	Recommendations and actions
D	Budgetary Controls (Budget monitoring)	Progress against the budget was monitored and minuted regularly (during the latter part of the year).	No further recommendations.
D	Reserves were appropriate	Reserves required more explanation.	Develop a Reserves Policy including the levels of reserves.
D	The final outturn is in line with expectations	The final outturn was materially in line with expectations.	
E	Income controls	Expected income was fully received and properly recorded. However, there was an unexpected payment of £38,038.08 received erroneously from HMRC on 29 March which it was not possible to clarify before the year end.	Ensure that the HMRC error is corrected and included on the Significant Variances.
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 recorded all material Assets. The record only appears to include an insurance value not an actual value (price paid) for the item in the register.	Additional columns should be included for the actual price paid, the date of purchase and the location of the item. Information about assets is available in the Practitioners' Guide from section 5.56.
H	Asset Controls - all additions and removals correctly recorded	It is not possible to tell from the asset register what has been added or removed during the year.	Ensure that a date of purchase is included on the register.
H	Asset Controls - all Deeds and Titles established and shown on register?	No Deeds and Titles are available.	No further recommendations.

Annual Return Section	Process	Findings	Recommendations and actions
H	Investment Registers	An investment register and strategy should be devised as the Council holds more than £100,000. However, if this is just because of the HMRC error it may not be needed.	See Practitioners' Guide sections 1.11, 4.20 and 5.28
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 only partially available. The Full AGAR is not available.	Ensure that the full AGAR and public rights details are published on the website.
M	Exercise of Public Rights	The Parish Council apparently published the exercise of public rights notice on the noticeboard with the following dates: 28 June to 8 August. However, the date of the notice was the date of the meeting. The notice should have been dated the following day with the dates commencing the day after.	Ensure that the Electors' Rights dates are for 30 working days including the first 10 working days of July, that the notice is dated at least one day after the meeting at which the AGAR was approved and that the dates start the day following.
N	AGAR publication Requirements	The Parish Council did not comply with the publication requirements for the 2021/22 AGAR. The AGAR was not published on the website.	The AGAR must be published in full on the website once it has been approved.
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 had not been reviewed the previous year.	In order to comply with Statement 7 of Section 1, the Council should have received both the Internal and External reports and demonstrated an action plan.
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:	
		Electors Rights dates were not satisfactory. The RFO should have signed Section 2 before the meeting to indicate approval. A typographical error in Box 2	The Council should consider the points raised when completing the 22 / 23 AGAR
		The total value of Box 3 is understated by £98 and the total value of Box 6 is overstated by £3,984.	
		Confusion over the restating of figures resulting from conversion from Income and Expenditure method of accounting to Receipts and Payments.	
		Statement 4 of Section 1 should have been marked 'no'.	
		Funds held by WODC should be reviewed as soon as possible.	

Process	Criteria	Findings	Recommendations and actions
		The Risk Assessment should have been reviewed and improved for the future.	
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.	Publish on the website.
Compliance with the Transparency Code	2) Annual Return published on the website	Not currently available.	Publish on the website.
Compliance with the Transparency Code	3) Explanation of significant variances	Not currently available.	Publish on the website.
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	Not currently available.	Publish on the website.
Compliance with the Transparency Code	6) Internal Audit Report Published	Not currently available.	Publish on the website.
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 currently available.	Publish on the website.
Compliance with the Transparency Code	9) Minutes & Agenda	Partially available.	Ensure all are published on the website.

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. The Clerk may like to consider ILCA or CiLCA (Certificate in Local Council Administration) in the future.

I recommend including a regular agenda item and budget for training.

Membership

I recommend that as the Council is a member of the Oxfordshire Association of Local Councils (OALC) – the Council's professional body – the Council should also consider supporting the Clerk in joining the Society of Local Council Clerks (SLCC) – the Clerk's professional body. Both NALC and OALC recommend this too (see the NALC Chief Executive's Bulletin of 12 May).

The Clerk will receive networking support from the local branch, wider support through conferences and training, together with discounts on publications and a wealth of resources including more than 300 advice notes, policies and procedures available in the advice section. The Council may pay the SLCC subscription as it is of significant benefit.

Standing Orders

NALC provided an update to the current iteration of the Standing Orders recently (also available on OALC's website). There are a number of minor amendments together with a portion of section 18 covering Finance. The current Standing Orders should be updated. The Council should be reminded that all the bold formatting should remain as this is legal force.

Finance

It is understood that the current finance software is MoneyMaker. It may be more appropriate for the Council to invest in software which has been designed specifically for Parish Council use. This would enable the AGAR to be completed more easily and for the Council to manage its assets more effectively.

Budget Setting

I should like to see more significance made of the budget and precept setting. The budget should have been prepared by the Clerk / RFO. The draft budget should be published for consideration and the overall budget total minuted at Full Council. 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.

Bank Accounts

Again, as mentioned last year, the Council should undertake a review to ensure that the banking provision is fit for purpose – including consideration of the electronic banking. I understand that it has been very difficult to update the bank mandate with the current provider.

The Clerk / RFO should be administrator on the bank accounts with 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 staff prepare the payment and at least one Councillor (for online) authorises it having seen and checked the appropriate paperwork.

It may be that a change of provider should be considered, even if this means paying bank fees, as this may save the staff time over all.

I also recommend considering a formal electronic banking procedure.

Debit Card

While the Council does have access to a debit card, this appears to be in the name of one of the Councillors. The Council should be reminded that while the Clerk may have delegated authority (generally in conjunction with the Chairman / Vice Chairman) to make payments on a debit card or approve emergency spending (for matters such as health and safety) between meetings, no Councillor may act to authorise any expenditure individually and therefore should not be able to make payments using a debit card.

Payments

The Council should continue to ensure that a schedule of payments is produced prior to the Parish Council meeting and that all associated invoices are included with that schedule of payments. A payment should not be set up without the invoice. To reduce administration time and potential errors, I recommend that one payment 'run' a month is adequate for a Council of this size and this should be arranged for shortly after the meeting at which the payments are considered.

I also recommend that a column giving the minute reference where the agreement to purchase / do the work is included in the payment schedule as it was not possible to ascertain initial approval for some purchases from the Minutes. The original Minute reference should include the name of the contractor / organisation together with the amount agreed excluding VAT.

Reserves

As last year, I noted that the Council had reserves but that they could be more clearly earmarked for specific tasks. I strongly recommend that much of the general reserve is allocated to earmarked reserves as, moving forward, the Council could find it difficult to justify the Precept with the current levels. Advice on allocating reserves is published in Section 5 of the Joint Practitioners Guide.

I also recommend that the Council adopts a Reserves Policy which is reviewed annually in order to explain the different types of reserves and record the levels of the Reserves appropriate for the year.

Risk Assessment

As mentioned in Point C. above, the Council must assess the significant risks to achieving its objectives, but it does not appear that the Risk Assessment was reviewed last year. The new document must cover the financial aspects of Council business – the Practitioners' Guide (JPAG) gives comprehensive advice and a template document. The Council must consider and assist in completing the document as soon as possible as it is the Council which must take responsibility for this with the Clerk's guidance.

Code of Conduct

I note that the revised Code of Conduct supplied by West Oxfordshire District Council last year had not been adopted. This should be considered with a matter of urgency and training undertaken. If no training is available, the Monitoring Officer from South and Vale recorded their training and published it on YouTube: <https://www.youtube.com/watch?v=A0exHP2l6oo>

Civility and Respect Pledge

I noted that the Council has not yet signed up to the Civility and Respect pledge. This has been developed by NALC, SLCC and One Voice Wales. It is designed as a starting point to encourage all Councils – regardless of size – to be civil and respectful to all, but it also has advice and assistance which can be used should any member fall short of the pledge. While the current Council is well-run and amicable, it is not known what will happen in the future.

Document Management

I note that many of the Parish Council Minute books are still in the Parish. As these books are the only legal 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.

Website

The Council should ensure that the website is kept up-to-date. While the Transparency Code officially does not apply to Councils in the £25k - £200k threshold, it is good practice to comply. This should include publishing the agenda at least three clear days before the meeting together with any supplementary documents to be discussed at the meeting and publishing the draft minutes of meetings within 28 days of the meeting.

I recommend that at least the last five years' minutes should be publicly available.

A review of the website provision should be undertaken.

Councillor Email Accounts

As part of GDPR, it is recommended that all Councillors should use the email addresses provided for them by the Council.

Conclusion

The above are recommendations to help the Council improve its processes.

Minster Lovell Parish Council has an electorate in the region of xx and the Precept for the year 22/23 was set at £43,009.

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