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2022/23 Internal Audit Report for Spelsbury Parish Council

From Jane Olds – Internal Auditor

I reviewed the documents provided and met with the Clerk, Anne Ogilvie, on 5 April via Zoom and finalised the information on 21 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 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> | 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. | No further recommendations. |
| 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 5 July 2022 and has been published. | No further recommendations. |
| 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. | See below. |
| 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. |
| F | Petty cash controls | Petty cash is not operated by the Council. | No further recommendations. |

| Annual Return Section | Process | Findings | Recommendations and actions |
|------------------------------|---|---|------------------------------------|
| 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? | There are no Deeds and Titles. | 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 meets 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: 13 June to 22 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. |
| 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 been reviewed the previous year. | 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 | 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 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. |
| 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

The Clerk has undertaken training throughout the year, 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.

The Clerk may like to be able to consider taking her continual professional development further with the Level 4 Community Governance Course, however this would require support from the Council. Investment in staff is essential, particularly as the Council should recognise that a qualified professional Clerk is one of the Council's main assets.

I recommend maintaining the regular agenda item for training.

Reserves

I noted that the Council had reduced its reserves and while it is the Council's prerogative to do this, it is often not prudent to do so in the longer term.

Advice on allocating reserves is published in the Joint Practitioners' Guide which the Council – as well as the Clerk – should be aware of.

Earmarked Reserves should be welcomed. I noted that the Clerk's laptop was purchased in 2018 and will not be able to upgrade to Windows 11 once Windows 10 goes end of life in the autumn of 2025. A reserve for a replacement should be started as soon as possible.

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 I recommended last year have been completed; the Clerk and Council should be commended for this.

Spelsbury Parish Council has an electorate in the region of 237 and the Precept for the year 22/23 was set at £7,833.

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