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Internal Audit Report for Streatley Parish Council

From Jane Olds – Internal Auditor

I reviewed the documents provided and met with the Clerk, Hazel Preston-Barnes on 28 February via Zoom and finalised the information on 4 April.

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 have been kept properly throughout the year and are well maintained with sound audit trails.	No further recommendations.
B	Council's Financial Regulations have been	The Council's Financial Regulations have been met	No further recommendations.

Annual Return Section	Process	Findings	Recommendations and actions
	met with regard to expenditure	in that appropriate authorisations have been given for each level of expenditure. Payments were supported by invoices, and expenditure was approved and VAT appropriately accounted for.	
C	Review of Internal Controls	I have noted that Council has assessed the significant risks to achieving its objectives using their Risk Assessment and have seen the document.	The Risk Management Assessment is adequate. However, the Council should review and update it annually using the JPAG recommendations (2021 version - starting at 5.89 and criteria 5.91) and publish it on the website.
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	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.
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.	Ensure that the salary is minuted annually.

Annual Return Section	Process	Findings	Recommendations and actions
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.	It was noted that the land which was previously noted as £1 in the Asset Register was purchased by the Parish Council in 2011 for £170,000 and so should have been included in the asset register at this value.
H	Asset Controls - all additions correctly recorded?	Additions in the year have been correctly recorded within the Cash Book and Register.	Ensure that all is now correct.
H	Asset Controls - all Deeds and Titles established and shown on register?	All appropriate Deeds and Titles are still to be established and shown on the Register.	Once established, please publish 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 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 comment.
L	Information published on website	The information is available.	Meeting accompanying documents could be included on the website.
M	Exercise of Public Rights	The Parish Council published the exercise of public rights on the website and noticeboard.	I recommend that the notice is posted on the noticeboard, published in the Finance section of the website, and that the dates are noted and Minuted prior to publication.
N	AGAR Publication Requirements	The Parish Council complied with the publication requirements for the 2020/21 AGAR.	No further recommendations.
O	Trust Funds (If applicable)	The Parish Council does not operate as a Trustee.	No comment.

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 20/21 and had been published on the website. Findings: none raised.	No further recommendations.
Accounting Statements agreed and reconciled to the Annual Return	Section 1 of the Annual Return Part 1 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	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 Act	1) Expenditure over £500 is recorded on the Council Web-Site and with all information requirements	Available on the website.	No further recommendations
Compliance with the Transparency Act	2) Annual Return published on the Web-Site	Available on the website.	No further recommendations.
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		
Compliance with the Transparency Act	5) Annual Governance Statement recorded	Available on the website.	No further recommendations.
Compliance with the Transparency Act	6) Internal Audit Report Published	The AGAR report is available.	Include the full Internal Audit Report on the website.

Process	Criteria	Findings	Recommendations and actions
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	Not currently available.	Include this information on the asset register.
Compliance with the Transparency Act	9) Minutes & Agenda	2021 / 2022 Minutes available.	Publish at least the last four years of minutes.

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 that as the Council is a member of their County Association of Local Councils – 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. The Council may pay the SLCC subscription as it is of significant benefit and would enable the Clerk to take advantage of the networking opportunities and the wide variety of courses offered.

Council as an Employer

It should be remembered that the Council is an employer and has a duty of care for their employee – in Streatley's case – the Clerk. The Staffing Committee should undertake an annual appraisal and at least one member of the Committee should attend staff training.

Provision of Equipment

A Council must supply the Clerk with the appropriate IT equipment (including a laptop computer) to execute the Council's business properly. It is not acceptable for employees to use their own equipment. However, this should be flexible, particularly relating to printer costs; if the Clerk has a printer they are prepared to use to save space, the Council must make adequate reparation.

An IT budget and reserves should be considered for the future.

Minutes

On reviewing the Minutes, I noted that items for decision were occasionally being raised under the topic of "Matters Arising". All items for decision should have their own clearly defined motion / agenda item in order that the Council – and any members of the public – are able to prepare adequately for the meeting; this will also help to focus the members on the items of business needing decision. Therefore, I recommend changing "Matters Arising from the Minutes" to "Update on Progress from the Minutes (where decisions are not to be made)". I hope that this will help with focus, but I can provide more guidance if needed.

Furthermore, I recommend that all minutes should be published in draft form as soon as possible after the meeting. It is a requirement of the Transparency Code that Councils under the £25,000 threshold have to comply with, so it is highly recommended for those over the £25,000 threshold.

Payments

I noted that quite 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 dog bin emptying or 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.

Banking

I recommend that the bank mandate is reviewed annually and the signatories / authorisers noted. A debit card for the Clerk should be looked into further.

Reserves

I noted that the Council had reserves but that the Council did not have a formal policy. Advice on allocating reserves is published in the Joint Practitioners Guide.

Conclusion

The Clerk and Council should be congratulated on the work which has been put in place over the last year following my recommendations last year.

I also noted the large reduction in the general year end balances carried forward due to the ongoing legal issues.

This report should be noted and taken to the next meeting of the Council to inform them of the Internal Audit work carried out. The details of this Internal Audit Report should also be Minuted by the Council.

Streatley Parish Council has an electorate in the region of 840 and the Precept for the year 21/22 was set at £32,101.

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.

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