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2022/23 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 14 March 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	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, and expenditure was approved and VAT appropriately accounted for.	No further Recommendations.
C	Review of Internal Controls	The Council does not have adequate provision.	Adopt a policy for Internal Financial Control and appoint a Councillor who should check all processes against the policy at least three times a year.
C	Review of Risk Assessment	The Council did not assess the significant risks to achieving its objectives in the current financial year. In particular, the Risk Assessment had not been reviewed.	Ensure that the Risk Assessment is reviewed annually – preferably at the **beginning** of the Financial Year in order that it can be used as a working document throughout the year. JPAG recommendations should be used (currently starting at 5.89 and criteria 5.91).
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.	A policy giving explanation would be beneficial.
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 received and recorded.	No further recommendations.
E	VAT	VAT had been appropriately accounted for.	No further recommendations.

Annual Return Section	Process	Findings	Recommendations and actions
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 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.	Ensure that removals are also recorded in the Asset Register.
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, publish on the Asset Register.
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	Some of the information is available.	See below.
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.	Ensure the dates are minuted as part of the Year End process.
N	AGAR publication Requirements	The Parish Council complied with the publication requirements for the 2021/22 AGAR.	No further recommendations.

Annual Return Section	Process	Findings	Recommendations and actions
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.	Ensure that a review of the Internal Audit is undertaken together with a review of effectiveness.
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: Sections 1 and 2 of the AGAR were completed in the wrong order. The Assets should have been restated on the AGAR the previous year following a review during 21/22.	Ensure that the Annual Governance Statement (Section 1) is completed prior to the Accounting Statements (Section 2).
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.		

Process	Criteria	Findings	Recommendations and actions
Compliance with the Transparency Code	1) Expenditure over £500 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	Partially available on the website.	See below for 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 Councillors – and the new Clerk – 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.

Local Council Administration (CAB)

As mentioned in NALC's updates last autumn, it is recommended that all Councils hold a reasonably up-to-date version of Local Council Administration (formerly known as Charles Arnold Baker after the first author). The Council's copy is the 9th Edition. As the 13th Edition has recently been published, I

recommend investing in a new copy. A discount can be obtained from the SLCC Bookshop (if a member) or via NALC.

Council as an Employer

As mentioned last year, 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.

Equipment Provision and Document Management

As mentioned last year, the Council should provide appropriate IT equipment – including a laptop computer and mobile smartphone – to undertake the Council's business. When arranging the purchase of the laptop, I recommend buying an external hard drive for additional backup storage.

Provision should be made to deposit old minute books in the County Archives and a review of other documents should be undertaken using a document retention policy.

Standing Orders

NALC provided an update to the current iteration of the Standing Orders recently. There are a number of minor amendments together with a portion of section 18 covering Finance. The current Standing Orders should be updated.

Minutes and Decision Making

I noted that the Minutes still had 'Matters Arising' and decisions were still being made under the topic.

All matters for decision should have their own specific agenda item.

Payments

I noted that some of the invoices I reviewed still not have formal minute references because they were described as 'long term agreements' or had not been agreed to be ordered at a previous meeting. I recommend that long term agreements – such as the website provision 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.

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 document must cover the financial aspects of Council business – the Practitioners' Guide (JPAG) gives comprehensive advice. 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. A model document is available in the Advice section of the SLCC website.

I recommend that moving forward, the Risk Assessment is considered and adopted at the beginning of the financial year in order that it can be a working document throughout the year.

Assets

As part of Risk Management and Insurance, the Parish Council's assets should be inspected for risk and the condition minuted at least annually. This should be a project for the entire Council.

Internal Financial Control

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.

The Council should consider an Internal Financial Control Policy and appoint at least one Councillor (but more than one is also acceptable) to be responsible for Internal Financial Control. It is not necessary for the Councillor to have experience of finance as this is to check that procedures have been followed and amounts are correct. A check sheet can be provided.

Reserves

While the Council has agreed reserves, I recommend that a Reserves Policy is adopted and reviewed annually. Guidance can be found in the latest edition of the Practitioners' Guide (JPAG).

Debit Card

I noted that the Clerk had been looking into the provision of a debit card. This should be progressed as soon as possible. However, all cards must have a name of a person as well as the Parish Council – in this instance it should be the Clerk / RFO.

Website

I noted that the Council did not have five years of Finance documents available and only maintained a year of Minutes. The Accounts and Audit Regulations 2015 13 (2) (b) requires that 'those documents remain available for public access for a period of not less than five years beginning with the date on which those documents were first published …' While this refers particularly to the AGAR, as the Minutes are an integral part of the decision making for the AGAR, I strongly recommend that both the AGAR and associated documents – including the Minutes – are published on the website for at least five years.

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.

For information, I have now undertaken three reviews of xx Parish Council and I recommend that the Council fully reviews the internal audit provision for the year 2023/24.

Streatley Parish Council has an electorate in the region of 830 and the Precept for the year 22/23 was set at £43,696.

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