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## Internal Audit Report for Appleton with Eaton Parish Council

From Jane Olds – Internal Auditor

I reviewed the documents provided and met with the Clerk, Allison Leigh, on 28 March via Zoom and finalised the information on 28 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).

<b>Annual Return Section</b>	<b>Process</b>	<b>Findings</b>	<b>Recommendations and actions</b>
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>Annual Return Section</b>	<b>Process</b>	<b>Findings</b>	<b>Recommendations and actions</b>
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	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 comprehensive. 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.	No further recommendations.

<b>Annual Return Section</b>	<b>Process</b>	<b>Findings</b>	<b>Recommendations and actions</b>
H	Asset Controls - the register has correctly recorded all material assets?	The current asset register is still limited and needs a full review.	Ensure that all Parish Council assets are recorded at the value they were purchased. A column for insurance value is also recommended.  Guidance on creating an Asset Register is available in the 2021 iteration of JPAG on page 29 (Tangible Fixed Assets).
H	Asset Controls - all additions correctly recorded?	No additions were made.	Once the Asset Register has been established, ensure that any additions in the year have been correctly recorded within the Cash Book and Register.
H	Asset Controls - all Deeds and Titles established and shown on register?	All appropriate Deeds and Titles should be established and shown on the Register.	Ensure that Titles are included 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 did not claim exemption last year.	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 on the website and noticeboard.	I recommend that the notice is published in the Finance section of the website as well as posted on the noticeboard and that the dates are agreed and Minuted prior to publication.  Note that the earliest date for 21/22 is 6 June due to the Jubilee bank holiday.

Annual Return Section	Process	Findings	Recommendations and actions
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 operates as a Trustee for one external bodies. Returns are filed.	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.	See below.
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: the risk assessment had not been completed during the year and the asset register was limited, requiring a full review.	The Council had taken measures to complete a comprehensive risk assessment and had updated the risk assessment.
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	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.		

<b>Process</b>	<b>Criteria</b>	<b>Findings</b>	<b>Recommendations and actions</b>
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.	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	Not currently available.	Publish the variances provided to the External Auditor on the website.
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.	No further recommendations.
Compliance with the Transparency Act	6) Internal Audit Report Published	AGAR section available on the website.	Ensure that the full Internal Audit Report is also published.
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.	Good practise to publish.
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 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 CiLCA (Certificate in Local Council Administration) in the future; the expenditure for this should be paid for by the Council, but can be split over different employers if necessary. CiLCA would be of great benefit, not only to the Clerk's professional development, but to the Council, particularly the possibility of the adoption of the General Power of Competence.

## **Employment**

The Clerk is employed by the Council and the Council, therefore, should be mindful that it is, as a corporate body, an employer. The Council should be commended on continuing the appraisal process. A delegated Staffing Committee rather than a working group is recommended; SLCC has a simple terms of reference in the advice centre.

## **Council Business**

It was noted that there are two Parish Council meetings in May. This is not necessary. The Annual Parish Council meeting is a regular Parish Council meeting, but in law, the Council is required to elect the Chairman as the first item of business at that meeting and so it is known as the Annual Parish Council Meeting; there are other items for inclusion as required in the Standing Orders, but it is acceptable to include all other regular business – finance, planning etc – as part of the agenda for that meeting.

## **Financial Responsibility and Budget Setting**

As mentioned last year, 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 recommend that a Councillor Responsible for Internal Financial Control is maintained to assist the RFO.

## **Payments**

I noted that a number of the invoices I reviewed did not have formal minute references because they were described as 'long term' or 'ongoing' payments which had been agreed over a period of time. I recommend that long term agreements – such as the sportsfield cleaning, the playground inspection or the fire equipment check – 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.

## **Reserves**

I noted that the Council had fairly significant reserves but that there was only a small amount earmarked for specific projects. 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 the Joint Practitioners Guide. This is an annual publication and as my comments relate to reserves moving forward I recommend reading section 5 of the current edition - <https://www.nalc.gov.uk/library/our-work/jpag/3479-practitioners-guide-2021/file> (from page 38).

## **Assets**

Following the creation of the Fixed Assets Register, which was recommended last year but hasn't yet been completed, I recommend that the Parish Council assets are inspected for risk and the condition minuted at least annually. This should be a project for the entire Council, not just the Clerk.

## **VAT**

The Council must ensure that a VAT reclaim is made at least annually.

## **GDPR / Information Publication Scheme**

While the Council has registered with the Information Commissioner, the ICO requires that a publication scheme which details where the information can be obtained is adopted by the Council. A model publication scheme is available on the ICO website. I note that a Document Retention Policy had been adopted; a Data Protection Policy would also be useful to include in the GDPR suite of policies.

## **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**

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.

Appleton with Eaton Parish Council has an electorate in the region of 789 and the Precept for the year 21/22 was set at £16,500.

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