

23 June 2024

Jane Olds
13 Oak Close
Bicester
Oxfordshire
OX26 3XD
01869 247171
janeolds.pariahclerk@gmail.com

2023/24 Internal Audit Report for Northmoor Parish Council

From Jane Olds – Internal Auditor

I reviewed the documents provided and met with the Clerk, Chris Isaac, on 19 June via Zoom and finalised the information on 23 June.

BASIS OF REPORT

This internal audit report is based upon the Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide in England 2023 publication. However, my recommendations refer to the 2024 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: (JPAG) Practitioners' Guide 2023 – Section 4).

Annual Return Section	Process	Findings	Recommendations and actions
A	Bookkeeping Arrangements	Books of account have been kept throughout the year and are now well maintained.	The use of an accounting spreadsheet or accounts package suitable for Parish Councils would be beneficial.

Annual Return Section	Process	Findings	Recommendations and actions
B	Council's Financial Regulations have been met with regard to expenditure	The Council does not currently have Financial Regulations. VAT must be appropriately accounted for and reclaimed.	Further guidance on financial practices should be sought.
C	Review of Internal Controls	The Council does not currently have adequate provision.	A Councillor Responsible for Internal Financial Control should be appointed (see below)
C	Review of Risk Assessment	The Council has not assessed the significant risks to achieving its objectives using a Risk Assessment.	Ensure that a Risk Assessment is developed and reviewed annually – preferably at the beginning of the Financial Year in order that it can be used as a working document throughout the year. Practitioners' Guide recommendations should be used (2024 version starting at 5.89 with an example available at the end of the document.)
D	Budgetary Controls (Precept requirement)	The annual Precept requirement did not result from an adequate budgetary process.	See below.
D	Budgetary Controls (Budget monitoring)	It did not appear that progress against the budget was monitored or minuted regularly.	See below.
D	Reserves were appropriate	Reserves required more explanation.	See below.
D	The final outturn is in line with expectations	The final outturn was above what had been provided in the budget, but it was not clear whether this was in line with expectations.	See below
E	Income controls	Expected income appeared to have been received.	Ensure that income is minuted as received.
E	VAT	VAT had been appropriately accounted for.	Ensure that there is a separate column for VAT and that a reclaim for previous years has been made.

Annual Return Section	Process	Findings	Recommendations and actions
F	Petty cash controls	Petty cash is operated by the Council. It was not possible to review this effectively.	Close the Petty Cash account.
G	Payroll controls	An 'honorary' had been awarded to the previous Clerk. It is not clear whether this had been recorded with HMRC.	See below.
H	Asset Controls - all material assets correctly recorded	There is an asset register. However, it is not clear whether it has correctly recorded all material Assets at the correct valuation.	See below.
H	Asset Controls - all additions and removals correctly recorded	It is not clear whether any new items have been included.	Any physical items purchased during the year of a value over £100 should be included on the register. Land assets are treated slightly differently
H	Asset Controls - all Deeds and Titles established and shown on register?	All appropriate Deeds and Titles need to be established and shown on the Register.	See below.
H	Investment Registers	No investment register was required.	No further recommendations.
I	Bank Reconciliations	Year-end reconciliations were carried out.	Establish a routine for regular reconciliations throughout the year.
J	Accounting Statements	The Accounting Statements prepared during the year were prepared on the correct accounting basis.	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 partially available.	The new .gov.uk website is welcomed. More information about what needs to be included can be provided.
M	Exercise of Public Rights	The Parish Council did not publish the exercise of public rights notice for the 22/23 year.	See below.

Annual Return Section	Process	Findings	Recommendations and actions
N	AGAR publication Requirements	The Parish Council published the 2022/23 AGAR. However, there was no evidence that it was signed, there were no minute references and the Internal Audit section was not completed.	See below.
O	Trust funds (If applicable) – the Council met its responsibilities as a trustee	The Parish Council does not appear to 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	It did not appear that an Internal Audit had been completed the previous year.	Ensure that the Internal Audit is reviewed and actioned.
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 appear to present the financial position of the Council and its income and expenditure.	A full budget and regular monitoring must be undertaken in future years.
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	Not currently available.	Publish expenditure over £100.
Compliance with the Transparency Code	2) Accounting Statements published on the website	Available on the website.	Ensure all boxes are completed including the minute reference.
Compliance with the Transparency Code	3) Explanation of significant variances	Not currently available.	Use the model document provided by Moore and publish.

Process	Criteria	Findings	Recommendations and actions
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.	Ensure all boxes are completed including the minute reference.
Compliance with the Transparency Code	6) Internal Audit Report Published	Not available.	Ensure it is published in the future.
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	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.

Professional 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. The Council should pay the SLCC subscription; benefits to joining are outlined on the SLCC website <https://www.slcc.co.uk/membership/>

Training

The Clerk and the Councillors should be encouraged to take up the training offered OALC and SLCC to increase their knowledge and expand the Clerk's professional development. The Clerk may like to consider ILCA and FILCA in the first instance.

The Councillors may also find it of benefit to read the *Good Councillor's Guide* which has recently been revised by NALC together with the *Good Councillor's Guide to Finance*. Both documents are available from OALC.

Financial Regulations and Standing Orders

In order that Councils operate within the law, the National Association of Local Councils (NALC) has developed model Financial Regulations and Standing Orders. The latest Standing Orders were published in 2018 with an update in 2022. The Financial Regulations have recently received a full revision. Both documents are available from the members' area of OALC's website.

It is imperative that the Council reviews and adopts both documents as soon as possible.

Internal Financial Control Responsibility

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 appointed and an Internal Financial Control policy adopted.

Budget Setting

More significance should be made of the budget and precept setting. The overall budget (both income and expenditure) totals should be minuted and published for consideration. 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 and also makes sure that the outturn at the end of the year is in line with expectations. A Precept Calculator sheet has been provided.

I observe that a Precept of £4,800 may not be considered adequate for the Council's responsibilities.

Reserves

I note that the Council does not have adequate reserves. The Council should recognise the wider responsibilities and account for those responsibilities. The cost to the Council of an election or the need to replace a defibrillator or cabinet would severely deplete the Council's current reserve. It is acceptable to allocate funds to earmarked reserves. More guidance is available in the Practitioners' Guide from section 5.31.

Banking and Petty Cash

The Council should undertake a review to ensure that the banking provision is fit for purpose – including the consideration of electronic banking. I recommend that the Clerk / RFO is administrator on the bank accounts; the Council should have 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 staff prepare the payment(s) and two Councillors authorise the payments having seen and checked hard copies of 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 noted that the Council currently operated a sum of Petty Cash. With the ability to use electronic banking and the possibility of a debit card, petty cash is unnecessary.

I recommend that once the banking review is completed that the Council may like to consider the provision of a debit card or charge card on the bank account in the Clerk/ RFO's name in order that items which would have previously been purchased using petty cash together with items which can be purchased online, can be bought in the Parish's name without the need to resort to the Clerk or another Councillor having to use their personal accounts. With the appropriate safeguards and procedures this would be acceptable.

S137 Grants

As the Council awards grants under the 1972 Local Government Act S137, I recommend that the Council has a grant awarding policy.

Staff Employment

I noted that the former Clerk received a minimal honorarium / stipend. This should still have been considered an employee payment and the Council should be registered with HMRC. For the future, the Council must budget for an adequate salary for a paid Clerk.

The Council should be mindful that it is, as a corporate body, an employer – regardless of whether the Clerk is currently paid for their work. The Clerk should be issued with a contract. Employment advice should be taken from OALC.

Asset Register

The Asset Register must be kept up to date. All physical items which the Council has bought and are still in existence should be included on the register; either at the price the item cost at the time of purchase or, in the case of land / buildings if the area has been given to the parish, usually at a nominal value of £1. Depreciation of assets does not exist for Parish Councils.

More guidance is available throughout the Practitioners' Guide, but particularly from section 5.57.

I understand that the Council owns the play area land. The Deeds and title should be established and published on the Asset Register.

The Assets should all be inspected at least annually with the play area receiving an annual ROSPA-approved inspection together with further weekly general safety inspections. I also recommend that the play area has a notice installed with the Council's contact details.

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 has formed part of the Council's governing documents. The new 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.

Public Rights and AGAR Completion

I noted that it did not appear the Council understood the importance of the completion of the 22/23 AGAR and the need for the period of public rights.

The model Public Rights notice is available from the External Auditor's website. The dates must include the first 10 working days of July and be for a total of 30 working days. A calculator can be provided.

In order to comply with the Accounts and Audit Regulations 2015, all councils are required to complete the AGAR and, in the case of councils under the £25k threshold, supply the exemption certificate and appropriate electors' rights dates to the External Auditor.

Transparency Code

The Transparency Code has been mentioned in this report. The Code (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/388541/Transparency_Code_for_Smaller_Authorities.pdf) was published in December 2014 and required

all Parish Councils under the £25,000 threshold to publish a variety of documents together with enabling those Councils to claim exemption from External Audit.

The information required includes:

- all items of expenditure above £100 (see paragraphs 13 - 15);
- end of year accounts (see paragraphs 16 and 17),
- annual governance statement (see paragraphs 18 and 19),
- internal audit report (see paragraphs 20 – 22),
- list of councillor or member responsibilities (see paragraph 23),
- the details of public land and building assets (see paragraphs 24 - 27), and
- Minutes, agendas and meeting papers of formal meetings (see paragraphs 29 and 30).

Minutes

I noted in the May Minutes of 2023 that the first item of business was not to elect the Chair and that the Council was not quorate in December when the new Councillors were co-opted. The Council must know that the quorum for the Council is three members in attendance.

On reviewing the Minutes, I noted that items for decision were occasionally being raised under the topic of “Matters Arising” and “Any Other Business”. All items for decision should have their own clearly written 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)” and “Any Other Business” to “Items for information or next agenda”. I hope that this will help with focus, but I can provide more guidance if needed.

Minutes are the formal record of the proceedings of the actual meeting. Any information which comes to light later should be recorded in future Minutes and not put in as an addendum to the current Minutes.

It is good practice for Minutes to include resolutions and more factual detail about those resolutions.

A text along the lines of “The Council **RESOLVED** to agree to engage [contractor name] to undertake xx at a total cost of £xx” could be used.

It is useful to have the word “resolved” in bold and caps as this then indicates that the Council has made a formal decision.

It is also recommended that members of the public are not named in the Minutes, including as attendees.

Information Commissioner

It was noted that at the time of the review the Council was not registered with the Information Commissioner. Under the Data Protection Act 2018 it is a requirement that all organisations which process personal data should be registered and have the appropriate publication scheme. A model publication scheme can be found on the ICO’s website. The Council should also have appropriate Data Protection and Document Retention policies.

Website and Email

The Council should be congratulated on agreeing to adopt a new gov.uk domain website and email addresses for all Councillors.

IT Equipment

The Council should provide the Clerk with 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 and there is potential risk involved in doing so.

Furthermore, the Council should consider providing the Clerk with a mobile smartphone in order that their personal numbers are not publicly available, and all 2 factor authentication needs can be contained on Parish Council-owned equipment.

Document Management

In our discussions, I noted that many of the Parish Council Minute books are still in the Parish. As these books are the only 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.

Conclusion

Many Clerks start working in a Parish with very little training or knowledge of how Parish Councils work and will follow what the previous Clerk has done. While there are a number of comments above, these are meant to help improve the working and efficiency of the Council and I will be very happy to help the Clerk to work through them.

Northmoor Parish Council has an electorate in the region of 350 and the Precept for the year 23/24 was set at £4,800.

Provided that my recommendations are taken into account, moving forward, the Council will have competent arrangements in place to satisfy itself that its systems of internal financial control are transparent and effective.

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