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

2021/22 Internal Audit Report for Bucknell Parish Council

From Jane Olds – Internal Auditor

I reviewed the documents provided and met with the Chairman, Chris Wells, on 11 June via Zoom and finalised the information on 19 June on receipt of the draft AGAR.

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 and are maintained with 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	It was not possible to agree this as it does not appear that the Council has adopted Financial Regulations. However, payments were supported by invoices, and expenditure was approved and VAT appropriately accounted for.	Ensure that the latest model of Financial Regulations is adopted as soon as possible.
C	Review of Internal Controls	The Council was not able to assess the significant risks to achieving its objectives as there was no Risk Assessment.	Ensure that a full Risk Assessment is developed and reviewed annually using the JPAG.
D	Budgetary Controls (Precept requirement)	The annual Precept requirement did not result from an adequate budgetary process.	Ensure that the budget amount (both expected expenditure and expected income) and the Precept amount are agreed and minuted in order that the final outturn can be confirmed.
D	Budgetary Controls (Budget monitoring)	Progress against the budget did not appear to be monitored or minuted regularly.	Ensure that progress is monitored.
D	The final Outturn is in line with expectations.	The final outturn appeared to be in line with the limited expectations presented.	More attention should be given to the setting of the budget.
E	Income controls	Expected income was received.	Ensure that income is recorded in the Minutes.
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 appeared to have been paid in accordance with Council approvals. However, it does not appear that the HMRC / NI requirements were properly applied.	The Council, as an employer, is required to register with HMRC and to record all payments to its employees with HMRC regardless of whether any tax is due (HMRC advice note from 2011 supplied). It is imperative that this is rectified as soon as possible.
H	Asset Controls - the register has correctly recorded all material assets?	There does not appear to be an asset register available.	The asset register should correctly record all material Assets.
H	Asset Controls - all additions correctly recorded?	No additions were made during the year.	No further recommendations.
H	Asset Controls - all Deeds and Titles established and shown on register?	There does not appear to be an asset register available.	Deeds and Titles need to be shown on the Register.
I	Bank Reconciliations	At least one reconciliation was carried out.	Regular reconciliations should be undertaken.
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 met the exemption criteria.	No further recommendations.
L	Information published on website	The information is currently limited.	Ensure that all information required in the Transparency Code is published.
M	Exercise of Public Rights	The Parish Council published the exercise of public rights on the website.	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. Ensure that the Electors' Rights dates are for 30 working days and cover the first ten working days of July.

Annual Return Section	Process	Findings	Recommendations and actions
N	AGAR Publication Requirements	The Parish Council published the 2020/21 AGAR but none of the other documents required in the Transparency Code.	Ensure that all information required in the Transparency Code is published.
O	Trust Funds (if applicable)	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 the Internal Audit is reviewed as part of the year end process
External Audit recommendations have been considered and actioned.	Good Practice	Not applicable.	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 the financial position of the Council and its income and expenditure.	No further recommendations.
Compliance with the Transparency Regulations.	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 Web-Site and with all information requirements	Not currently available.	Ensure that this is recorded.
Compliance with the Transparency Code	2) Annual Return published on the Web-Site	Available on the website.	No further recommendations.
Compliance with the Transparency Code	3) Explanation of significant variances	Part of a rudimentary document was available on the website.	The document should have much more information regarding the differences.

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.	No further recommendations.
Compliance with the Transparency Code	6) Internal Audit Report Published	The AGAR portion available on the website.	Publish the accompanying report in the future as this gives an explanation of the AGAR answers.
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.	Include the details as part of the Asset Register.
Compliance with the Transparency Code	9) Minutes & Agenda	Minutes are available.	Include agenda and all other accompanying documents.

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 new Clerk (when appointed) 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 including a regular agenda item and budget for training.

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 new 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.

Standing Orders and Financial Regulations

On initial inspection of the documents, I noted that the Standing Orders were extremely old and did not conform to the latest legislation; there were no Financial Regulations at all. The Council should be reminded that it is the Council as a corporate body which is responsible for ensuring that the documents are kept up-to-date when new versions are published by NALC (the model documents are available from OALC).

Both documents should be considered and adopted as a matter of urgency. Without Financial Regulations it is not possible for me to agree with question B of the Internal Audit portion of the AGAR.

Financial Responsibility and Budget Setting

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 help the RFO and Clerk.

Budget Setting

I should like to see more significance 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.

Banking

The Council should undertake a review of the bank mandate to ensure that the banking provision is fit for purpose annually. The Clerk should be an administrator on the bank accounts and together with 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 the staff prepares the payment and at least one Councillor (for online) authorises it having seen and checked the appropriate paperwork.

The Council may like to consider the provision of a debit card or charge card on the bank account in the new Clerk/ RFO's name (in due course) in order that items such as Zoom, anti-virus software or Office365 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.

Finance Reports

I recommend that the Council includes a financial report as part of the regular meeting agenda. This should include the state of the bank accounts (amounts in the bank accounts), any outstanding payments, any standing order or direct debit transactions and any income received.

I also recommend that the Council receives a budget monitoring report of actual expenditure over budget at least three times a year in order that the Council is able to ensure expenditure is on track.

Risk Assessment

As mentioned in Point C. above, the Council must assess the significant risks to achieving its objectives annually. The document must cover the financial aspects and risks of Council business – the Joint Practitioner's Guide 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.

Reserves

I noted that the Council had fairly significant reserves but that much of these were not currently 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 latest edition.

I also recommend that the Council adopts a Reserves Policy which is reviewed annually in order to explain the different types of reserves and record the levels of the Reserves appropriate for the year.

Assets

The Parish Council assets should be compiled in a register (a spreadsheet is acceptable) with the location, the date bought, the price paid for the item and the insurance value of the asset. The assets should also be inspected for risk and the condition minuted at least annually. This should be a project for the entire Council.

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.

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

HMRC

As mentioned in Section G, the Council, as an employer, is required to register with HMRC and to record all payments to its employees with HMRC – regardless of whether the Clerk is below the income tax threshold. I have supplied the HMRC advice note from 2011. It is imperative that this is rectified as soon as possible.

It is also required to make a return to the Pensions Regulator.

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 (and this could include simple emails from members of the public) should be registered and have the appropriate publication scheme. The Council should also have appropriate Data Protection and Document Retention policies.

Document Management

In our discussions, I noted that many of the Parish Council Minute books are currently in the village. 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 in the village, 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.

Website

The Council should ensure that the website is kept up-to-date to comply with the Transparency Code. This includes publishing the agenda at least three clear days before the meeting together with any supplementary documents to be discussed at the meeting and publishing the draft minutes of meetings within 28 days of the meeting.

Councillor Email Accounts

As part of the GDPR, it is recommended that all Councillors should use email addresses provided for them by the Council.

AGAR completion

Council should consider this report carefully before completion of Section 1 (the Annual Governance Statement) of the AGAR. The AGAR should be completed at a Parish Council meeting.

Conclusion

The above are recommendations to help the Council improve its processes. I will be happy to help the Council and new Clerk to work out a plan.

Bucknell Parish Council has an electorate in the region of 206 and the Precept for the year 21/22 was set at £5,545.

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