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Internal Audit Report for Woodcote Parish Council

From Jane Olds – Internal Auditor

I reviewed the documents provided and met with the Clerk, Jenny Welham, on 15 March via Zoom and finalised the information on 29 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.

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	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. Attention may need to be given to the recommendation at 5.96 relating to the assessment matrix.
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.

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 been applied.	No further recommendations.
H	Asset Controls - all additions correctly recorded?	Additions in the year have been correctly recorded within the Cash Book and Register.	No further recommendations.
H	Asset Controls - all Deeds and Titles established and shown on register?	All appropriate Deeds and Titles have been established and are shown on the Register.	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	The information is available.	No further recommendations.
M	Exercise of Public Rights	The Parish Council published the exercise of public rights on the website and noticeboard.	Note that the earliest date for 21/22 is 1 June due to the Jubilee bank holiday.
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 body (The Allotments for the Labouring Poor).	The return must be filed and an AGM convened.

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.	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 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 £100 is recorded on the Council Web-Site and with all information requirements	Not currently available on the website.	It is good practice to include this.
Compliance with the Transparency Act	2) Annual Return published on the Web-Site	Published on the website.	No further recommendations.
Compliance with the Transparency Act	3) Explanation of significant variances	Not currently available on the website.	It is good practice to include this.
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	Published on the website.	No further recommendations.
Compliance with the Transparency Act	6) Internal Audit Report Published	Published on the website.	No further recommendations.
Compliance with the Transparency Act	7) A List of Councillors' responsibilities	Published on the website.	No further recommendations.
Compliance with the Transparency Act	8) Details of Public Land and Building Assets	Not currently available on the website.	It is good practice to include this.

Process	Criteria	Findings	Recommendations and actions
Compliance with the Transparency Act	9) Minutes & Agenda	Published 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 Council should be commended on agreeing to pay for the Clerk's CiLCA qualification. The Clerk should be congratulated on her achievement of attaining CiLCA, which will 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 after the next election. The Council should be reminded that now that the Clerk has qualified, she will be entitled to a spine point salary increase.

The Clerk has undertaken training, but I recommend that the Councillors, too, should be encouraged to take up the training offered by OALC to increase their knowledge and understanding of the sector. I recommend including a regular agenda item to remind the Council of the courses available.

Financial 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; this responsibility should not be taken lightly.

The Councillor Responsible for Internal Financial Control should use a check sheet to help them make the appropriate checks on the accounts. A basic template with instructions has been provided.

I also recommend that the Minute reference when the Council agreed to place the order / undertake the work is recorded in the payment schedule so that the Council is able to refer back and satisfy themselves that the correct amount is on the invoice.

Reserves

I noted that the Council had fairly significant reserves but that they could be more clearly earmarked for specific tasks. 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 Section 5 of the Joint Practitioners Guide section 5 - <https://www.nalc.gov.uk/library/our-work/jpag/3479-practitioners-guide-2021/file> (from page 38).

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.

Staff Appraisal

The Clerk is employed by the Council and the Council, therefore, should be mindful that it is, as a corporate body, an employer. I recommend that the Council form a staffing committee, of at least

three members, which is able to perform an annual review of the Clerk's employment. Employment training provided by OALC should be undertaken.

Document Management

In our discussions, I noted that many of the Parish Council Minute books are currently in the Council office. 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 using the Document Retention policy.

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.

Woodcote Parish Council has an electorate in the region of 1992 and the Precept for the year 21/22 was set at £105,406.

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