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2022/23 Internal Audit Report for Islip Parish Council

From Jane Olds – Internal Auditor

I reviewed the documents provided and met with the Clerk, Emma Kearney, on 11 June via Zoom and finalised the information on 18 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 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 has Internal Control provision in that the Clerk provides the full Council with detailed information.	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 using a checklist.
C	Review of Risk Assessment	The Council has assessed the significant risks to achieving its objectives using their Risk Assessment; the document was adopted at a meeting on 10 May 2022 and has been published.	Ensure that the Risk Assessment is reviewed annually at the beginning of the financial year using the Practitioners' Guide recommendations (starting at 5.84).
D	Budgetary Controls (Precept requirement)	The annual Precept requirement did not result from an adequate budgetary process as this was provided by the previous Clerk. However, the 23/24 budget demonstrates that process is now being followed.	Ensure that the new procedure is maintained. While the budget can be considered at the November meeting, I recommend leaving confirmation of the Precept until the Council has received the tax base figure from CDC.
D	Budgetary Controls (Budget monitoring)	Progress against the budget was monitored and minuted regularly.	No further recommendations.
D	Reserves were appropriate	Reserves were not adequately accounted for during the 22/23 year, but have been demonstrated ready for the 23/24 year.	A full Reserves Policy should be adopted.
D	The final outturn is in line with expectations	The final outturn was materially in line with expectations.	No further recommendations.

Annual Return Section	Process	Findings	Recommendations and actions
E	Income controls	Expected income was fully received and properly recorded.	No further recommendations.
E	VAT	VAT had been appropriately accounted for.	Ensure that the VAT reclaim is made regularly.
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	No additions have been recorded.	No further recommendations.
H	Asset Controls - all Deeds and Titles established and shown on register?	Deeds and Titles are yet to be established and shown on the Register.	The Council must ensure that the legal documents are recovered from former employees.
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	The information is fully available.	No further recommendations.
M	Exercise of Public Rights	The Parish Council published the exercise of public rights notice on the website and noticeboard with the following dates: 1 July to 11 August. However, the date of the notice was the same day as	Ensure that the date of the notice is at least one day after the meeting adopting the accounts and the dates start a day after the notice and are for 30 working days and cover the first then working days of July.

Annual Return Section	Process	Findings	Recommendations and actions
		the AGAR was agreed at the meeting.	
N	AGAR publication Requirements	The Parish Council complied with the publication requirements for the 2021/22 AGAR.	No further recommendations.
O	Trust funds (If applicable) – the Council met its responsibilities as a trustee	The Parish Council operates as a Trustee. No accounts appear to be held. The return has been made. It has not been possible to ascertain the type of Trustee as it appears the documents have been withheld.	The Council must ensure that the legal documents are recovered from former employees.

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 21/22 and had been published on the website. Findings:	
		Public Rights notice not compliant with dates due to date of meeting in June.	Ensure dates are correct.
		Issues regarding Section 2 figures due to omitting the word 'restated' on the form together with a number of queries regarding the provision of the figures following confusion with the presentation of the 20/21 AGAR figures	

Process	Criteria	Findings	Recommendations and actions
		which were incorrect and had to be corrected by the new Clerk.	
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.		
Compliance with the Transparency Code	1) Expenditure over £100 is recorded on the Council website and with all information requirements	Available in the Minutes.	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	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.

I recommend including a regular agenda item and budget for training.

The Clerk should be supported in her completion of CiLCA (Certificate in Local Council Administration) which will be of great benefit, not only to the Clerk's professional development, but to the Council. Investment in staff is essential, particularly as the Council should recognise that a qualified professional Clerk is the Council's main asset.

Staff Hours

I recommend that the Council ask OALC to undertake an independent review of the Clerk's working hours due to the range of responsibilities and issues which the Clerk has uncovered or needs to deal with on a day-to-day basis.

Reference Books

The Clerk has access to the latest edition of Local Council Administration, but the Council may like to consider buying the latest edition of the Clerk's Manual which was recently published by SLCC.

Civility and Respect Pledge

I noted that the Council has not yet signed up to the Civility and Respect pledge. This has been developed by NALC, SLCC and One Voice Wales. It is designed as a starting point to encourage all Councils – regardless of size – to be civil and respectful to all, but it also has advice and assistance which can be used should any member fall short of the pledge. While the current Council is well-run and amicable, it is not known what will happen in the future.

Minutes

For the future, the hard copy of the Minutes should have each page initialled and the final page signed and dated by the Chairman of the meeting at which they are considered.

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.

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 and this responsibility should not be taken lightly.

I recommend that a policy is adopted and a Councillor Responsible for Internal Financial Control is appointed to help the Clerk.

Furthermore, there should be regular items on the agenda for the Council to receive and review the financial statement (which should state of the bank accounts, outstanding payments, any income received and any direct debits / standing orders) together with approval of the invoices. A standard document can be supplied.

The Council should be reminded that the Clerk, as Proper Officer, has the authority to spend but that all other spending must be agreed at a meeting before incurring any costs or expenditure. Furthermore, no Councillor may act as an individual unless specifically delegated and minuted to do so by the Council.

Banking

The Council has three signatures on the bank account, but only two of these have online access. I recommend that the Council has at least three online signatories / authorisers. The Councillor Responsible for Internal Financial Control may have online access to the bank accounts, but should not authorise payments during their tenure.

The Council has a debit card. I recommend that the Council adopts a debit card use policy to ensure that the appropriate safeguards are in place.

Reserves

I noted that while the Council had not allocated reserves in the year 22/23, it has done this as part of the 23/24 budget process which is to be welcomed. A reserves policy which outlines the reasons for the reserves should be adopted.

Grants

The Council may find it helpful to adopt a Grants Policy and application form in order that grant applications can be distributed fairly and in accordance with S137 of the 1972 Local Government Act.

Land Ownership

The Council should ensure that it confirms all the areas of land it owns and holds all the records. OALC may be able to provide advice on how to check on the ownership of the burial ground and the closed churchyard.

The ownership of other portions of land, including the 'Swan Car Park' should be clarified and the Deeds obtained. It may be advisable to ask a consultant to help with this. Advice can be supplied.

It is understood that the Council is also responsible for the village allotments. The Parish Council's responsibilities should be clarified.

Council as Trustee

As the Council has not received the Deed documents (see below), it has not been possible to clarify the Trustee status.

Assets

I understand that the Playground receives an annual inspection from an external company, however, regular local inspections should also record the results on a check sheet in order that the Council complies with the insurance requirements. I also recommend that the other Parish Council assets (dog bins, benches etc) should be inspected for risk and the condition minuted at least annually. This should be a project for the entire Council.

Membership

As the Council appears to be responsible for a burial ground, I recommend that the Council joins the Institute of Cemetery and Crematorium Management (ICCM).

Risk Assessment

As mentioned in Point C above, the Council must assess the significant risks to achieving its objectives annually. A review of the document using either the template in the Practitioners' Guide or the SLCC template would be advisable.

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. The Council should also have appropriate Data Protection and Document Retention policies.

Document Management

Despite my recommendation last year, I noted that the Clerk had not received the Parish Council documents from the former Clerk. As these documents – including the Minutes which should be kept in perpetuity and legal Deeds – are the property of the Parish Council and could have GDPR implications for the Council, it is imperative that all Council documents are returned to the Council as soon as possible in order that the current Clerk is able to decide what is to be kept. If the documents are not forthcoming, I recommend taking legal action. The Council may be able to take advice from their insurers about the best way of proceeding.

The Council should adopt a Document Retention Policy (a template version is available on the SLCC's advice pages) as soon as possible.

Provision of Equipment

It is advisable that the Council should provide the Clerk with a mobile smartphone in order that her personal numbers are not publicly available, and all 2-factor authentication needs can be contained on Parish Council-owned equipment.

Councillor Email Accounts

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

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.

Islip Parish Council has an electorate in the region of 512 and the Precept for the year 22/23 was set at £23,611.24.

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