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## Internal Audit Report for Hornton Parish Council

From Jane Olds – Internal Auditor

I reviewed the documents provided and met with the Clerk, Fiona Donaldson and RFO Kirsty Buttle, on 27 April via Zoom to finalise the information.

### **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 throughout the year and are maintained with audit trails.	It is understood that further work on ensuring the accounts are kept appropriately is now being undertaken.

<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	<p>The Council's Financial Regulations have been met in some cases.</p> <p>Some payments were supported by minute references; invoices and expenditure was approved and VAT appropriately accounted for.</p>	<p>The invoices for payment should include a Minute reference when the Council agreed to place the order / make the grant for transparency and ease of reference.</p> <p>As a general rule, payments should not be made outside meetings (unless withholding payment will incur a late payment charge); most suppliers will have terms which will allow inclusion on a monthly payment run.</p>
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.	<p>The Risk Management Assessment is adequate.</p> <p>However, the Council should review and update it annually at the beginning of the financial year using the JPAG recommendations and publish it on the website.</p>
D	Budgetary Controls (Precept requirement)	The annual Precept requirement did not result from an adequate budgetary process.	It was not possible to work out from the minutes whether the Precept increase was acceptable against the budget.
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.	While the budget had not been published, it was believed that the outturn was acceptable.
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 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.	Ensure documents are available as PDFs.
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 posted on the noticeboard, published in the Finance section of the website, and that the dates are noted and Minuted prior to publication.  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 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 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.  Findings: None.	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	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	Available on the website.	No further recommendations.
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	Available on the website.	No further recommendations.

<b>Process</b>	<b>Criteria</b>	<b>Findings</b>	<b>Recommendations and actions</b>
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	Available on the website.	No further recommendations.
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 ILCA or CiLCA (Certificate in Local Council Administration) in the future. I recommend including a regular agenda item and budget for training.

### **Risk Assessment**

As mentioned in Point C. above, the Council must assess the significant risks to achieving its objectives. I recommend that this document is reviewed at the beginning of the financial year in order that it can be used as a working document throughout the year. A full review of the risks should be undertaken; the risk regarding operation of a card reader could be included. Consideration should also be made to the risk level (likelihood x impact) of each item. JPAG has additional advice.

### **Budgetary Controls**

I should like to see far greater significance made of the budget and precept setting. The overall budget total should be minuted and a draft budget 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.

### **Debit Card**

The Council may like to consider the provision of a debit card or charge card in the Clerk or RFO's name in order that items such as Office365, anti-virus software or website domain names can be bought in the Parish's name without the need to resort to the Clerk / RFO or another Councillor having to use their personal accounts. With the appropriate safeguards and procedures this would be acceptable.

### **Payments**

In many cases, there did not appear to be a sound trail of agreement to spend or make purchases within the Minutes. For instance, there does not appear to be a Minute reference to agree the work on the pavilion driveway Tarmac, advice from a barrister, or the playground inspection. All decisions,

particularly to spend money, must have their own specific agenda items in order that the motion can be considered fully.

I recommend that long term agreements – such as grass cutting or the playground inspection – should be reviewed and minuted at least every three years, particularly to ensure that the Council is obtaining best value for money.

It should also be noted that all purchases should be made by the Clerk, as Proper Officer, or the RFO.

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.

### **Agenda**

The Agenda should include a summons to all Councillors as this is the legal document requiring the Councillors to attend a meeting. The agenda provided on the website does not include a summons.

### **Minutes**

On reviewing the Minutes, I noted that items for decision were occasionally being raised under the topic of “Matters Arising”. 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)” to help with focus.

### **Assets**

The Parish Council assets should be inspected for risk and the condition minuted at least annually. This should be a project for the entire Council.

### **Reserves**

As mentioned last year, the Council has fairly significant reserves but 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.

### **Document Management**

In our discussions, I noted that many of the Parish Council Minute books are stored in the Pavilion. 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 Parish’s Document Retention policy.

I also recommend that the Parish Council laptop is backed up regularly either to an external hard drive (not USB stick as they are notoriously unreliable) and / or the Cloud.

## 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.

Hornton Parish Council has an electorate in the region of 280 and the Precept for the year 21/22 was set at £10,000.

In general, I believe that the Council now has acceptable arrangements in place to satisfy itself that its systems of internal financial control are reasonably transparent and effective. There are approval and authorisation controls to minimise risk.

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