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2022/23 Internal Audit Report for Berinsfield Parish Council

From Jane Olds – Internal Auditor

I reviewed the documents provided and met with the Clerk, Annette Loveland, on 21 March via Zoom and finalised the information on 2 May.

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 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	<p>The Council's Financial Regulations have been met in that appropriate authorisations have been given for each level of expenditure.</p> <p>Payments were supported by invoices, and expenditure was approved and VAT appropriately accounted for.</p>	No further recommendations.
C	Review of Internal Controls	The Council has Internal Control provision including a policy.	A Councillor responsible for internal financial control should be appointed and a checklist devised.
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 4 April as part of the Finance Committee meeting Minutes and has been published.	<p>The Council should review and update the Risk Assessment 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.</p> <p>The adoption of the Risk Assessment should be given more prominence at Full Council.</p>
D	Budgetary Controls (Precept requirement)	The annual Precept requirement resulted from a budgetary process.	Ensure that the budget projected expenditure and income is considered at Full Council prior to the consideration of the Precept.
D	Budgetary Controls (Budget monitoring)	Progress against the budget was monitored and minuted regularly.	No further recommendations.
D	Reserves were appropriate	Reserves require more explanation.	A policy together with allocations of reserves should be devised.

Annual Return Section	Process	Findings	Recommendations and actions
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.
E	VAT	VAT had been appropriately accounted for.	No further recommendations.
F	Petty cash controls	Petty cash is 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	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.
H	Investment Registers	No Investment register or strategy.	An investment register and strategy should be devised as the Council holds more than £100,000. See Practitioners' Guide sections 1.11, 4.20 and 5.28
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.

Annual Return Section	Process	Findings	Recommendations and actions
M	Exercise of Public Rights	The Parish Council published the exercise of public rights notice on the website and noticeboard with the following dates: 6 June to 15 July.	Ensure that the Electors' Rights dates are for 30 working days and cover the first ten working days of July.
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 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 by the Finance Committee 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: Minor rounding errors in Section 2 Box 10 of Section 2 incomplete Trusts question should be answered 'not applicable' rather than 'no'.	Ensure correct completion of the AGAR.

Process	Criteria	Findings	Recommendations and actions
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	Not currently available on the website.	If possible, it is good practice to include this.
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	Not currently available.	Publish 21/22 variances as soon as possible.
Compliance with the Transparency Code	4) Explanation of difference between Box 7 & 8 if applicable	An explanation is given.	There should be no need for a difference between Boxes 7 and 8 as the Council operates on a Receipts and Payments basis.
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.

Budget Setting

While the Finance Committee may consider the detail of the budget, it is for Full Council to formally approve it. The overall budget (both expected income and expenditure) totals should be minuted followed by the Precept. This is the formal record of the amount requested and demonstrates that the Council has considered that requirement is adequate for the budgeted expenditure.

Financial Administration

While the Council has adopted an Internal Financial Controls Policy, it is also recommended that the Council appoints a Councillor responsible for Internal Financial Control who should check processes against a checklist at least three times a year. OALC provided advice and a checklist in spring 2022.

With the difficulties which the Clerk has had in communicating with Barclays, the Council should consider whether the current banking provision is appropriate. The Clerk should only be able to set up payments as the administrator, but should not have authority to make payments. All online payments should be authorised by two Councillors. If this is not possible, I recommend reverting to cheque payments (signed by two Councillors) until appropriate provision can be made.

As recommended last year, the Council should consider a payment card of some form, whether that is a pre-pay card or a debit card on the Council's account. It should not be necessary for the Clerk to make payments using their own account which is then reclaimed.

I noted last year that consideration should be given to bank accounts which hold more than £85,000. As the Council holds more than £100,000 in accounts an investment register and strategy should be devised. More information is available in the Practitioners' Guide.

The Council's reserves should be allocated to earmarked reserves and a policy considered.

General Administration

It was not possible to see signed copies of the minutes. Minutes must be signed by the Chairman of the meeting where they are considered for approval. They must not be left unsigned.

A Publication Scheme based on the document provided by the Information Commissioner must be completed and available in order to conform to the Information Commissioner's requirements.

Civility and Respect

The Council should be congratulated on signing the Civility and Respect pledge. This is an ongoing project which should be welcomed.

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.

For information, I have now undertaken three reviews of Berinsfield Parish Council and I recommend that the Council fully reviews the internal audit provision for the year 2023/24.

Berinsfield Parish Council has an electorate in the region of 1915 and the Precept for the year 22/23 was set at £126,990.

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