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

Internal Audit Report for Sandford St Martin Parish Council

From Jane Olds – Internal Auditor

I reviewed the documents provided and met with the Clerk, Anne Ogilvie, on 11 May via Zoom and finalised the information the same day.

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 Council should review and update it annually using the JPAG recommendations (2022 version - starting at 5.84) and publish it on the website. Attention may need to be given to the recommendation at 5.92 relating to the numerical 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. |
| 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. |

| Annual Return Section | Process | Findings | Recommendations and actions |
|------------------------------|--|---|--|
| H | Asset Controls - all additions correctly recorded? | No additions have been made. | No further recommendations. |
| H | Asset Controls - all Deeds and Titles established and shown on register? | Deeds and Titles are yet to be established. | Once the titles are established they should be published on the asset register. |
| 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 meets 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 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. |

| 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 Act | 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 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. |
| 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 | To be finalised. | Finalise when possible. |
| 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 has undertaken training, but I recommend that the Councillors, too, should be encouraged to take up the training offered by the local County Association to increase their knowledge and understanding of the sector. I recommend including a regular agenda item for training.

Banking

It is understood that the Council has undertaken a review of the banking procedures and is in the process of changing banks. This should be commended.

As part of the banking changes, the Council should consider some form of payment card on the account for the Clerk / RFO, in order that items such as Office 365 or antivirus software can be ordered online. With the appropriate safeguards in place this would be more appropriate than the Clerk having to use their own personal debit card for Parish Council expenses.

Assets

I noted that the Council had inspected the assets and reported on their condition. This should be an annual occurrence.

Members' Interests

As part of the Localism Act 2011, the District Council is required to receive and publish the Members' Interest forms of Parish Councillors. The Council should ensure that there is a link from the Parish Council website to the appropriate part of the District Council's website.

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.

Sandford St Martin Parish Council has an electorate in the region of 170 and the Precept for the year 21/22 was set at £6,790.

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