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Internal Audit Report from Jane Olds – Internal Auditor

The Clerk, Anne Ogilvie, visited me on 18 March with the requested files.

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 2020 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 2020– 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 comments
B	Council's Financial Regulations have been met with regard to expenditure	<p>The Council's Financial Regulations have been met in that, in general, appropriate authorisations have been given for each level of expenditure.</p> <p>The majority of payments were supported by invoices, and expenditure was approved and VAT appropriately accounted for.</p>	<p>Everything is now in order.</p> <p>However, the Council should note that it is imperative that all payments are made on receipt of an invoice where the order has been placed by the Council (preferably minuted as such).</p> <p>It was noted that one large payment was made (prior to the Clerk's appointment) without apparent record of invoice or agreement to purchase the service. This should not happen again.</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.	No further comment.
D	Budgetary Controls (Precept requirement)	The annual Precept requirement resulted from an adequate budgetary process.	No further comment.
D	Budgetary Controls (Budget monitoring)	Progress against the budget was monitored and minuted regularly.	I recommend that more detail about the budget monitoring is included in the Minutes.
D	The final Outturn is in line with expectations.	The final outturn was materially in line with expectations.	No further comment.
E	Income controls	Expected income was fully received and properly recorded.	No further comment.
F	Petty cash controls	Petty cash is not operated by the Council.	

Annual Return Section	Process	Findings	Recommendations and actions
G	Payroll controls	Salaries to employees were paid in accordance with Council approvals.	No further comment.
H	Asset Controls -the register has correctly recorded all material assets?	The current asset register was accurate.	It is good practice to include the date of the purchase in the asset register, if known.
H	Asset Controls - all additions correctly recorded?	The recently purchased laptop and case have been added.	No further comment.
H	Asset Controls - all Deeds and Titles established and shown on register?	As far as I could see, the Parish Council did not record any land owned on the Asset Register.	No further comment
I	Bank Reconciliations	Reconciliation is satisfactory.	No further comment
J	Accounting Statements	The Accounting Statements prepared during the year were prepared on the correct accounting basis, agreed with the cash book and were supported by an adequate audit trail.	No further comment.
K	Limited Assurance Review Exemption	The Council did not meet the exemption criteria.	No further comment.
L	Exercise of Public Rights	The Parish Council published the exercise of public rights on the website and noticeboard.	I recommend filing the hard copy of the notice with the AGAR once it has been taken down in case it is required as proof in the future.
M	Trust Funds (If applicable)	The Parish Council does not operate as a Trustee for any external body.	No further comment.

Transparency Compliance

Process	Criteria	Findings	Recommendations and actions
Review of Internal audit action plan has been considered and actioned? Good Practice	Good Practice	The previous internal audit was reviewed by the Council.	No further comments.
	External Audit recommendations have been considered and actioned.	No matters had been raised for action.	No further comments.

Process	Criteria	Findings	Recommendations and actions
	Qualifications made, if any have been addressed in 2018/19.	No further comment necessary.	None.
Accounting Statements agreed and reconciled to the Annual Return	Section 1 of the Annual Return Part 1 of the Annual return is complete and accurate and reconciles to the statement of accounts.	This will be checked after the Year End.	None.
Compliance with the Transparency Act		The website has all the relevant information required.	While the website has the information, it is cumbersome for the Clerk to update and it could be made more user friendly. The Council should also ensure that it is compliant with the Accessibility Regulations.
Compliance with the Transparency Act	1) Expenditure over £100 is recorded on the Council Web-Site and with all information requirements	Compliant.	None.
Compliance with the Transparency Act	2) Annual Return published on the Web-Site	The 2018/19 Annual Return is available.	None.
Compliance with the Transparency Act	3) Explanation of significant variances	There was no record of significant variances being published for the year 2018/19.	Significant variances should be sent to the External Auditor and then published on the website.
Compliance with the Transparency Act	4) Explanation of difference between Box 7 & 8 if applicable	Compliant – no differences.	None.
Compliance with the Transparency Act	5) Annual Governance Statement recorded	Compliant and published.	It is recommended that the AGAR Statement is on the agenda and minuted

Process	Criteria	Findings	Recommendations and actions separately from the accounts.
Compliance with the Transparency Act Compliance with the Transparency Act	6) Internal Audit Report Published 7) A List of Councillors' responsibilities	Compliant and published. This is not currently available.	None. Publish an annual list of Councillors and their responsibilities, including - Chairman / Vice Chairman - PC representative on external organisations (such as the village hall) - their election / co-option dates and - a link to the District Council's website for the Register of Member's Interests forms This can then be included in the annual finance section of the website
Compliance with the Transparency Act	8) Details of Public Land and Building Assets	If the Parish has any land or building assets, they should be recorded.	Publish the Asset register and include in it the Land Registry numbers.
Compliance with the Transparency Act	9) Minutes & Agenda	This is available.	Create a simple Agenda and Minutes section per year which can then be kept with the annual accounting information.

Further Recommendations:

Following the completion of the Internal Audit, I strongly recommend that the Council completes a review of effectiveness. A blank form can be supplied.

The Parish Council should acknowledge that while the Clerk has been paid, the job over the last few months has been extremely challenging. The Clerk should be supported and encouraged in undertaking CiLCA (Certificate in Local Council Administration) and should be commended for the additional work she has undertaken.

Councillors should also take advantage of the training provided by OALC – when it starts again. The Roles and Responsibilities training and the Chairmanship training courses are essential and always well-presented.

It was noted (above) that there was a large payment made where the Clerk had no paper record or invoice (it was prior to the Clerk's appointment). The Financial Regulations, which I understand have been updated, must be adhered to at all times. I strongly recommend that the banking arrangements are reviewed as a matter of urgency. The Clerk should be a named official – possibly as administrator – to enable the smooth running of the account and there should be at least three signatories. If online banking is preferred, an online banking procedure should be adopted which should conform to the Financial Regulations and ideally should allow for the Clerk to set up the payment and one or two Councillors to authorise the payment. No one person should be able to sign a cheque or make an electronic payment.

I understand that the website, while it looks presentable, is difficult to update. In order to make the website more easily navigable, I recommend the Council looks at examples of other Parish Council websites.

I also strongly recommend that, in order to comply with GDPR and Freedom of Information legislation, all Councillors use email accounts from the Parish domain name which should be kept separate from their personal accounts.

I noted that the Councillors Members' interests were not published by the District Council which is not compliant with the current legislation. However, this is an issue which should be taken up with the Electoral Services team of the District Council.

The above are just recommendations and comments. 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.

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
Internal Auditor