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

2023/24 Internal Audit Report for Islip Parish Council (Oxfordshire)

From Jane Olds – Internal Auditor

I reviewed the documents provided and met with the Clerk, Emma Kearney, on 3 June via Zoom and finalised the information on 5 June.

BASIS OF REPORT

This internal audit report is based upon the Joint Panel on Accountability and Governance (JPAG) Practitioners’ Guide in England 2023 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: (JPAG) Practitioners’ Guide 2023 – 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 did not assess the significant risks to achieving its objectives using their Risk Assessment during the year.	The risk assessment must be reviewed annually.
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	Reserves were appropriate	Reserves were adequately accounted for.	See below.
D	The final outturn is in line with expectations	The final outturn was materially in line with expectations once the unanticipated fencing work had been taken into account.	No further recommendations.
E	Income controls	Expected income was fully received and recorded.	No further recommendations.
E	VAT	VAT had been appropriately accounted for.	The VAT reclaim must be submitted as soon as possible.
F	Petty cash controls	Petty cash is not operated by the Council.	No further recommendations.

Annual Return Section	Process	Findings	Recommendations and actions
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?	Deeds and Titles are yet to be established and shown on the Register.	Obtain clarification on the Council's land ownership and responsibilities as this is of primary importance, particularly due to potential liabilities and risks. The Council should assist the Clerk.
H	Investment Registers	No investment register was currently 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: 30 June to 10 August 2023.	No further recommendations.
N	AGAR publication Requirements	The Parish Council complied with the publication requirements for the 2022/23 AGAR.	No further recommendations.

Annual Return Section	Process	Findings	Recommendations and actions
O	Trust funds (if applicable) – the Council met its responsibilities as a trustee	The Parish Council appears to operate as a Custodian Trustee. No accounts appear to be held and no returns are necessary.	However, further investigations as to the Council's status should be undertaken.

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 not been reviewed the previous year.	See below.
External Audit recommendations have been considered and actioned.	Good Practice	The Conclusion of Audit report had been received for 22/23 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 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	Not currently available.	Publish on the website
Compliance with the Transparency Code	4) Explanation of difference between Box 7 & 8 if applicable	Not applicable	No further recommendations.

Process	Criteria	Findings	Recommendations and actions
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 asset register (in part).	Establish the full details.
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 OALC 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 one of the Council's main assets.

Staffing and Home Working Allowance

I recommended last year that the Council should ask OALC to undertake an independent review of the Clerk's working hours. I am not aware that this has been completed, but should be formally considered.

The Council should offer the Clerk a pension. Advice should be taken from OALC on the best way forward.

The Clerk is entitled to the Home Working Allowance, particularly as the Council does not incur the costs of a parish office. I recommend that the Council budgets to pay the Clerk for the full – HMRC agreed – £6 per week. This should not be included in the Clerk's salary, but as an additional expense similar to mileage expenses.

Council Business

For information, as specified in the Local Government Act 1972 (Sch 12. 17.(1)), if the Chair is in attendance at a Parish Council meeting, they must chair the meeting. I recommend that Councillors interested in chairing meetings attend OALC's Chairmanship Training.

The Standing Orders have a number of square brackets where information needs to be clarified.

The Financial Regulations have recently been fully reviewed and revised by NALC. I recommend adoption of the new regulations as soon as practicable.

Financial Responsibility

As mentioned last year, 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 an internal financial controls policy is adopted and a Councillor Responsible for Internal Financial Control is appointed to help the Clerk.

Banking

As mentioned last year there are only two signatures / online authorisers for the bank account. 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.

Insurance

A full review of the insurance and assets should be undertaken once the ownership of the various areas of land have been ascertained. The review of assets must be made a priority as it is not clear that the Council has a full command of the responsibilities surrounding the liabilities.

Play Area and checks / responsibility

It is imperative that the Council ensures that, as well as the annual formal safety check, regular (possibly even weekly) checks of the play equipment should be undertaken by the Council. I also recommend that a notice is installed with contact details of the Council in order that any issues can be easily reported.

Reserves

The Council has acceptable Reserves. The minimum recommendation for a general reserve is 3/12 of Precept, but this could be increased, particularly for a smaller council. Guidance can be found in the latest edition of the Practitioners' Guide.

I recommend that the Council adopts a policy to explain the reserves requirement which should be reviewed annually.

GDPR / Information Publication Scheme

It is good to see that the Council is now registered with the Information Commissioner. The ICO requires that a publication scheme, which details where the information held by the Council can be obtained, is adopted by the Council. A model publication scheme is available on the ICO website.

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

The Council (as well as the Clerk) should be aware of its responsibilities regarding GDPR. I recommend that all Councillors regularly refresh their understanding using the GDPR awareness checklist which is available in the Advice section of the SLCC website.

IT Equipment

The Council should provide the Clerk with appropriate IT equipment. A budget / reserve for a replacement laptop should be started in order that there is provision for a new laptop when needed.

Furthermore, as recommended last year, the Council should consider providing the Clerk with a mobile smartphone in order that her personal numbers are not publicly available, that a Council contact number can be published and all 2 factor authentication needs can be contained on Parish Council-owned equipment.

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.

Islip Parish Council has an electorate in the region of 600 and the Precept for the year 23/24 was set at £23,612.

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