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

Internal Audit Report for Cuddesdon and Denton Parish Council

From Jane Olds – Internal Auditor

I reviewed the documents provided and met with the Clerk, Mike Mount, on 20 April via Zoom and finalised the information on 20 April.

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 Risk Management Assessment should include some additional financial risks. The Council should review and update it annually using the JPAG recommendations (2021 version - starting at 5.89 and criteria 5.91) and publish it on the website
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?	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.	Ensure that the ON references are included 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 met 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.	Ensure that the Electors' Rights dates are for 30 working days and cover the first ten working days of July. 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 1 of the Annual Return Part 1 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	Available on the asset register.	Include the ON reference numbers.
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.

Membership

I recommend that as the Council is a member of the Oxfordshire Association of Local Councils (OALC) – the Council’s professional body – the Council should also consider supporting the Clerk in joining the Society of Local Council Clerks (SLCC) – the Clerk’s professional body. The Council may pay the SLCC subscription as it is of significant benefit.

Training

The Clerk and the Councillors should be encouraged to take up the training offered by the local County Association (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.

Risk Management / Assessment

As mentioned in Point C. above, the Council must assess the significant risks to achieving its objectives. The current document is limited and not all financial aspects of Council business are covered. Items to consider would be the potential that the Precept was not paid by the District Council in a timely manner, or even the loss of Councillors making the Council inquorate which could involve the District Council providing Councillors and charging to keep the Parish Council running. The Joint Practitioner’s Guide gives comprehensive advice. The Council must consider and assist in completing the document as it is the Council which must take responsibility for this with the Clerk’s guidance.

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. I will be happy to help provide a form of words if required.

Minutes

On reviewing the Minutes, I noted that items for decision were occasionally being raised under the topic of “Matters Arising” and “Any Other Business”. All items for decision must 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)” and “Any Other Business” to “Items for information or next agenda”. I hope that this will help with focus, but I can provide more guidance if needed.

Council Business / Legal Meetings

While the Council had resolved to agree to meet virtually after 6 May, all decisions from any virtual meetings after that date were not legal and should be revisited if at all possible.

I recognise that it was an extremely difficult time. However, it would have been appropriate for the Council to adopt a scheme of delegation for the Clerk (in consultation with the Chairman and other Councillors) in order that the June and July meetings could have been informal discussions to allow the Council to continue operating. With this in mind, I recommend considering the adoption of a Scheme of Delegation which is reviewed annually and covers other eventualities including national mourning.

Debit Card

While the Council does not hold petty cash (rightly in my opinion), the Council may like to consider the provision of a debit card or charge card on the bank account in order that items such as Office 365, anti-virus software or website domain names can be bought in the Parish's name without the need to resort to the Clerk or another Councillor having to use their personal accounts. With the appropriate safeguards and procedures, this would be acceptable.

Staff Appraisal

The Clerk is employed by the Council and the Council, therefore, should be mindful that it is, as a corporate body, an employer. I recommend that the Council form a staffing committee, of at least three members, which is able to perform an annual review of the Clerk's employment. Employment training provided by the County Association should be undertaken.

Provision of Equipment

A Council must supply the Clerk with the appropriate IT equipment (including a laptop computer) to execute the Council's business properly. It is not acceptable for employees to provide their own equipment.

An IT budget and reserves should be considered for the future.

Document Management

In our discussions, I noted that the Clerk is in possession of many of the Parish Council Minute books. 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 a Document Retention policy.

Councillor Email Accounts

As part of GDPR, it is recommended that all Councillors should use email addresses which are provided for them by the Council. It is good practise for email addresses to be generated with the Council domain name.

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.

Cuddesdon and Denton Parish Council has an electorate in the region of 351 and the Precept for the year 21/22 was set at £8,200.

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