

6 April 2021

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## 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 17 February via Zoom and finalised the information on 6 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 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 – also known as “JPAG” and available on the NALC website).

<b>Annual Return Section</b>	<b>Process</b>	<b>Findings</b>	<b>Recommendations and actions</b>
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.

<b>Annual Return Section</b>	<b>Process</b>	<b>Findings</b>	<b>Recommendations and actions</b>
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>	While the Financial Regulations have been met, they are now extremely out of date. The latest version from NALC / OALC was published in 2019 and there are significant changes from the Parish's version. I strongly recommend that these are updated.
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 is adequate. However, the Council should review it annually using the JPAG recommendations (2020 document starting at 5.89 and criteria 5.91).
D	Budgetary Controls (Precept requirement)	The annual Precept requirement resulted from an adequate budgetary process.	<p>I should have liked to see more detail in the Minutes regarding the setting of the draft budget which should be agreed prior to the consideration of the Precept (which should also be minuted in full). It was not possible for me to check in the Minutes that the amount requested reconciled with the amount paid by the District Council.</p> <p>It would be good to see a basic draft budget published. The Council should be mindful that this is public money which is being spent / requested and therefore the information should be publicly available.</p>
D	Budgetary Controls (Budget monitoring)	Progress against the budget was monitored and minuted regularly.	While I note progress was monitored, to be transparent, it would be good practise to publish this document.
D	The final Outturn is in line with expectations.	The final outturn was materially in line with expectations.	No further recommendations.

<b>Annual Return Section</b>	<b>Process</b>	<b>Findings</b>	<b>Recommendations and actions</b>
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.
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.	To comply with the Transparency Regulations, I recommend that the list of 'Public Land' also contains the Land Registry reference numbers.
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.	I recommend that the notice is published in the Finance section of the website as well as posted on the noticeboard and that the dates are agreed and Minuted prior to publication.
N	AGAR Publication Requirements	The Parish Council complied with the publication requirements for the 2019/20 AGAR	No further recommendations.

<b>Annual Return Section</b>	<b>Process</b>	<b>Findings</b>	<b>Recommendations and actions</b>
O	Trust Funds (If applicable)	The Parish Council does not operate as a Trustee	No further recommendations.

### Transparency Compliance

<b>Process</b>	<b>Criteria</b>	<b>Findings</b>	<b>Recommendations and actions</b>
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.
External Audit recommendations have been considered and actioned.	Good Practice	As the Parish Council certified as exempt there was no Conclusion of Audit report for 19/20.	No further recommendations.
Qualifications made, if any have been addressed in 2019/20.	Good Practice	None.	No further recommendations.
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	Minuted and published.	No further recommendations.

<b>Process</b>	<b>Criteria</b>	<b>Findings</b>	<b>Recommendations and actions</b>
Compliance with the Transparency Act	6) Internal Audit Report Published	Minuted and published.	No further recommendations.
Compliance with the Transparency Act	7) A List of Councillors' responsibilities	Currently on the website.	I would recommend having an annual web page with all Councillors and their responsibilities so that it can be seen which Councillor was responsible for what at which time.
Compliance with the Transparency Act	8) Details of Public Land and Building Assets	Available on the website.	No further recommendations.
Compliance with the Transparency Act	9) Minutes & Agenda	Available on the website.	No further recommendations.

**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 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.

As I mentioned above, the Financial Regulations and Standing Orders are out of date. NALC published the latest model of the Financial Regulations in 2019 and the Standing Orders were published in 2018. Both documents are available in the Members' Area of the OALC website. Many changes to legislation have taken place since 2010 and I strongly recommend updating to both documents.

To expand on the Financial Regulations and to remind the Councillors of their responsibilities, the Council may also find it useful to have an Internal Financial Control Policy.

I notice that you have quite significant Reserves which do not appear to be publicly earmarked for specific purposes. The Council may find it helpful to create a Reserves Policy which should be reviewed annually to explain to the Parish what they are held for. For instance, it is recommended that the Parish holds between three and six months' value of the Precept as a reserve in case the Precept is late in being paid by the District Council; it is also recommended to have a sum set aside in case an election is called – the District Council will have an estimated cost of an election for a typical parish; but other sections could include a sum for a play area or for tree maintenance.

On first review, I noticed that the Council had not registered with the Information Commissioner. However, I understand that this has now been completed.

The above are recommendations to help the Council improve its processes and in no way detract from the work it has already done.

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*

Jane Olds  
Internal Auditor