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2022/23 Internal Audit Report for Blackbird Leys Parish Council

From Jane Olds – Internal Auditor

I reviewed the documents provided and met with the Clerk, Emma Kearney, on 24 June via Zoom and finalised the information on 26 June on receipt of the AGAR and associated documents.

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 2022 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 2022 – 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	<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>	The VAT reclaim must be completed as soon as possible.
C	Review of Internal Controls	The Council has adequate Internal Control provision including a Councillor Responsible for Internal Financial Control.	Devise a policy and provide the Councillor with a checklist so that quarterly checks can be easily made.
C	Review of Risk Assessment	The Council has assessed the significant risks to achieving its objectives using their Risk Assessment; the document was adopted at a meeting on 24 May 2022.	Ensure that the updated document is published on the website.
D	Budgetary Controls (Precept requirement)	The comprehensive budget was considered and approved at the meeting on 30 November 2021, but the annual Precept requirement was not formally minuted. However, the amount was included in the budget motion.	Ensure that the Precept request amount is considered and minuted separately.
D	Budgetary Controls (Budget monitoring)	Progress against the budget was monitored and minuted regularly.	No further recommendations.
D	Reserves were appropriate	The Reserves were not specifically adequately accounted for in the year 22/23, but moving forward have been agreed.	No further recommendations.
D	The final outturn is in line with expectations	The final outturn was materially in line with expectations.	No further recommendations.

Annual Return Section	Process	Findings	Recommendations and actions
E	Income controls	Expected income was fully received and properly recorded.	No further recommendations.
E	VAT	VAT had not been appropriately accounted for.	Ensure that there is a separate column in the cashbook for the VAT element.
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 - 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?	There are no Deeds and Titles.	No further recommendations.
H	Investment Registers	No investment register was required.	No further recommendations.
I	Bank Reconciliations	Periodic and year-end reconciliations were carried out.	Advice given on how to simplify the procedure.
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 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: 29 June to 9 August.	No further recommendations.

Annual Return Section	Process	Findings	Recommendations and actions
N	AGAR publication Requirements	The Parish Council complied with the publication requirements for the 2021/22 AGAR.	No further recommendations.
O	Trust funds (If applicable) – the Council met its responsibilities as a trustee	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.	Ensure that the effectiveness of internal audit is considered and recorded.
External Audit recommendations have been considered and actioned.	Good Practice	The Conclusion of Audit report had been received for 21/22 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	Included in the monthly 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	Available on the website.	No further recommendations.

Process	Criteria	Findings	Recommendations and actions
Compliance with the Transparency Code	4) Explanation of difference between Box 7 & 8 if applicable	Not applicable.	No further recommendations.
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	Not applicable.	No further recommendations.
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 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, particularly the possibility of the adoption of the General Power of Competence. The SLCC offers mentoring sessions (including one-to-one) which the Clerk may benefit from.

The Council should be commended for attending training sessions with OALC. I recommend including a regular agenda item and maintaining the budget for training.

Standing Orders

NALC provided an update to the current iteration of the Standing Orders recently. There are a number of minor amendments together with a portion of section 20 covering Finance. The current Standing Orders should be updated.

Financial Administration and Responsibility

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; this responsibility should not be taken lightly.

The Council has appointed a Councillor responsible for internal financial control. That Councillor should have a check sheet to help them make the appropriate checks on the accounts. For instance, with the payments, I recommend that the Councillor identifies a number of payments from the bank statement

and then follows them back through the Minutes checking the process of paying and agreeing to place the order / undertake the work. The Councillor should also check that any income is also recorded.

Once the checks have been undertaken, the Councillor should make a report to Full Council.

VAT Reclaim

The VAT reclaim must be undertaken as a matter of urgency. Advice on how to record and present the information has been given.

Civility and Respect Pledge

I noted that the Council has not yet signed up to the Civility and Respect pledge. This has been developed by NALC, SLCC and One Voice Wales. It is designed as a starting point to encourage all Councils – regardless of size – to be civil and respectful to all, but it also has advice and assistance which can be used should any member fall short of the pledge. While the current Council is well-run and amicable, it is not known what will happen in the future.

Cyber Security

With instances of cyber crime and attacks on councils increasing, I recommend ensuring that passwords are strong and that online security is in place. Not only should there be a backup of data to the cloud, but also a monthly backup to a removable hard drive to ensure that if the cloud data is corrupted or held to ransom, there is a reasonably recent backup which can be re-installed.

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.

Blackbird Leys Parish Council has an electorate in the region of 11,938 and the Precept for the year 22/23 was set at £54,389.

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