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2022/23 Internal Audit Report for Shiplake Parish Council

From Jane Olds – Internal Auditor

I reviewed the documents provided and met with the Clerk, Roger Hudson, on 10 May via Zoom and finalised the information on 17 May.

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	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 adequate Internal Control provision including a policy and a Councillor Responsible for Internal Financial Control.	Devise a checklist which the Councillor can use.
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 12 December 2022. The document is comprehensive.	Ensure that the document is reviewed and updated annually – preferably at the beginning of the Financial Year in order that it can be used as a working document throughout the year. Publish the revised document. The SLCC has a template document in the Advice section which the Council may find useful to use to ensure that all points are covered.
D	Budgetary Controls (Precept requirement)	The annual Precept requirement resulted from an adequate budgetary process.	The budget amount (both expected expenditure and expected income) and the Precept amount should be agreed and minuted separately in order that the final outturn can be confirmed.
D	Budgetary Controls (Budget monitoring)	Progress against the budget was monitored and minuted regularly.	No further recommendations.
D	Reserves were appropriate	Reserves required more explanation.	Develop earmarked reserves and devise a policy.

Annual Return Section	Process	Findings	Recommendations and actions
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.
E	VAT	VAT had been appropriately accounted for.	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 - all material assets correctly recorded	The current asset register has correctly recorded all material Assets. The correct basis of valuation has been applied.	Ensure that the Electronic version and the 'paper' or website version are the same.
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 to be established.	No further recommendations.
H	Investment Registers	The Council is now holding more than £100,000.	An investment register and strategy should be devised as the Council holds more than £100,000. See Practitioners' Guide sections 1.11, 4.20 and 5.28
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 available.	No further recommendations.

Annual Return Section	Process	Findings	Recommendations and actions
M	Exercise of Public Rights	The Parish Council published the exercise of public rights notice on the website and noticeboard with the following dates: 6 June to 15 July.	No further recommendations.
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.	No further recommendations.
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.		

Process	Criteria	Findings	Recommendations and actions
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.	Ensure that this is published with the AGAR.
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	Available on the Asset Register.	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 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.

Of particular note is the employment training on 23 May and the roles and responsibilities training for new Councillors.

Local Council Administration (CAB)

As mentioned in OALC's updates last autumn, it is recommended that all Councils hold a reasonably up-to-date version of Local Council Administration (formerly known as Charles Arnold Baker after the first author). The Council's copy is the 7th Edition. As the 13th Edition has recently been published, I recommend investing in a new copy. A discount can be obtained from the SLCC Bookshop (if a member) or via NALC.

Minutes

I noted that some of the minute references did not contain enough detailed information when making agreements to order or purchase items. The name of the contractor / provider together with the agreed cost (exclusive of VAT) should always be included in the minutes. This can then be cross-referenced with the payment information.

For information, Minutes should not contain hyperlinks as these do not work in the formal record of the meeting – the paper copy. The hyperlinks will not be available in years to come and they are therefore not appropriate.

While the Transparency Code does not apply to Councils with an income / expenditure between £25,000 and £200,000 I recommend that the Council complies as much as possible as it is likely to happen at some point.

With the Transparency Code in mind, the draft Minutes of the meeting should be published online within one month of the meeting. This will also aid community engagement.

Governance Documents

At the time of the initial review, some of the governance documents were only available as Word documents. I recommend that all documents should be available as PDFs in order that it is not necessary for readers to download them.

Banking

Ensure that the banking provision is reviewed annually.

Debit Card

The Council may like to consider the provision of a debit card or charge card on the bank account in the Clerk/ RFO's name in order that items can be easily purchased from online stores or for items such as anti-virus software or website domain names. These 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.

Reserves and Investments

As mentioned last year, a Reserves Policy should be developed. However, as the Council now holds more than £100,000, an investment strategy should also be devised.

Equipment Provision

The Council provides the Clerk with a desktop computer. A budget for a replacement computer should be considered as the current one is unlikely to be able to upgrade to Windows 11. Windows 10 support goes 'end of life' in October 2025.

Furthermore, the Council should consider providing the Clerk with a mobile smartphone in order that their personal numbers are not publicly available, 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.

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.

For information, I have now undertaken three reviews of the Parish Council and I recommend that the Council fully reviews the internal audit provision for the year 2023/24.

Shiplake Parish Council has an electorate in the region of 1465 and the Precept for the year 22/23 was set at £30,679.

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