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## 2022/23 Internal Audit Report for Harpsden Parish Council

From Jane Olds – Internal Auditor

I reviewed the documents provided and met with the Clerk, Anne Marie Scanlon, on 22 May via Zoom and finalised the information on 10 June following the receipt of the AGAR and bank statements.

### **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).

<b>Annual Return Section</b>	<b>Process</b>	<b>Findings</b>	<b>Recommendations and actions</b>
A	Bookkeeping Arrangements	Books of account have been kept throughout the year and are maintained with audit trails.  There is a regular finance report produced for each meeting.	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 authorisations have been given for each level of expenditure.</p> <p>Payments were supported by invoices, and expenditure was approved and VAT accounted for. A financial report is now included at every meeting.</p>	No further recommendations.
C	Review of Internal Controls	<p>The Council has a Policy and Councillor Responsible for Internal Financial Control.</p> <p>But there was no evidence that the policy had actually been used or that the Councillor had preformed regular checks.</p>	Ensure that the Councillor Responsible for Internal Financial Control checks the accounts at least three times a year using a checklist.
C	Review of Risk Assessment	According to the Minutes, the Council assessed the significant risks to achieving its objectives using their Risk Assessment; the document was adopted at a meeting on 21 November 2022. There is no evidence of the updated document being published on the website.	<p>Ensure that the document includes an assessment of potential risk.</p> <p>The document should be reviewed annually using the recommendations in JPAG.</p> <p>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.</p>
D	Budgetary Controls (Precept requirement)	The annual Precept requirement resulted from a budgetary process.	<p>As recommended last year, more detail needs to be included 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).</p> <p>I would expect to see the amounts of expenditure and</p>

Annual Return Section	Process	Findings	Recommendations and actions
			income minuted to show that the amount of Precept was acceptable.
D	Budgetary Controls (Budget monitoring)	Progress against the budget was monitored and minuted regularly.	Maintain the progress reports.
D	Reserves were appropriate	There is no Reserves Policy and no formal agreed levels.	Develop a policy and agree levels as a matter of urgency.
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 received and recorded.	No further recommendations.
E	VAT	VAT had been 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 appear to have been paid in accordance with Council approvals.  But the HMRC / NI requirements were AGAIN NOT properly applied.	As stated last year, the Council, as an employer, is required to register with HMRC and to record all payments to its employees with HMRC regardless of whether any tax is due (HMRC advice note from 2011 supplied).  It is understood that this has now been done, but submissions have not been made.  Ensure that the Council is also registered with the Pension Regulator.
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.

<b>Annual Return Section</b>	<b>Process</b>	<b>Findings</b>	<b>Recommendations and actions</b>
H	Asset Controls - all Deeds and Titles established and shown on register?	There are no Deeds or Titles.	No further recommendations.
H	Investment Registers	No investment register was available.  Investments with CCLA were now included in Line 9 of Section 2.	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 carried out.	Ensure that the bank reconciliation is undertaken every month to ensure that the balances are correct.
J	Accounting Statements	The Accounting Statements prepared during the year were prepared on the correct accounting basis. However, there is a discrepancy of £46 between the year end bank statements and the closing figure of Line 7 and therefore the final balance does not agree with the cash book.	The audit trail processes should be reviewed to ensure accuracy.
K	Limited Assurance Review Exemption	The Council does not meet the exemption criteria.	No further recommendations.
L	Information published on website	The information needs a great deal of additional work for it to be a useful resource. Much of the AGAR information for 21/22 was not published in an appropriately timely manner and was not available during the Electors Rights' period for the year.	Ensure that the information on the website is reviewed and updated regularly and that information is categorised correctly.
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 2022.	Formally Minute the dates.

Annual Return Section	Process	Findings	Recommendations and actions
N	AGAR publication Requirements	<p>The 2021/22 AGAR is now available on the website.</p> <p>It appears that the 2021/22 AGAR was formally agreed at a meeting before the Internal Auditor Report had been received.</p>	<p>This must be published as part of the year end documentation.</p> <p>It is good practice for the Council to consider the AGAR after the receipt of the Internal Audit Report in order that the Section 1 Annual Governance Statements can take account of the Internal Auditor's comments.</p>
O	Trust funds (If applicable) – the Council met its responsibilities as a trustee	The Parish Council does not operate as a trustee.	No further recommendation.

### 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 Council produces and agrees an action plan to take account of all the recommendations in this report.
External Audit recommendations have been considered and actioned.	Good Practice	<p>The Conclusion of Audit report had been received for 21/22 and had been published on the website.</p> <p>Findings:</p> <p>Reserves were 72.2 times the Precept.</p> <p>Non-specific reserves not allocated appropriately.</p> <p>The Financial Regulations should be reviewed annually.</p>	It does not appear that many of the recommendations from the External Auditor had been acknowledged.

Process	Criteria	Findings	Recommendations and actions
		<p>Financial information should be published regularly and the AGAR published as soon after agreement at a meeting as possible.</p> <p>Due to the Council not taking all reasonable steps to assure itself that there were no matters of actual or potential non-compliance, the Council should have ticked 'no' to Box 3 on Section 1.</p> <p>As the Council had not properly registered with HMRC, again 'no' should have been completed for Box 3 of Section 1.</p>	
		<p>Box 7 was not completed correctly as the Council had not taken action on all matters raised in reports from internal and external audit</p> <p>Box 9 – Trusts – was completed incorrectly. Complete N/A in future.</p> <p>The Council approved Section 1 of the AGAR after Section 2 which is incorrect.</p> <p>Section 1 of the 22 / 23 AGAR should be completed taking into account all the internal and external auditor's comments.</p>	

<b>Process</b>	<b>Criteria</b>	<b>Findings</b>	<b>Recommendations and actions</b>
		The figures in Section 2 of the AGAR should be in round numbers not to pence.	
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 the 22/23 annual return are not totally accurate in that Line 7 is not correct. The other figures represent the financial position of the Council and its income and expenditure.	Ensure that Line 7 of Section 2 balances with the year end (31 March) bank statements.
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	Not currently available as a separate list.	It is good practice to include this.
Compliance with the Transparency Code	2) Annual Return published on the website	It appears that the AGAR was published on the website on 28 March 2023.	This must be published as soon as possible after the meeting at which is agreed in time for the Electors Rights consultation.
Compliance with the Transparency Code	3) Explanation of significant variances	Not currently available.	This should be published as part of the AGAR requirement.
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 on 28 March 2023.	Publish the approved statement as soon as possible after the meeting.
Compliance with the Transparency Code	6) Internal Audit Report Published	Available on the website.	Continue to publish the report.

<b>Process</b>	<b>Criteria</b>	<b>Findings</b>	<b>Recommendations and actions</b>
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	Nothing owned.	No further recommendations.
Compliance with the Transparency Code	9) Minutes & Agenda	Available on the website, but only if it is known what to look for.	Organise the website documentation.

### **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.

### **Standing Orders and Financial Regulations**

OALC provided an update to the current iteration of the Standing Orders last spring. There are a number of minor amendments together with a portion of section 18 covering Finance. The current Standing Orders should be updated.

As per the External Auditor recommendation, the Standing Orders and Financial Regulations should be reviewed annually.

### **AGAR Completion**

Section 1 of the AGAR should not be completed until the Parish Council meeting at which it is considered. It is for the Council, as a corporate body, to consider the statements once the Internal Audit report has been received. This should certainly not be pre-empted.

All boxes on Section 2 – even if they are nil value – should be completed. Therefore Boxes 5 and 10 should be completed with 0.

Following a review of the External Auditor's recommendations last year, I recommend that this year's AGAR figures are restated.

The original balance brought forward (Line 1 of 2022) should have been £100,000 less than originally stated as this was the CCLA investment, and that £100,000 should then be included in Line 9 as part of the long term investments section.



That would then make the Line 7 balance carried forward £100,000 less (£477,602) ready for the current year.

This year a further £300,000 has been invested with CCLA and therefore that should be taken into account in Line 6 (All other payments) and again in Line 9 to make the total value of the long term investments £400,000 PLUS any fixed assets.

The CCLA investments should have been included in Line 9 of both years.

### **Risk Assessment**

As mentioned in Point C. above, the Council must assess the significant risks to achieving its objectives. I recommended last year that the document was reviewed in terms of the assessment of potential risk.

The document must cover all financial aspects of Council business – the Practitioners' Guide (JPAG) gives comprehensive advice. The Council must consider and assist in completing the document as soon as possible as it is the Council which must take responsibility for this with the Clerk's guidance.

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.

### **HMRC**

While the Council is now registered with HMRC as an employer it is not clear that submissions were made during the financial year.

It is imperative that this is implemented as a matter of urgency.

Furthermore, the Council should be registered with the Pension Regulator.

### **Reserves**

As mentioned in the External Auditor's report, there is still no Reserves Policy and no list of earmarked reserves. The Parish must consider the earmarked reserves and agree to adopt a full Reserves Policy – which should be reviewed annually. Guidance can be found in the latest edition of the Practitioners' Guide (JPAG).

Furthermore, an investment strategy or policy should be adopted to deal with the large amount of CIL funds.

### **Completion of the AGAR**

Despite my recommendation last year, it is apparent that last year's AGAR was considered before the receipt of my Internal Audit Report.

For the future, I do not believe that Section 1 of the AGAR should be completed before receipt of the signed Annual Internal Audit report; it is not possible for the Council to competently complete the Annual Governance Statements if the Internal Audit portion has not been returned.

As mentioned by the External Auditor, Section 2 can only be completed following formal consideration and completion of Section 1.

The Council must recognise that as a corporate body it is responsible for completion of Section 1 of the AGAR and must agree with the figures contained in Section 2. This must include full consideration of the questions contained in Section 1 at a full Council meeting – this form should not be completed prior to the meeting. If the Council has not complied with the question, it must answer ‘no’. As last year, the External Auditor mentioned a number of instances from the previous year where the Council answered incorrectly.

As the consideration of the AGAR is not on the May meeting agenda (dated for 22 May), the Council MUST hold a Full Council meeting in June in order that proper consideration is given to agree the document.

### **Provision of Equipment**

The Council now has a laptop provided by the Parish. However, having taken advice, I do not believe that it was an appropriate use of CIL funds to purchase this.

A budget for a replacement laptop should be considered to start to build up a reserve for the future.

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

### **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 Clerk informed me that the Council’s copy was published in 2010 and is now very out of date. As the 13<sup>th</sup> 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.

### **GDPR / Information Publication Scheme**

It is good to see that the Council has 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 and should be adopted as soon as possible.

### **Document Management**

I noted that it has not been possible to arrange for the Parish Council Minute books to be taken to the County Records Office for archiving. I recommend that just the last five years Minutes are kept with the Clerk and the rest deposited in Oxford. A review of other documents, both paper and electronic, should also be undertaken following adoption of a Document Retention policy.

### **Website**

While the Council’s website has been updated, there are major issues with trying to find information in the correct category and this does not aid community engagement.

The documents which are available under the 'Documents / Agendas & Minutes' tab appear to stop at April 2021 and nothing appears to be in the 'Financial' tab. The only way to find anything is to put a keyword in the 'search' facility, however this is not satisfactory if the file name is not known.

A full review of how the website documentation is populated should be undertaken as soon as possible.

### **Conclusion**

The above are recommendations to help the Council improve its processes.

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.

Harpsden Parish Council has an electorate in the region of 300 (unconfirmed) and the Precept for the year 22/23 was set at £10,000.

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.

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