

3 May 2022

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## Internal Audit Report for Cumnor Parish Council

From Jane Olds – Internal Auditor

I reviewed the documents provided and met with the Clerk, Tina Brock, on 14 March via Zoom and finalised the information on 3 May following receipt of the AGAR.

### **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).

| <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> | 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 is adequate. However, 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.                                                                                                                                                                                         | Publish the quarterly budget monitoring.                                                                                                                                                                                |
| 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 operated by the Council.                                                                                                                                                                                                                   | The Council may wish to review Petty Cash.                                                                                                                                                                              |
| 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.                                                                                                                                                                                             |

| <b>Annual Return Section</b> | <b>Process</b>                                                           | <b>Findings</b>                                                                                                                                 | <b>Recommendations and actions</b>                                                                                                                                                                                                                           |
|------------------------------|--------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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.                                                           | No further recommendations.                                                                                                                                                                                                                                  |
| 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.                                                                                                                   | Include supporting documentation for meetings where possible.                                                                                                                                                                                                |
| M                            | Exercise of Public Rights                                                | The Parish Council published the exercise of public rights on the website and noticeboard.                                                      | Ensure that the notice is posted on the noticeboard, published in the Finance section of the website, and that the dates are noted and Minuted prior to publication.<br><br>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 operates as a Trustee for an external Charitable body.                                                                       | Ensure that the accounts are audited if necessary and that an AGM is held.                                                                                                                                                                                   |

## 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 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 20/21 and had been published on the website.                                    | 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 Act                                   | 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 Act                                   | 1) Expenditure over £100 is recorded on the Council Web-Site and with all information requirements                                                                      | Not currently available.                                                                                                             | Good practise to include this. |
| 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                                                                                                            | Agrees with the bank reconciliation.                                                                                                 | 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.                                                                                                     | No further recommendations.    |

| Process                              | Criteria            | Findings                  | Recommendations and actions |
|--------------------------------------|---------------------|---------------------------|-----------------------------|
| 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.

### **Training**

The Clerk has undertaken training, but I recommend that the Councillors, too, should be encouraged to take up the training offered by the local County Association (OALC) to increase their knowledge and understanding of the sector. I recommend including a regular agenda item for training.

### **Financial Responsibility**

While the Clerk 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 and this responsibility should not be taken lightly. I recommend that a Councillor Responsible for Internal Financial Control is appointed to help the Clerk.

It was noted that Councillors, on occasion, had approved expenditure outside a meeting. The Council should be reminded that while the Clerk may have delegated authority (generally in conjunction with the Chairman / Vice Chairman) to approve emergency spending (for matters such as health and safety) between meetings, no Councillor may act to authorise any expenditure individually.

### **Banking**

I understand that the Council is currently considering its options regarding its banking provision and investment accounts. I recommend that this review is undertaken as quickly as possible. The bank mandate should be reviewed annually as part of the new year finance procedures.

Consideration should also be given to bank accounts which hold more than £85,000 due to the Financial Services Compensation Scheme thresholds. Additionally, there are more appropriate ways of investing the funds for a more satisfactory return.

### **Petty Cash**

The Council currently holds 'petty cash'. Instead of cash, 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 stamps, Zoom, 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.

### **Email**

In order to comply with the Information Commissioner's requirements, I recommend that Councillors use Council-specific email addresses which separate the mailbox from their personal correspondence.

## **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.

Cumnor Parish Council has an electorate in the region of 5,149 and the Precept for the year 21/22 was set at £98,000.

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