

23 June 2021

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## Internal Audit Report for Blackthorn Parish Council

From Jane Olds – Internal Auditor

I reviewed the documents provided and met with the Clerk, Tracey Charlesworth, on 8 June via Zoom and finalised the information on 23 June.

### **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).

| <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, it is hard to read and understand. I recommend that the information is put into a table and that the Council should review and update it annually using the JPAG recommendations (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.                                                                                                                                                                              | However, 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).                                                                                               |
| D                            | Budgetary Controls (Budget monitoring)                                   | Progress against the budget was monitored and minuted regularly.                                                                                                                                                                                         | No further recommendations.                                                                                                                                                                                                                                                                               |
| 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 properly recorded in the cash book.                                                                                                                                                                                     | Income should be included in the published budget and minuted upon receipt in the monthly Finance Report.                                                                                                                                                                                                 |
| F                            | Petty cash controls                                                      | Petty cash is not operated by the Council.                                                                                                                                                                                                               | No further recommendations.                                                                                                                                                                                                                                                                               |

| <b>Annual Return Section</b> | <b>Process</b>                                                            | <b>Findings</b>                                                                                                                                 | <b>Recommendations and actions</b>                                                                                                                                                                                                                                   |
|------------------------------|---------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| G                            | Payroll controls                                                          | Salaries to employees were paid in accordance with Council approvals.<br><br>But the HMRC / NI requirements were not properly applied.          | 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).<br><br>It is imperative that this is rectified as soon as possible. |
| 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.                                                           | 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 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 posted on the noticeboard, published in the Finance section of the website, and that the dates are agreed and Minuted prior to publication.<br><br>Photographic proof may be required next year.                                      |

| <b>Annual Return Section</b> | <b>Process</b>                | <b>Findings</b>                                                                     | <b>Recommendations and actions</b> |
|------------------------------|-------------------------------|-------------------------------------------------------------------------------------|------------------------------------|
| N                            | AGAR Publication Requirements | The Parish Council complied with the publication requirements for the 2019/20 AGAR. | No further recommendations.        |
| 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 Council claimed exemption last year, no report had been produced.                                                             | 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                                                                              | Available on the website.                                                                                                            | No further recommendations.        |

| Process                              | Criteria                                      | Findings                  | Recommendations and actions |
|--------------------------------------|-----------------------------------------------|---------------------------|-----------------------------|
| 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 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. There are currently a number of courses available which would be of benefit to both the Clerk and Council.

While the Standing Orders are up to date, there are a few minor updates to the Financial Regulations required to make them comply with the document published by NALC in 2019.

I should like to see more significance made of the budget and precept setting. The overall budget total should be minuted and a draft budget published for consideration. For clarity, once the budget has been considered, the total amount of Precept should also be minuted. It then helps to clarify the amount requested is the amount deposited by the District Council.

While I understand the reluctance of Councils to embrace electronic banking, I believe that it is only a matter of time before cheques will be a thing of the past. With this in mind, I recommend that the Council considers reviewing the banking provision (including electronic banking - with the obvious safeguards and authorisations in place) to ensure it is fit for purpose. A number of banks are now able to make the Clerk an administrator of the account while giving Councillors 'authoriser' access. It may be that a change of provider should be considered, even if this means paying bank fees, as this may save the Clerk time over all.

The Council does not hold petty cash (rightly in my opinion), 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 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.

I noted that the Council had reserves but that much of the money was not currently earmarked for specific projects. I strongly recommend that much of the general reserve is allocated to earmarked

reserves as, moving forward, the Council may start to find it difficult to justify the Precept if the current, un-earmarked, levels increase. Advice on allocating reserves is published in the Joint Practitioners Guide. This is an annual publication and as my comments relate to reserves moving forward I recommend reading section 5 of the new edition - <https://www.nalc.gov.uk/library/our-work/jpag/3479-practitioners-guide-2021/file> (from page 38).

As mentioned in Annual Return Section G, the Council, as an employer, is required to register with HMRC and to record all payments to its employees with HMRC – even if no tax is due. I have supplied the HMRC advice note from 2011. It is imperative that this is rectified as soon as possible.

It is also a requirement that the Council should be registered with the Pension Regulator and the regular (three-yearly) submission completed online.

It was noted that the play area was due a formal inspection shortly. In order to comply with the Parish Council insurance, this was imperative to complete as soon as possible. I also recommend that a schedule of inspection of other assets – dog bins, benches, bus shelter etc – is instigated.

In our discussions I noted that many of the Parish Council Minute books are currently stored with the Clerk. As these books are the only record of the meetings and should be kept in perpetuity, I strongly recommend that just the last five years or so are kept with the Clerk, with the rest being deposited with the County Archive for safety. A review of other documents should also be undertaken as there is no need to keep items held by others such as most planning applications.

I noted that there was some confusion about paying the Information Commissioner last year. In order to avoid this in the future, I recommend that the Parish Council sets up a direct debit with the Information Commissioner. Not only does this save £5, but also time and effort. The form to complete and return to the ICO is on the ICO's website at <https://ico.org.uk/for-organisations/data-protection-fee/renew/#pay>

To complement the ICO registration the Freedom of Information policy should be reviewed.

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

Blackthorn Parish Council has an electorate in the region of 355 and the Precept for the year 20/21 was set at £11,829.

In general, I believe that the Council has satisfactory 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*

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Internal Auditor