

Annual Internal Audit report 2022/23 Brightwell-cum-Sotwell PC

Internal Auditor: Deborah O'Brien CILCA PSLCC.

Smaller authorities are required by the Accounts and Audit Regulations 2015 to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

In accordance with guidelines contained in the 2022 Practitioners' Guide (JPAG) paragraphs 4.6-4.12, I am independent of the Parish Council and its members as well as being a qualified Clerk with over 10 years' experience.

I have carried out a selective assessment of the Council's compliance with relevant procedures and controls, which I expected to be in operation during the year ended 31st March 2023. This internal audit has been conducted electronically utilising requested documents provided by the Clerk, as well as those present on the website at [Brightwell cum Sotwell Parish Council](#). In addition, a Zoom meeting was held on 12 June 2023 to view hard copies of certain records.

Overall, the standard of management and governance processes is good, with some issues highlighted below for the attention of the Parish Council. I would like to thank the Parish Clerk/RFO, Gabrielle McEvoy for her cooperation and assistance in facilitating this internal audit. I would also like to thank Cllr Janet Harding for attending the zoom meeting and giving valuable input.

Internal Audit report assertions

A. Appropriate accounting records have been properly kept throughout the financial year.

- Prior year's cashbook balance has been correctly brought forward.
- Appropriate accounting records have been kept throughout the year with monthly reviews of bank reconciliations made by the finance councillor. Budget and financial position are reviewed quarterly by full council and minuted. Cashbook also records CIL income & expenditure.
- Minutes for the year are complete and have been signed/initialled as approved by the Chairman of the ensuing meeting.

B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.

- Financial Regulations are regularly reviewed and are based on the latest 2019 template. (Latest review May 2023)

- A random sample of 25% of financial transactions was examined in detail. I would recommend that invoices are initialled by the authorising councillors when processed for payment. *A clear audit trail is not always evident, particularly in relation to the CIL expenditure. Specific amounts of planned expenditure such as architect fees should be resolved and the amount declared within the minutes upon agreement. October 2022 minute 6(b) describes a purchase order for architects but no amounts described. Refer to paragraphs 10-12 of Financial Regulations.*
- The Council is processing invoices for the Village Hall/Jubilee Hall projects and making payments from CIL monies. When considering such an action for a large project such as this it is advisable to take professional/legal VAT advice to determine whether or not the VAT is reclaimable. Please also refer to the guidance in NALC legal topic note LTN21 paragraph 7 'Council help to village halls'. The Parish Council has considered this and developed a policy 'Process for 3rd party payments and VAT reclaim'.
- Invoices are processed promptly with the Clerk/RFO checking for validity and prior authorisation.
- A Tender Policy was adopted by the Council on 18 April 2023.
- Payments are presently made by BACS, approved and minuted prior to payment.
- A banking and mandate policy has been developed and approved, supporting the relevant parts of Financial Regulations.
- Previously 2 councillors were authorised signatories on the banking mandate. One non-mandated councillor is responsible for internal controls. However, following elections, the number of mandated councillors has reduced to one and a new mandate must urgently be enacted. I would also recommend that at least 4 councillors are on the mandate to allow for absence or non-availability and retain one non-mandated councillor for internal controls. The resolution to update the mandate should be minuted.

C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

- The Council reviews its internal controls regularly.
- The Risk register was reviewed in April 2022 and a new Risk Management policy was adopted in May 2023. The risk management policy references Ecclesiastical Insurers/Came & Co but this should be updated to reflect the current insurers Hiscox/Gallagher.
- Standing orders (NALC 2018) were last reviewed in July 2022.
- There is no minuted evidence of the asset register being reviewed prior to insurance renewal.
- Other governance policies are in place and regularly reviewed. These are available on the website at [Policies – Brightwell cum Sotwell Parish Council](#)

- Insurance renews 30 September 2023. Appropriate levels of insurance are in place with the exception of: Strategic Risk Management policy & insurance policy states Fidelity/fraud & dishonesty covered at £150,000 – need £250,000 per line 8 of Accounting Statement.
- Additional assets are added to the asset register annually. However, the insurance company is notified upon acquisition to ensure protection.
- The council is responsible for various trees within the parish. Formal tree inspections made by a qualified Arboriculturalist should be conducted and documented on a regular basis. Check with your insurance company as to their requirements. It was noted that some councillors conduct tree works (September 2022) – risk assessments for any activities by councillors or volunteers should be kept on file.
- Play area apparatus is inspected weekly and documented by councillors and annual inspections are conducted by RoSPA.

D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

- **2022/23 precept was minuted as agreed in December 2021, with the budget confirmed in January 2022. 2023/24 precept was agreed at £33,090.28 and minuted in December 2022 (minute 6(b)) before the final agreement of the budget (minute 6(c)). The budget must be agreed before the precept. (Practitioners' Guide paragraph 1.8 and detailed in paragraph 5.27.) In addition, the December 2022 minutes reflect that 2 votes for the precept were submitted to the Clerk prior to the meeting. Only councillors physically present at a meeting may vote. (See Standing Orders paragraph 3 (p) and NALC legal topic note LTN 5E Parish Council meetings, paragraph 53). [Local Government Act 1972 \(legislation.gov.uk\)](https://legislation.gov.uk/ukpga/1972/26)**
- Progress against the budget is monitored and quarterly reports submitted to full council at a meeting. These are minuted and signed.
- At 31/3/23 PC reserves were recorded of £26,998. However, the 2023/24 budget will eat £12,807 of these leaving a balance of £14,190 which is less than 6 months operating costs (precept). This should be carefully reviewed when budgeting and precept setting for 2024/25. Practitioners' Guide (paragraph 5.33) recommends that councils should hold between 3 to 12 months' net revenue as General Reserves. Smaller councils should hold closer to 12 months (paragraph 5.34) The council does not have a formal ear-marked reserves policy, but a detailed breakdown of CIL monies is included in the cashbook.

E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

- The correct precept amounts were received and match the government's national parish data report.
- In addition to the precept, the council received a devolved services grant from South Oxfordshire Council, some grants and an insurance claim. CIL income (£62,549) and Heat Source (£24,150) grants were also received.
- It is recommended that income received should be minuted as well as payments made.
- The council is not registered for VAT.
- VAT reclaims are made in accordance with [VAT form 126 claims for organisations not registered for VAT](#) and received regularly.
- A VAT refund was received in April 2022 in the amount of £2,874.21 and in December 2022 in the amount of £11,297.80. (£4,247 PC VAT; £400.80 CIL VAT; £6,650 Ground Source VAT). It looks as though an amount of £162 was missed from the schedule dated 31/10/22 – invoice Scofell. It is recommended that this is checked and claimed if verified.
- As the council holds £200,531 (as of 31/3/23) in reserves and CIL funds, it should have an investment strategy in place. See page 9 paragraph 1.11 and page 27 of Practitioners' Guide. No interest is being earned on the balance – please review options to address this. The Council should also review dividing its cash reserves between banks as FSCS protection is only available up to £85,000. See [fscs information sheet.pdf \(lloydsbank.com\)](#)

F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.

- No petty cash held.

G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.

- The sole employee is the Clerk/RFO who has the NALC model contract. Payroll is administered via HMRC Basic Tools/RTI.
- The current hourly rate of pay is based upon the 2022/23 National Salary Award. The latest NALC/SLCC pay scale amendments have been applied.
- Sample payslips were reviewed and bank statements compared to the cashbook.
- Line 4 Staff costs reconciles to cashbook.
- A payment to HMRC in the amount of £257.41 was made on 13 March 2023. This included interest charges for late payment. Please ensure that PAYE payments are made promptly in accordance with HMRC requirements. The Clerk is in communication with HMRC to investigate this matter further. I

would recommend that Basic Tools and the council's HMRC online account are checked to determine why these charges accrued.

- The Council is registered and in compliance with the Pensions Regulator.

H. Asset and investment registers were complete and accurately and properly maintained.

- The asset register is regularly updated and reviewed annually. The accounting statement line 9 needs to be completed to reflect the latest asset register (acquisition costs).
- The Council does not have any loans.

I. Periodic bank account reconciliations were properly carried out during the year.

- Monthly bank reconciliations are made to the statements, reviewed by a councillor.
- **The submitted draft year-end bank reconciliation matches AGAR section 2 line 8. However, the bank reconciliation has an incorrect value for the Dix account – statement reads £704.48, not £702.28. Therefore line 3 receipts should be increased by £2.20 (interest), and lines 7 & 8 adjusted accordingly.**

J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate, debtors and creditors were properly recorded.

- The council operates on receipts and payments accounting in accordance with regulation 11 of the Accounts and Audit Regulations 2015.
- The financial detail reported in the draft Section 2 of the AGAR reflects the detail shown in the accounting records for 2022/23. Please see assertion I point 2 above for amendments to be made.
- Line 2 matches the precept raised and shown in Government parish data basis.

K. If the authority certified itself as exempt from a limited assurance review in 2021/22, it met the exemption criteria and correctly declared itself exempt.

- Not applicable – the council exceeds the threshold.

L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.

- The authority maintains a website which is regularly updated.

- The council is above the £25,000 threshold and is not subject to the [Transparency Code for Smaller Authorities 2015](#). However, it is best practice to publish as much information as possible in the interests of transparency.
- The council is in compliance with [The Accounts & Audit regulations 2015 regulation 13](#) (Five years of AGARs and associated documents published).
- [The Public Sector Bodies \(Websites and Mobile Applications\) Accessibility Regulations 2018](#) requires that public sector bodies must comply with the accessibility requirement. Regular testing of the website should be undertaken. Various applications are available to assist with this such as [WAVE webaim](#) and Chrome Lighthouse. At present the website is not being tested and therefore is not compliant. Your website developer should be able to make corrections and updates to improve accessibility.
- **It is a statutory requirement that the website contains an Accessibility Statement which must be reviewed annually at a minimum and updated where necessary.** A sample is available at [Sample accessibility statement - GOV.UK](#)
- **All documents dated after 23 September 2018 and created by the Council should be in an accessible format and where these are PDFs should be PDF/A created with header bookmarks within the document.** Assistance with this can be found at [Creating Accessible Documents | AbilityNet](#).
- [Data Protection Act 2018](#) - The website contains a data protection, data breach policy and privacy policy.
- **It is also a requirement that the ICO's model publication policy is published. This is not evident.** The most recent version is available at [template-parish-councils-2021](#). The council did register with the ICO in September 2022. There is no obligation for a PC to have a Data Protection Officer. (NALC LTN38 page 15)

M. In the year covered by the AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations (*during the 2022-23 AGAR period, were public rights in relation to the 2021-22 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set?*)

- The council approved the dates of 23 June – 3 August 2022, and these were agreed at the 21 June 2022 meeting. The announcement was made 22 June 2022.

N. The authority has complied with the publication requirements for 2021/22 AGAR (*see AGAR page 1 Guidance Notes*)

- The council complied with this requirement.

0. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.

- I was unable to confirm if the council is sole or custodian trustee – previous AGARs state not responsible for a charity. However, the Brightwell Recreation Ground is owned by the council which is a 'Charitable Trustee' providing building(s)/facilities/open space. Accounts are administered and kept separately. The council needs to answer questions 9 on the Governance Statement and 11 (a) & (b) on the Accounting Statement accordingly. I have checked that accounts filing is up to date via the Charities Commission website.

Other matters not covered above:

- When approving the AGAR, the annual governance statement must be approved prior to the accounting statement, and this should be minuted separately as indicated in the External Auditor's 2021/22 report.
- It is a requirement that councillors are 'summonsed to attend' meetings. [Local Government Act 1972 \(legislation.gov.uk\)](https://legislation.gov.uk/ukpga/1972/26/section/10) paragraph 10 (2)(b). This was only evidenced by the March 2023 and later meeting agendas.
- It is a statutory requirement that the first act of business during the Annual Parish Council meeting every May is the election of Chairman and signing of their acceptance of office. No acceptance of office was signed/minuted in May 2022. See Standing orders paragraphs 5(e) and 5(j).
- The April 2022 minutes reflect that a councillor attended via zoom. Similarly, a councillor submitted a vote in advance of the November 2022 meeting, in relation to the Neighbourhood Plan. As mentioned previously, **only councillors physically present at a meeting may vote or participate in the meeting. (See Standing Orders paragraph 3 (p) and NALC legal topic note LTN 5E Parish Council meetings, paragraph 53).**
- When certain website documents online are opened, the title tab reflects a corporate identity which can be corrected by updating the title when creating the document in word format.

This report plus the signed AGAR internal audit report should be presented to the full council at its next meeting for review and approval. Where appropriate, a plan of action should be developed to address any highlighted issues. This should be minuted.

If you have any questions, please do not hesitate to ask.

Deborah O'Brien CiLCA
12 June 2023

