

## **Annual Internal Auditor's report 2023/24 Brightwell-cum-Sotwell Parish Council**

To: The Councillors of Brightwell-cum-Sotwell Parish Council,

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 2023 Practitioners' Guide (JPAG) paragraphs 4.6-4.12, I am independent of the Parish Council and its members as well as being a CiLCA 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 31<sup>st</sup> March 2024, as outlined in the letter of engagement signed by the Council at its 4<sup>th</sup> October 2023 meeting. The function of this internal audit is to improve efficiency and effectiveness of the Council's procedures, not to detect errors or fraud, as the management of the Council's internal controls is a function of the Council as a whole. (Practitioners' Guide, paragraphs 4.4-4.5).

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 10<sup>th</sup> June 2024 to review this report.

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 regularly by full council and minuted. Cashbook also records CIL income & expenditure.
- The Council may wish to consider utilising PC specific accounting software due to the complexity of the spreadsheets being used.

- 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.**
- The council's Financial Regulations and Standing Orders are in place and were last reviewed in May 2023. Revised updates for Financial Regulations have been issued by NALC (May 2024) and should be adopted when practical.
  - A random sample of 20% of financial transactions was examined in detail. There is no evidence that the invoices are reviewed by the RFO or councillors, and I would recommend that the RFO initials them to indicate that they are for the correct amount & services, plus annotates when the payments were authorised/made. I would recommend that invoices are initialled by the authorising councillors when processed for payment, so that it is clear that they have reviewed them. This can be done on a summary sheet if preferred. *A clear audit trail is not always evident, particularly in relation to the CIL expenditure. It is strongly recommended that reference is made in the minutes to prior approvals of expenditure when the invoices are finally presented for payment.*
  - As reported last year, 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 3<sup>rd</sup> party payments and VAT reclaim'. It was noted that one payment to Ridge & Partners in the amount of £3,000.00 was not invoiced to the Parish Council, but rather the Trustees of the Village Hall. This is not in line with 4.2 of 'Process for 3<sup>rd</sup> party payments and VAT reclaim'.
  - A Tender Policy was adopted by the Council on 18 April 2023.
  - Payments are presently made by BACS, approved and minuted prior to payment.
  - 3 Councillors are now signatories on the banking mandate.
  - No council debit card is in place. The Clerk makes occasional payments charged to her personal card before re-claiming – for instance a planning application fee of £659.50. This should not be a cost borne by the Clerk for any length of time. The Council may wish to consider a council debit card with a threshold limit.

**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.
- A new Risk Management policy was reviewed and adopted in May 2023.
- Insurance levels were reviewed at the Sept 2023 meeting. However, there is no minuted evidence of the asset register being reviewed prior to insurance renewal.
- It was noted that the fraud & dishonesty coverage (fidelity guarantee) is still only £150,000. This was reported last year: *"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"*. The council currently holds over £180,000 in cash (including first payment of 2024/25 precept received). Please increase your coverage to reflect this.
- 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.**

- **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 \(legislation.gov.uk\)](#)** The 2024/25 budget was reviewed and adopted at the 21 Nov 2023 meeting. The 2024/25 precept was agreed at the 19 December 2023 meeting, in the amount of £42,000.
- Progress against the budget is monitored and quarterly reports submitted to full council at a meeting. These are minuted and signed.
- A reserves policy has now been developed and was approved at the April 2024 meeting.
- An investment strategy should be developed where bank balances total over £100,000. It was noted that short-term interest-bearing accounts are being utilised – a formal policy should be developed to cover this. It was minuted in July 2023 that the Council wished to transfer money into a high interest savings account. (xxx6398) This action was confirmed at the September meeting in the amount of £70,000. It was minuted in October 2023 that £50,000 was being transferred to another account (Instant Access xxxx8060), however a further £24,912.61 was transferred in on 31/10/23, but this action was not minuted. The January 2024 minutes reflect that the £70,000 in a high

interest savings account (xxxx6398) was due to mature and it was agreed to retain that money, including interest in a high interest account.

**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 bank interest in the amount of £1,559. CIL income (£24,913) was also received.
- VAT claims were made regularly, with £17,827.77 received in June 2023 and £4,010.10 in March 2024.

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

- Not applicable – no petty cash.

**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 Council is registered with HMRC as an employer. Payments in respect of PAYE were verified. (Online HMRC statement & P60)
- A salary increase was minuted in May 2023, effective 1/6/23. When changes to contract are made, a letter of confirmation should be issued.
- The current hourly rate of pay is based upon the 2022/23 National Salary Award. The latest NALC/SLCC pay scale amendments (issued November 2023) have not been applied. See [AD422-Salary-Scales-2023-24.pdf \(slcc.co.uk\)](#)
- Sample payslips were reviewed and bank statements compared to the cashbook.
- No working from home allowance is paid.
- Line 4 Staff costs reconciles to cashbook.
- The Council is registered and in compliance with the Pensions Regulator – a re-declaration will be due in 2025.

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

- The asset register is regularly updated and reviewed annually. Land should be declared at a nominal amount of £1.
- 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 and signed by a councillor.

**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.**

- Accounting statements were prepared on receipts & payments basis.
- Line 2 matched the precept amount.
- Lines 2 & 3 equal the total receipts in the cashbook.
- Line 4 only contains staff costs.
- Lines 4, 5 & 6 equal the total payments in the cashbook.
- Year-end bank statements match line 8 of the Accounting Statement.
- Line 9 agrees to the value of the asset register.
- Lines 3, 7 & 8 of the 31/3/23 Accounting statement have been increased by £2 and should be marked 're-stated' accordingly.

**K. If the authority certified itself as exempt from a limited assurance review in 2022/23, it met the exemption criteria and correctly declared itself exempt.**

- The council exceeded the £25,000 threshold and therefore did not claim exemption.

**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. Following last year's IA, the Council has taken the view that compliance would place a disproportionate burden on it and has made a statement (23/9/23) to that effect. [Brightwell cum Sotwell Parish Council](#) Please review this.
- **It is a requirement that the ICO's model publication policy is published. This is not evident and was raised last year.** 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 2023-24 AGAR period, were public rights in relation to the 2022-23 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set?*)**

- The council published the dates of 30 June – 14 August 2023 (32 working days), however, these were not minuted as agreed at the 27 June 2023 meeting. The announcement was made 29 June 2023. These dates exceed the 30 working days requirement. The External Auditor commented on this in their "Certificate & Report" and has instructed that assertion 4 of the Governance Statement should be a 'No'. The EA also commented that the name of the person publishing the Electors' Rights should be entered at 5(e).

**N. The authority has complied with the publication requirements for 2022/23 AGAR (*see AGAR page 1 Guidance Notes*)**

- The council complied with this requirement.

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

- The Council is Trustee for the Jubilee Pavilion. Bank accounts are separate. However, last year's External Audit report states that the Council does not act as a sole trustee. Please confirm.

**Other matters not covered above:**

- The Annual Parish meeting was referred to as the Parish Council AGM – this is not a PC meeting but one for the electorate, although it should be called by the Chairman or any 2 councillors or any 6 electors.
- It is a statutory requirement that the Chairman of the Parish Council is formally elected at the Annual Parish Council meeting in May every year. [https://www.legislation.gov.uk/ukpga/1972/70/section/15 para 1-4](https://www.legislation.gov.uk/ukpga/1972/70/section/15/para 1-4) At that time their acceptance of office must be signed, and this should be minuted. [Local Government Act 1972 sched 83 \(4\)](#) If a Chairman steps down during the year, then at the next meeting a new Chairman must be elected and their acceptance of office signed. Please refer to your Standing Orders paragraph 5(e). Currently the Parish Council does not have an elected Chairman. (June agenda to include the election of Chairman and signing of acceptance of office as the first item of business.) Succession planning is not relevant in legislation.
- There are several instances, throughout the year, where topics were discussed, and items were proposed and seconded. However, no vote or resolution of these matters was recorded. The implication is that only 2



councillors have decided to act. (e.g. April 2023 minute 5(c) grants to football club & Brightfest; July 2023 minute 6(a) – deposit of monies into a savings a/c; January 2024 minute 8 - £5,000 expenditure budget set; February 2024 minute 8 – instruction to conduct surveys) When agreeing to action an item or make expenditure it is a requirement that a vote of all councillors is taken and, that a statement in the minutes is made such as: “It was RESOLVED to ‘ \_\_\_\_\_ ’”, so that it is clear what action has been agreed. Council decisions (or resolutions) are only valid if they are made by a majority of those Councillors present and voting at a meeting. [LGA 1972 Sch 12 Para 39 \(1\)](#)

- S137 grants – these are recorded as such, but in certain cases there are other powers to which the costs should be attributed. For example – the grant of £630 to the Football Club falls under [Local Government \(Miscellaneous Provisions\) Act 1976 s.19](#) . Similarly, the £500 grant to Brightfest could be allocated to either [Local Government Act 1972 s. 145](#) or even [Local Government Act 1972 s. 144](#). S137 is the power of last resort when no other power is available.
- There is a set of Standing Orders in the Finance section of the website which are dated 2014 – these should be removed as a newer version has been adopted.
- According to the June 2023 minutes, the Accounting Statement for 2022/23 was signed by the RFO on the same date as the approval meeting and Chairman's signature. Please review the instructions which require the RFO to date and sign this document in advance of the approval meeting.

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*

10 June 2024