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2022/23 Internal Audit Report for Kimble Parish Council

From Jane Olds – Internal Auditor

I reviewed the documents provided and met with the Clerk, Pauline McBride, on 11 April via Zoom and finalised the information on 17 April.

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).

Annual Return Section	Process	Findings	Recommendations and actions
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.

Annual Return Section	Process	Findings	Recommendations and actions
B	Council's Financial Regulations have been met with regard to expenditure	The Council's Financial Regulations have been met in that appropriate authorisations have been given for each level of expenditure. Payments were supported by invoices, and expenditure was approved and VAT appropriately accounted for.	No further recommendations.
C	Review of Internal Controls	The Council has adequate Internal Control provision including a policy and a Councillor Responsible for Internal Financial Control.	No further recommendations.
C	Review of Risk Assessment	The Council has assessed the significant risks to achieving its objectives using their Risk Assessment and the document was adopted at a meeting on 8 June 2022 and has been published.	No further recommendations.
D	Budgetary Controls (Precept requirement)	The annual Precept requirement resulted from an adequate budgetary process.	The budget amount (both expected expenditure and expected income) and the Precept amount should be agreed and minuted separately in order that the final outturn can be confirmed.
D	Budgetary Controls (Budget monitoring)	Progress against the budget was monitored and minuted regularly.	No further recommendations.
D	Reserves were appropriate	Reserves were adequately accounted for.	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 fully received and recorded.	No further recommendations.
E	VAT	VAT had been appropriately accounted for.	No further recommendations.

Annual Return Section	Process	Findings	Recommendations and actions
F	Petty cash controls	Petty cash is not operated by the Council.	No further recommendations.
G	Payroll controls	Salaries to employees were paid in accordance with Council approvals.	No further recommendations.
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.
H	Asset Controls - all Deeds and Titles established and shown on register?	Deeds and Titles should be established and shown on the Register.	Establish the title registration number for the village hall.
H	Investment Registers	No investment register was required.	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 fully available.	No further recommendations.
M	Exercise of Public Rights	The Parish Council published the exercise of public rights notice on the website and noticeboard with the following dates: 1 June to 14 July 2022.	Minute the dates for noting.
N	AGAR publication Requirements	The Parish Council complied with the publication requirements for the 2021/22 AGAR.	No further recommendations.

Annual Return Section	Process	Findings	Recommendations and actions
O	Trust funds (If applicable) – the Council met its responsibilities as a trustee	The Parish Council does not operate as a trustee.	No further recommendations.

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.	
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: the AGAR was not accurately completed before submission.</p> <p>Assertion 5 of Section 1 was incorrectly completed.</p> <p>The Assets figure in box 9 of Section 2 should have been restated.</p>	Ensure the AGAR is completed correctly this year.
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.	
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.		

Process	Criteria	Findings	Recommendations and actions
Compliance with the Transparency Code	1) Expenditure over £100 is recorded on the Council website and with all information requirements	Available on the website.	No further recommendations.
Compliance with the Transparency Code	2) Annual Return published on the website	Available on the website.	No further recommendations.
Compliance with the Transparency Code	3) Explanation of significant variances	Available on the website.	No further recommendations.
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.	No further recommendations.
Compliance with the Transparency Code	6) Internal Audit Report Published	Available on the website.	No further recommendations.
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	Available on the website.	No further recommendations.
Compliance with the Transparency Code	9) Minutes & Agenda	Available on the website.	No further recommendations.

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.

Membership

I recommend that as the Council is a member of the County Association of Local Councils – the Council's professional body – the Council should also consider supporting the Clerk in joining the Society of Local Council Clerks (SLCC) – the Clerk's professional body. The Council should pay the SLCC subscription.

Training

The Clerk and the Councillors should be encouraged to take up the training offered by the local County Association and SLCC to increase their knowledge and expand the Clerk's professional development.

The Clerk may like to consider ILCA and FILCA (Level 2 qualifications) or, to ensure that the Council is able to maintain the General Power of Competence after the next election, CiLCA (Certificate in Local Council Administration) could be considered.

Budget Setting

I can see that the overall budget was considered at the January 2022 meeting. For clarity, the overall budget (both income and expenditure) totals should be minuted before consideration of the precept.

Finance Reports

I recommend that the Council includes a financial report as part of the regular meeting agenda. This should include the state of the bank accounts (amounts in the bank accounts as per the statements), any outstanding payments, any standing order or direct debit transactions together with any income received.

I also recommend that the Council receives a budget monitoring report of actual expenditure over budget at least quarterly in order that the Council is able to ensure expenditure is on track.

Financial Responsibility

The Council has appointed a Councillor Responsible for Internal Financial Control which is commendable. To aid the Councillor, a checklist should be developed which can be used as part of the regular checks, together with a policy to explain the different areas of responsibility (Council, Councillor, Clerk, Internal Auditor and External Auditor).

Reserves

I recommend developing a Reserves Policy to explain the levels of reserves. The Practitioners' Guide gives recommendations on holding earmarked reserves.

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.

I have noted that many of the actions which I recommended last year have been completed; the Clerk and Council should be commended for this.

Kimble Parish Council has an electorate in the region of 864 and the Precept for the year 22/23 was set at £42,000.

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