



FINAL

Internal audit report 2021/22

Visit 1 of 1

CHILD OKEFORD PARISH COUNCIL

Date: 25th May 2022

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Introduction

This report contains a note of the audit recommendations made to Child Okeford Parish Council following the carrying out of internal audit testing on 10th May 2022.

The audit work has been carried out in accordance with Appendix 9 of the 2014 'Governance and Accountability for Local Councils: A Practitioners' Guide', as amended by the requirements of the later AGARs.

An internal audit covers the review of the operation of the Council's internal control environment. It is not designed to review and give full assurance over every transaction carried out by the Council. Instead it enables the auditor, following the sample testing of a number of different types of transaction, to give an opinion as to whether or not the control objectives are being achieved across a range of financial and governance systems.

Audit Opinion

The internal audit for 2021/22 has now been completed in accordance with the provisions of the Practitioners' Guide and the CIPFA code of internal audit practice.

Many of the Council's current financial controls are operating effectively. However, following the completion of the testing to date I consider that there is one areas of weakness which are sufficiently material to warrant a "no" answer in the Annual Audit Report section on the Annual Return. The report is therefore satisfactory with the exception of the following items:

Test L – Transparency

In the 2021/22 financial year, the Council was just over £25k threshold for expenditure. As such, the Transparency requirement is for the Council to comply with the Freedom of Information Act. I have not assessed compliance with the FOI Act and have, therefore, responded 'not covered'.

Test M - Public rights

I checked to see that the authority complied with the publication requirements for the AGAR 2020/21. As a smaller Council, this meant the following needed to be published at least one day before the start of its public rights period of 01/07/21:

- Certificate of Exemption 2020/21, page 3 AGAR
- Annual Internal Audit Report 2020/21 page 4 AGAR
- Section 1 – Annual Governance Statement 2020/21, page 5 AGAR
- Section 2 – Accounting Statements 2020/21, page 6 AGAR
- Analysis of variances
- Bank reconciliation
- Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.

The Council has no website audit trail, but the date on which the documents were uploaded was noted on the file names. I found that:

1. The notice of public rights was uploaded before 01/07/21

2. The certificate of exemption, ss1-2 of the AGAR, the AIAR and the bank reconciliation were uploaded on 06/07/21, which is after the publication deadline.
3. The bank reconciliation as shown is not the pro-forma bank reconciliation as recommend by PKF (the external auditors), but a copy of the full year's cashbook with a note of the year-end bank balance (there were no reconciling items).
4. The analysis of variances was not uploaded.

As evidence indicates that the Council did not comply, I have assessed the test as 'fail'.

Audit Recommendations

Recommendations made during the audit are shown on in appendix one to this report.

Recommendations are graded as follows:

Rating	Significance
High	Either a critical business risk is not being adequately addressed or there is substantial non-conformity with regulations and accepted standards.
Medium	Either a key business risk is not being adequately addressed or there is a degree of non-conformity with regulations and accepted standards.
Low	Either minor non-conformity with procedure or opportunity to improve working practices further.

The number of recommendations made at this audit visit and their priority are summarised in the following table:

Rating	Number
High	4
Medium	5
Low	1
Information	1
TOTAL	11

I would like to thank Philippa Tandoh, Parish Clerk, for her assistance during this audit.

Darkin Miller Chartered Accountants
2021/22 INTERNAL AUDIT OF CHILD OKEFORD PARISH COUNCIL
FINAL REPORT: 25th MAY 2022

Appendix 1 – Recommendations and Action Plan

Recommendation number	Detail	Priority (Low/ Medium / High)	Management Response	Responsible Officer	Due Date
2.1 – Ensure RFO has list of specific duties	<p>I checked to see that the Council has appointed a Responsible Finance Officer with specific duties. I noted that the Council appointed the Clerk as RFO at its meeting of 05/07/21, but the Clerk has not been provided with a list of specific duties relating to this role.</p> <p>I recommend that the Council ensure that a list of the specific duties relating to the RFO role are appended to the Clerk’s contract of employment, in order to ensure that the duties have been clearly identified and performance of them can be monitored.</p>	M	Specific duties will be agreed and appended to the Clerk’s contract at the next meeting of the Council.	Clerk	04/06/22
2.2 – Ensure paperwork on file for all payments	<p>I checked to see that a sample of payments in the cashbook were supported by invoices, authorised and minuted. I found that 3/9 payments relating to grants had no supporting paperwork on file (and had, therefore, not been initialled by the Clerk to confirm that the amounts had been checked and were ok to be paid).</p> <p>I recommend that a copy of the Council minute approving the grant payment is copied to the payments section of the file in order to improve the working trail, and to reduce the risk of fraud and error.</p>	M	Implemented with immediate effect.	Clerk	Immediate Effect
3.1 – Amend date in minute	I reviewed the minutes to confirm that there had been no unusual financial activity. I noted no such activity, but did	L	To be corrected and confirmed	Clerk	04/06/2022

	<p>note that minute 22.03.02 of the Council meeting of 07/03/22 refers in error to the approval of the minutes of 10/01/22 instead of 07/02/22.</p> <p>I recommend that minute 22.03.02 is corrected in order to ensure that a complete record of approved Council business and decisions is held.</p>		at the next meeting.		
4.1 – Minute the value of precept approved	<p>I checked to see that the Council has prepared an annual budget in support of its precept. I found that a budget was prepared for 2022/23 and that the budget and precept were approved at the Council meeting of 10/01/22, but that the related minute noted the percentage increase year on year but not the value of the precept approved.</p> <p>I recommend that the value of the precept is noted in the minutes in order to ensure that there is transparency about the level of the demand precepted on taxpayers.</p>	M	To be corrected and confirmed at the next meeting.	Clerk	04/06/2022
7.1 – Sign and counter-sign expense claims	<p>I checked to see that other payments to employees were reasonable, properly supported and approved by Council. I found that the expenses claimed in the sample month were reasonable, properly support and approved, but noted that the expense claim on which the expenses were claimed was neither signed by the Clerk (to self-certify that it was a genuine expense relating to Council business) nor counter-signed by an appropriate Member (to confirm that it had been checked for correctness and approved for payment).</p> <p>I recommend that future expense claims are signed by the Clerk and counter-signed by an appropriate Member (e.g.</p>	M	Implemented with immediate effect.	Clerk	Immediate effect.

	Chairman of Council) in order to improve the audit trail and reduce the risk of fraud or error.				
8.1 – Add note to FAR that Trust assets do not belong to Council	<p>I checked to see that the asset register is up to date. I noted that the additional text on the register relating to the Trust assets (Parish Council is the Trustee but these Assets belong to the QE11 Playing Fields Charity) was not included on the draft register for the 21/22 year.</p> <p>I recommend that the text or similar is included in order to differentiate between assets owned and managed by the Council, and those in which it may have an insuring or maintaining interest. This will help users of the accounts to understand the extent of the Council's responsibilities. This recommendation was raised in 20/21.</p>	M	Asset register to be updated with this recommendation at the next meeting.	Clerk	04/06/2022
10.1 – Adjusted errors	The following errors were adjusted in the draft accounts: 1. £148 of allowances were transferred from staff costs to other payments. This had £nil impact on reserves.	Info			
10.2 – Ensure agreed audit recommendations implemented	<p>I checked to see that all agreed audit recommendations had been implemented. I found that whilst many of the internal audit recommendations raised last year had been implemented, a number remained outstanding, including some high level recommendations. These have been re-raised where necessary.</p> <p>Note that the Council will need to respond 'no' to item 7 on the Annual Governance Statement ('We took appropriate action on all matters raised in reports from internal and external audit'), and provide a note to the external auditor on what actions(s) will be taken this year to implement outstanding recommendations.</p>	H	All recommendations will be implemented with immediate effect or at the next meeting in June before sending to the external auditor.	Clerk	Immediate effect.

	I recommend that all agreed recommendations are implemented as soon as possible in order to improve the control environment, and ensure that the Council is compliant with its statutory obligations.				
10.3 – Ensure grant powers are clearly noted and s.137 limit is not breached	<p>I checked to see that s.137 expenditure was separately recorded and within limits. I found that the Council awarded £13.9k of grants during the year (albeit £1.9k of the grant to the Village Hall was coded to general reserves). The Council had not specified which power it was awarding the grants under, which initially meant all were considered as s.137 grants. The Council is limited as to the amount of s.137 grant funding it can provide in a year. In 2021/22 this limit was £8.41 (the 2021/22 limit set by MHCLG) multiplied by the number of electors (965), giving a statutory limit of just £8115.65.</p> <p>When I reviewed the grants awarded I found that the grants in relation to the QE11 Trust Contribution (£6.35k) and the QE11 Playground Repair Reserve (£5k) appeared to fall under the Council's power to 'provide sports facilities in or outside the Council's area or contribute towards the expenses of any voluntary organisation...that provides sports facilities' as provided by Local Government (Miscellaneous Provisions) Act 1976, s.19. This reduced the potential s.137 grants to £2.6k, within the Council's limit for the year.</p> <p>The Council must ensure before it awards grants that it has the power to do so; and it must ensure that any grants</p>	H	<p>All s. 137 expenditure to be recorded within expenditure spreadsheet to ensure funding is within its annual limits.</p> <p>For any future grants, powers should be considered and recorded.</p>	Clerk	Immediate effect.

	<p>awarded under s.137 LGA 1972 comply with the rules set out in that act, and do not breach the statutory limit for the year. The rules include the requirement that beneficiaries must provide a written statement of how the money has been spent for any grants over £2k.</p> <p>I recommend that the Council reviews what powers it has to make grants, and ensures that:</p> <ol style="list-style-type: none"> 1. The resolution to make any future grants clearly notes the power being used for the grant award; and 2. The rules around the use of s.137 grants, especially in relation to the annual limit, are followed. <p>Further information is available here: Arnold-Baker on Local Council Administration – 12th Edition (2021)</p> <p>https://www.biburyparishcouncil.gov.uk/uploads/the-good-councillors-guide-on-finance-and-transparency-dclg-version-digital-12.pdf</p> <p>https://www.clerksandcouncilsdirect.co.uk/editorial_detail.asp?id=5368</p>				
12.1 – Ensure compliance with Transparency Code requirements when under £25k	In the 2021/22 financial year, the Council was just over £25k threshold for expenditure. As such, the Transparency requirement is for the Council to comply with the Freedom of Information Act. I have not assessed compliance with the FOI Act and have, therefore, responded 'not covered' on the AIAR.	H	Missing information to be added to the website as soon as possible.	Clerk	30/06/2022

	<p>The Council is ordinarily under the £25k threshold and, as such, is usually required to comply with the Smaller Council Transparency Code 2015 disclosure requirements. I noted a number of omissions when carrying out this test in 2020/21, and found that the same publications were omitted when I checked the website on 10/05/22:</p> <ul style="list-style-type: none"> i. 20/21 Explanation of variances over 10-15% year on year ii. 20/21 AGS - Details of how weaknesses will be addressed for any 'no' answers iii. 20/21 AIAR - Details of how weaknesses will be addressed for any 'no' answers iv. Details of public land and building assets <p>I recommend that the missing information is added to the website as soon as possible, in order to ensure full compliance with the Transparency Code for Smaller Authorities in future financial years.</p>				
14.1 – Ensure correct statutory publications are published within deadline	<p>I checked to see that the authority complied with the publication requirements for the AGAR 2020/21. As a smaller Council, this meant the following needed to be published at least one day before the start of its public rights period of 01/07/21:</p> <ul style="list-style-type: none"> •Certificate of Exemption 2020/21, page 3 AGAR •Annual Internal Audit Report 2020/21 page 4 AGAR •Section 1 – Annual Governance Statement 2020/21, page 5 AGAR •Section 2 – Accounting Statements 2020/21, page 6 AGAR •Analysis of variances •Bank reconciliation 	H	All required information to be published before the correct deadline and screenshots taken.	Clerk	31/03/2022

	<p>•Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.</p> <p>The Council has no website audit trail, but the date on which the documents were uploaded was noted on the file names. I found that:</p> <ol style="list-style-type: none"> 1. The notice of public rights was uploaded before 01/07/21 2. The certificate of exemption, ss1-2 of the AGAR, the AIAR and the bank reconciliation were uploaded on 06/07/21, which is after the publication deadline. 3. The bank reconciliation as shown is not the pro-forma bank reconciliation as recommend by PKF (the external auditors), but a copy of the full year's cashbook with a note of the year-end bank balance (there were no reconciling items). 4. The analysis of variances was not uploaded. <p>I recommend that the Council ensures that all required information is published in future, and that screenshots are taken to evidence the date of upload and (if appropriate) the date of removal. Note that as the Council has expenditure in excess of £25k for 2021/22, it will be required to complete form 3 and have an external audit. The publication requirements for form 3 are noted on the front of the form, and are different to the requirements for Councils under £25k.</p>				
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