

Internal Audit Report

(to be read in conjunction with the Annual Internal Audit Report in the Annual Governance and Accountability Return)

Name of council:	Osgathorpe Parish Council		
Name of Internal Auditor:	Hannah Shaw	Date of report:	30/04/23
Year ending:	31 March 2023	Date audit carried out:	26/04/23

Internal audit is the periodic independent review of a council's internal controls resulting in an assurance report designed to improve the 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 council through its staff and management and not left for internal audit. It would be incorrect to view internal audit as the detailed inspection of all records and transactions of a council in order to detect error or fraud. This report is based on the evidence made available to me and consequently the report is limited to those matters set out below.

The proper practices referred to in Accounts and Audit Regulations are set out in JPAG Practitioners Guide 2022. It is a guide to the accounting practices to be followed by local councils and it sets out the appropriate standard of financial reporting to be followed.

The council is required to take appropriate action on all matters raised in reports from internal and external audit and to respond to matters brought to its attention by internal and external audit. Failure to take appropriate action may lead to a qualified audit opinion.

To the Chairman of the Council:

Overview and Observations

In accordance with the terms of my engagement, I undertook a review of Osgathorpe Parish Council's accounts, records, policies and procedures for the financial year ending 31st March 2023, following which I completed and signed the Annual Internal Audit Report, of the Annual Governance and Accountability Return 2022/23 Form 2.

Through a virtual meeting with the Clerk and by inspection of information publicly accessible via the Council's website and by documentation sent to me by email, I was able to review aspects of the Council's systems including payroll, bank reconciliations, risk management, Council owned assets, budgetary control and the Exercise of Public Rights.

Osgathorpe Parish Council has 5 seats (3 quorum) and employs one member of staff, Sian Sheldon, who is the Clerk and Responsible Financial Officer to the Council working 2 hours per week. Sian has been employed in the role since 2022. There are no committees and all matters are dealt with at full Parish Council meetings.

The Council banks with HSBC. Payments are made by cheque and there is no access to online banking facilities. Councillors authorise payments at Parish Council meetings and up-to-date bank statements are presented for reconciling and signing. All payments are published through Council meeting minutes, as are bank balances.

The Council uses their own manual system for recording income and expenditure on a Receipts and Payments basis and VAT reclaims are up-to-date. Payroll is managed internally by the Clerk/RFO using HMRC Basic Tools and there is a good Statement of Control in place, however, the Clerk is unsure if the Council is registered with the Pensions Regulator and if re-enrolment is up-to-date.

Osgathorpe Parish Council does not hold General Power of Competence. Section 137 payments were not recorded separately but were within the limits set for the 2022/2023 financial year. I would advise recording s137 payments separately in the accounts and within Council minutes.

As discussed with the Clerk/RFO, it is good practice to record the Legal Power of Expenditure against each transaction within the accounts, the minute reference of the approved expenditure and the minute reference of the approved payment. This will also help when conducting transaction spot checks during future audits.

Osgathorpe Parish Council has public and employer's liability insurance arranged through Zurich on a 3-year agreement until 23rd June 2023 and an additional policy for a newly acquired mower. I would recommend the public liability insurance certificate is published to the Council's website and believe the level of cover is sufficient for the Council's needs.

With regards to the Exercise of Public Rights, I have seen no evidence that dates were approved at a meeting of the Council and there is no Notice of Public Rights published to the Council's website in accordance with the proper practices laid out in paragraphs 5.75 to 5.83 inclusive, of the Joint Panel on Accountability and Governance Practitioner's Guide 2022 as follows:

AGS Assertion 4 — Exercise of public rights

5.75. A key aspect of public accountability is provided for by rights given to the public to inspect the accounts and accounting records contained in the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015

5.76. The obligations of authorities are very specific, with key dates and periods of inspections laid out in legislation. These must be complied with and the details of the public's rights, as well as key parts of the AGAR must be published.

5.77. Publication is deemed to be made available on the authority's website. Website publication is a requirement. Posting on a noticeboard is in addition to a website.

5.78. Parish meetings must publish information on their noticeboard.

5.79. There is guidance to help authorities comply with the legal requirements, including support from external auditors' websites.

5.80. Proper practices and the flow charts in Section 6 include guidance for this area but the key points are:

- a 30-working day inspection period (this excludes weekends and public holidays), with accounts and supporting records being made available at reasonable times;*
- the notice period should commence as soon as possible after approval of the accounts by the authority and must include the first 10 working days of July;*
- the announcement of public rights should be as soon as practicable after the approval of the AGAR*
- it must give at least one day's notice of commencement and be published together*

with sections 1 and 2 of the AGAR.

5.81. Assertion 4 in the AGS refers to the exercise of public rights during the year under review in respect of the prior year, not the period following the end of the year subject to AGAR submission.

5.82. By no later than 30 September the authority must publish the AGS, the statement of accounts and if it has received it, the external auditor's certificate and report. If the external auditor has not yet concluded and provided their final certificate and report, the authority will be issued an interim certificate which it should publish.

5.83. As soon as reasonably practicable, after the conclusion of the external audit, an authority must publish a statement

- that the audit has been concluded and that the accounts have been published;
- of the rights of inspection (under S.25 of LAAA) relating to the accounts, auditor's opinion and audit recommendations and
- the address and hours during which those rights may be exercised.

Upon review of the Council's Asset Register, there have been no amendments made since the 2020/2021 financial year, however, the Council have invested in a high valued mower at a cost of £2992. I would suggest the asset register is reviewed as soon as possible to include the new asset. The current value of the Council's total fixed assets is £24,639.

Agendas and minutes of Parish Council meetings are available to view on the Council's website. Minutes are published within the required 28-day period and are marked as draft until being confirmed and signed by the Chairman at the following meeting. Agendas do not need to be marked as draft; however, they should include a publication date. Payments and bank balances are routinely minuted at every meeting.

As of 31/03/23, Osgathorpe Parish Council carried forward reserves of £9068 which is approximately 10 months running costs based on the Council's 2022/2023 expenditure and is within the normal range of 3 -12 months running costs.

I have seen evidence that adequate budgetary controls are in place and an annual budget for the 2022-2023 financial year was minuted at a meeting of the Parish Council along with the precept figure.

During a transaction spot check, I noted that two items of expenditure for the same contractor, were not supported by invoices/receipts for grounds maintenance works to the total value of £700. These events indicate poor compliance with the Council's own Financial Regulations and Controls. It is vitally important that all documentation is provided when being approved and minuted at Parish Council meetings. It is important to stress that my observations do not indicate any financial irregularity but rather they emphasise the importance of being able to demonstrate continuing robust control and management of the Council's finances, necessary for the protection of all parties.

Councillor Declarations of Interests are published to the Council's website, however, I would also suggest publishing the following link to North West Leicestershire District Council's website which contain the relevant documents. <https://minutes-1.nwleics.gov.uk/mgParishCouncilDetails.aspx?ls=12&SLS=5&bcr=1>

Upon review of the internal audit carried out for the 2021/2022 financial year, recommendations were made that the Council considers adopting a Complaints Policy and an Equal Opportunities Policy, however, although there is now a statement published to the Council's website regarding equal opportunities, it could be improved by formal adoption of a policy. I have found no evidence

of a Complaints Policy having been adopted. The Council's Standing Orders and Financial Regulations have been reviewed and re-adopted this year. I would also like to recommend the Council considers adopting a Reserves Policy. Other recommendations were also made which have already been identified within this report.

Summary

The report and findings are based on the information that was made available during the course of the audit. I am satisfied there are good internal control measures in place to protect the Parish Council from financial risk.

To the best of my knowledge, all accounts and bank balances appear to be in order and accurate based on the information to hand, however, this internal audit does not involve the detailed inspection of all records and transactions of the Parish Council in order to detect error or fraud. With many thanks to, Sian Sheldon, Clerk and RFO, for preparing the necessary documentation for the purpose of this internal audit.

Have comments from the internal audit 2021-2022 been addressed?

Recommendation 2021-2022	Comment
Agendas – add a publication date	No – Not actioned
Complaints and Equal Opportunities Policies	No – Not actioned
Register of Interests – add link to District Council's website	No – Not actioned

Areas in the 2022-2023 AGAR Annual Internal Audit Report for which Yes or N/A cannot be ticked

	Reason
A	
B	Upon inspection of the accounts, not all invoices were present.
C	
D	
E	
F	
G	
H	Asset register not updated to include a high value purchase made in Dec 2022.
I	
J	
K	
L	
M	No evidence the period for the Exercise of Public Rights was provided in 2022.
N	
O	

Recommendations for action 2022-2023

Areas for consideration or improvement	Recommendation
Agendas	Suggest adding a publication date to agendas
Asset Register	Recommend the Asset Register is updated to include the Council's new mower.

Councillor Declaration of Interests	Suggest publishing a link to Councillors Declaration of Interests forms on NWLDC's website.
Exercise of Public Rights	Suggest providing for the Exercise of Public Rights, publishing a Notice of Public Rights and minuting the dates upon approval at a Parish Council Meeting.
Insurance Certificates	Consider publishing insurance certificates to the Council's website.
Invoices/Receipts	Councillors/RFO to ensure invoices/receipts are presented for payment and Council to ensure all documentation is provided when approving payments to ensure a good level of audit trail. Invoices/Receipts should be signed/initialled upon approval.
Legal Power of Expenditure and payment minute references	It is good practice to record the Legal Power of Expenditure including S137 payments, the minute reference of the approved expenditure and the minute reference of the approved payment in the cash book.
Pensions Regulator	Advise checking the Council is registered with the Pensions Regulator and if re-enrolment duties are up-to-date.
Reserves Policy	Consider adopting a Reserves Policy.

Yours sincerely,

Mrs. Hannah Shaw
Internal Auditor to the Council
01530 249945
hshawinternalauditor@outlook.com

The figures submitted in the Annual Governance and Accountability Return are:

	Year ending 31 March 2022	Year ending 31 March 2023
1. Balances brought forward	13,366	14,132
2. Annual precept	4,658	4,657
3. Total other receipts	1,461	1,000
4. Staff costs	1,632	1,632
5. Loan interest/capital repayments	0	0
6. Total other payments	3,720	9,089
7. Balances carried forward	14,132	9,068
8. Total cash and investments	14,132	9,068

9. Total fixed assets and long-term assets	24,639	24,639
10. Total borrowings	0	0