

DKE AUDIT SERVICES

INTERNAL AUDITOR

Specialist provider to Parish & Town Councils

Pebworth Parish Council

Internal Auditors assessment for the completion of the AGAR Part 3 – Financial Year 2023-24 - DRAFT

1. Introduction

I have concluded the Council's annual independent internal audit. I am therefore able to complete the Annual Internal Audit Report (AIAR) 2023-24 which forms part of the Annual Governance and Accountability Return (AGAR).

My internal audit considers the evidence available to assess if the Council has effective systems and control arrangements in place for the areas examined. In examining these arrangements focus has been placed on sample testing compliance with a number of the Council's key governance 'rules', its management of risk, and its financial controls. Consideration is given to the size and scope of activities undertaken by the Council.

The internal audit is undertaken during the financial year in order to review and test the systems and controls operating during that year. The internal audit report details the findings at the time of the internal audit review. For the year-end financial statements, a cursory inspection is carried out to verify there are no significant financial management or control matters that may impact on the AIAR assessments made at the time of the internal audit review. The internal audit should inform, it is not designed to offer assurance over the completion of the AGAR sections 1 & 2, responsibility for the accuracy of these submissions' rests with the Council.

The internal audit is not designed to identify all weaknesses in the Parish Council's systems but, it is a sample examination of systems and of testing those systems and controls. Where weaknesses are identified during the internal audit process, which impact on governance and internal control, recommendations are made.

The responsibility for the prevention and detection of fraud, error and non-compliance with the law or regulations rests with the Council. The internal audit should not be relied upon to disclose all material mis-statements or frauds, errors, or instances of non-compliance, as may exist.

As the Council's appointed internal auditor, I confirm that I am independent of the Council.

Note – evidence that the key year-end financial statements have been prepared for Member review and approval will be requested in March / April / May 2024, these being the final bank reconciliation for the year, the budget to actual report, and the draft year-end accounts statement. A cursory review of these financial statements may alter the internal audit findings detailed in this draft report.

2. Summary

In the section below I have recorded my AIAR responses and offered some comments by way of explanation for these. Members need to be mindful that this assessment is of systems and control during 2023/24 to the time of the audit review.

During the internal audit review no significant control issues or non-compliances have been identified; therefore, I can give a positive response to each of the areas covered by the AIAR (internal auditors section), that apply to the Parish Council. There are no significant recommendations that impact on the internal auditors AIAR assessment. Two comments are made to further enhance control.

3. Internal Audit Assessment

The table below follows the format of the AIAR section of the AGAR, for each section questions have been raised in order to establish the systems and control arrangements. The responses, along with the supporting evidence provided, has allowed review, challenge, examination and assessment.

AGAR (AIRA section) Internal Control Objective, Internal Audit assessment and related comments	Yes /No
A. Appropriate accounting records have been properly kept throughout the financial year.	Yes
<p>The Council has put in place effective procedures to accurately and promptly record all financial transactions, it has maintained up to date accounting records throughout the year, together with all necessary supporting information. Invoices, payment requests and receipts are recorded on the accounting software. Copy invoices, payment requests, or other supporting information for transactions are held on file.</p> <p>The cashbook is up to date, and is well structured, payments are reported to the Council at each meeting, and approval is recorded in the minutes. Overall, an effective internal control environment has been maintained.</p>	
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved VAT was appropriately accounted for.	Yes
<p>Financial Regulations have been reviewed, in May 2023, in doing this the Council has agreed the financial processes and controls to be followed.</p> <p>Based on a sample examination of a number of payments selected from the cashbook confirmation has been gained that the payments made are supported by invoices, payment requests or other supporting evidence.</p> <p>Payments have been reviewed by Members, properly approved (either in advance of payment or retrospectively) and VAT has been appropriately accounted for.</p>	

AGAR (AIRA section) Internal Control Objective, Internal Audit assessment and related comments	Yes /No
Effective management and control over the Council's bank account is present.	
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	Yes
<p>The Council has a risk management / assessment procedure which includes a register of its risk (last reviewed in March 2023). The risk register shows the control arrangements operating to manage the Councils risk exposure. In agreeing the risk register the Council is confirming; the control actions are effective, complied with (tested and evidenced where appropriate), and therefore risks are managed to the desired level. The insurance policy covers the areas expected for a Parish Council and the assets (for which there is an Asset Register) have been insured.</p> <p>A specific risk, the IT arrangements, have been discussed and the arrangements, as described, offer effective IT and data control arrangements, data is held on 'the Cloud'.</p>	
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	Yes
<p>The budget covers the Councils activities showing sources of receipts and payment provision by type; these are included in the budget monitoring reports. At the time of the internal audit visit the budget for 2024-25 had commenced and a robust process was described, with the precept to be set based on the annual revenue budget requirement.</p> <p>Regular budget monitoring is undertaken and evidenced.</p> <p>Clarity and evidence were sought on the assessment and setting of the Councils reserves. The Council has reserves and has adopted a Reserves Policy which forms part of the Councils Financial Regulations.</p> <p>Comment - In accordance with its policy the Council is reminded it should review both its general and earmarked reserves (EMRs) as part of the annual budget setting process.</p> <p>Extract from the Councils Reserve Policy - <i>The level of General Reserves shall be reviewed on an annual basis during the annual Budgetary review and agreed by the Parish Council. The minimum level of General Reserves will be recommended to the Parish Council by the RFO. This will form part of the recommendations for the Annual Budget and Precept request by the Parish Council.</i></p>	

AGAR (AIRA section) Internal Control Objective, Internal Audit assessment and related comments	Yes /No
<p><i>EMRs shall be reviewed on an individual basis. The review will also be undertaken as part of the annual budgeting process. Recommendations on creation, amendment, cessation or continuance of specific EMRs will be given by the RFO to the Council by way of a report forming part of the recommendations for the Annual Budget and Precept request. Approval for the recommendations on creation, amendment, cessation or continuance of specific EMRs will be given by the Parish Council.</i></p>	
<p>E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.</p>	Yes
<p>The Council receives the annual precept and income from the cemetery and allotments. Receipts due are collected in accordance with the agreed fees. Income is effectively managed, controlled and recorded.</p> <p>Assurances that expected income is received occurs through the budget monitoring process and update reports. The Council do not raise fees that attract VAT.</p>	
<p>F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.</p>	Not Covered (no Petty Cash)
<p>The Council does not operate a petty cash system.</p>	
<p>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.</p>	Yes
<p>For the sample examined the payments to the Parish Clerk are in accordance with the contracted terms and the salary level approved by Members. Relevant employment related deductions are made and employer liabilities have been paid. The Clerks performance is reviewed.</p>	
<p>H. Asset and investments registers were complete and accurate and properly maintained.</p>	Yes
<p>The Council has an Asset Register which has been reviewed by Members (March 2023), the actual register should ensure the valuations are current (it is dated 2019). The structure of the Asset Register is in line with the basic requirements as outlined in the JPAG guidance.</p> <p>Further detail of the Councils assets is recorded on Parish Online.</p>	

AGAR (AIRA section) Internal Control Objective, Internal Audit assessment and related comments	Yes /No
<p>The records show that assets are inspected annually by accredited bodies, with the outcome being actioned where required. Asset inspections are undertaken throughout the year, but these are not formally recorded.</p> <p>Comment – the Council should consider formally recording the inspection of assets throughout the year in order to demonstrate the risk associated with the ongoing maintenance of assets is mitigated and evidenced. The Council’s risk register states ‘Regular checks are made on all equipment by Parish Councillors or the Clerk’, this is in need of amendment to clarify the control arrangements (frequency, scope and recording process); currently the recreation areas are inspected by the Lengthsman with other assets being inspected annually by the Clerk.</p>	
<p>I. Periodic bank account reconciliations were properly carried out during the year.</p>	<p>Yes</p>
<p>Evidence shows the Council reconciles its bank accounts with its accounting records monthly, this being reviewed by Members. The quarterly bank reconciliation is presented to Council, approved and recorded in the meeting minutes. The reconciliation statement is formally approved having been checked to the supporting bank statements.</p>	
<p>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.</p>	<p>Yes</p>
<p>The accounting statements have been prepared on the correct accounting basis (receipts and payments). The accounting process as reviewed is effective and appropriate; the accounting statements agree to the cash book and are supported by an adequate audit trail from underlying records and explanations.</p>	
<p>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 (If the authority had a limited assurance review of its 2022/23 AGAR tick “not covered”).</p>	<p>Not Covered</p>
<p>The Council did not certify itself as exempt in 2022/23 and therefore had a limited assurance review of its AGAR.</p>	
<p>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.</p>	<p>Yes</p>

AGAR (AIRA section) Internal Control Objective, Internal Audit assessment and related comments	Yes /No
The Clerk has confirmed that the Council is aware of, and publishes, the information required by legislation. The Council has a Publication Scheme which details the information available and how it can be accessed. Transparency principles are followed. At the time of the audit the expected financial information was available on the Councils website.	
M. In the year covered by this 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).	Yes
Evidence confirms the Council correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.	
N. The authority has complied with the publication requirements for the 2022/23 AGAR (see AGAR Page 1 Guidance Notes).	Yes
The Council complied with the 2022-23 publication requirements.	
O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	Not Applicable
The Council (as a body) does not have trust or charitable responsibilities.	

Other Areas

Internal Control areas and Internal Audit comments
Review of the implementation of recommendations from the previous year's Internal and External Audit Reports
<p><u>From last internal audit report (2022-23)</u> None</p> <p><u>From last external audit report (2022-23)</u> None</p>
Any other control matters or further comment not covered above.

Internal Control areas and Internal Audit comments
None

The draft version of this report was discussed and agreed by the Parish Clerk.

The internal auditor wishes to acknowledge the support and assistance provided by the Parish Clerk during the internal audit review.

Duncan Edwards

Internal Audit undertaken on 5 December 2023

Duncan Edwards (2023/24 internal audits)

DRAFT