

# **DKE AUDIT SERVICES**

## **INTERNAL AUDITOR**

Specialist provider to Parish and Town Councils

### **Tibberton Parish Council**

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

##### **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.

##### **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 AGAR (internal auditors section), that apply to the Parish Council. One recommendation and some observations have been made for consideration.

### 3. Internal Audit Assessment

The table below follows the format of the AGAR (AIAR), for each section questions have been answered with supporting evidence provided which has been examined and assessed.

AGAR (AIAR section) Internal Control Objective, Internal Audit assessment and related comments	Yes /No
<b>Any matters arising from the review of the minutes of Council or specific matters arising from the internal audit review</b>	
<p>It was identified in the 2022-23 internal audit report that there were a number of areas in which the Council had not complied with its Financial Regulations and there was inadequate internal control arrangement through part of that year. At the time of the 2022-23 internal audit visit the Acting Clerk and the Council were introducing revised operating and control practices. It was recommended that; <i>the Council undertake a comprehensive review of its financial control systems, introducing arrangements that ensure there are; effective controls to manage the Councils financial risks and compliance with the Councils Financial Regulations; and, the Council develops polices and associated process appropriate to the Councils size and its activities in support of its governance and administration arrangements.</i></p> <p>This year’s internal audit has found the Acting Clerk, and then the current Clerk, have continued to improve operating practices and control systems. This is reflected in the internal audit assessments and comments below.</p>	
<b>A. Appropriate accounting records have been properly kept throughout the financial year.</b>	Yes
<p>Based on the review of the Council minutes and the systems and supporting records, 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 the necessary supporting information. Invoices, payment requests and receipts are recorded on the accounting system (spreadsheet). Order where required, copy invoices, payment requests, or other supporting information for transactions are held on file.</p> <p>The cashbook is well structured, payments are reported to the Council each meeting, and approval is recorded in the minutes.</p>	
<b>B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved VAT was appropriately accounted for.</b>	Yes
Financial Regulations were reviewed and adopted in May 2023.	

AGAR (AIAR section) Internal Control Objective, Internal Audit assessment and related comments	Yes /No
<p>Based on the 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 appropriate evidence.</p> <p>Payments have been properly approved by Members and VAT has been appropriately accounted for.</p> <p>Effective management and control over the Council's bank account is present, payments made are verified, scrutinised and formally approved. An on-line payment system operates with effective authorisation processes.</p> <p>Last year's report identified that VAT for that and past years had not been received, the sum due being in excess of £62,000. The sum due from HMRC has been received in the current financial year. The Council has used some of this sum to deliver enhancements and maintenance at the 'new' Village Hall.</p> <p>In addition, there was uncertainty over payments in 2022-23 relating to the 'old' Village Hall and a recommendation was made that the Council formally establishes its position in respect of the 'old' Village Hall and respond appropriately. The Clerk has confirmed the Council has reviewed documents available, contacted relevant bodies and established ownership. The Parish Council has no liability or responsibility for the property.</p>	
<p><b>C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</b></p>	<p><b>Yes</b></p>
<p>The Council has, in February 2023 (reviewed in April 2024), produced and approved an Internal Controls Policy and Statement and Operational Risk Assessment which includes arrangements for the management of risk. The administrative arrangements and the records throughout the year show the Council has considered risk, an example being the investment of funds. Sample testing of a number of internal control arrangements show these are in accordance with the controls stated in the Internal Controls Policy and Statement and there is compliance.</p> <p>The Council has considered its immediate risks, as recorded in its risk log.</p> <p>The Council has an insurance policy that covers the areas expected for a Parish Council and the assets held.</p> <p>IT arrangements have been discussed; the Council have implemented effective IT related control arrangements.</p> <p>A recommendation was made in the previous yeas internal audit report - <i>the Council has recently introduced risk management arrangements, during 2023-24 the control processes need to be fully established with the effectiveness of those controls, and compliance with them, being assured, evidenced and reported.</i> Sample testing shows this recommendation has been actioned.</p>	

AGAR (AIAR section) Internal Control Objective, Internal Audit assessment and related comments	Yes /No
<p><u>Recommendation 1</u></p> <p>To further develop the Councils risk management arrangements the Council should introduce a Risk Register that identifies all risk areas, scores these, records the mitigating actions and controls, and the way in which compliance is tested and assured. An example of a Risk Register has been provided.</p>	
<p><b>D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.</b></p>	<p><b>Yes</b></p>
<p>The budget covers all of the Councils activities, income sources and expenditure and is monitored regularly.</p> <p>A budget setting process operates that identifies the funding need based on activities and commitments. The Council could further develop budget setting by linking to defined aims, objectives and outcomes. The precept has been set in accordance with the agreed and approved budget requirement.</p> <p>Regarding reserves, reference and a recommendation was made in previous internal audit report in respect of both policy and the level of reserves held. The Council has adopted a Reserve Policy and agreed its general and earmarked reserves.</p>	
<p><b>E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.</b></p>	<p><b>Yes</b></p>
<p>The Council receives limited income beyond the precept, income from all sources has been recorded in the cash book.</p> <p>The Council do not raise fees that attract VAT.</p>	
<p><b>F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.</b></p>	<p><b>Not Covered (no Petty Cash)</b></p>
<p>The Council does not operate a petty cash system.</p>	
<p><b>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.</b></p>	<p><b>Yes</b></p>
<p>The Council has appointed a payroll contractor to administer its salary related payments.</p>	

AGAR (AIAR section) Internal Control Objective, Internal Audit assessment and related comments	Yes /No
<p>The annual salary payable has been approved by Members, upon appointment of the Parish Clerk. Sample testing showed monthly staff payments are in line with the agreed salary and payments are approved. Relevant payroll deduction and associated payments are made.</p> <p>No allowance is paid to a Member.</p> <p>A number of HMRC salary related matters were detailed in last year's internal audit report. These have not been fully resolved, being currently investigated by the Councils payroll provider.</p>	
<b>H. Asset and investments registers were complete and accurate and properly maintained.</b>	<b>Yes</b>
<p>The Councils Asset Register, in 2022-23, was incomplete and a recommendation was made - <i>the Council reviews its Asset Register and the arrangements operating to ensure the effective management of its assets, including inspections and associated record keeping.</i></p> <p>The Council now has an Asset Register that details its assets and values, assets are insured.</p>	
<b>I. Periodic bank account reconciliations were properly carried out during the year.</b>	<b>Yes</b>
<p>Evidence shows the reconciling of the Council's bank accounts with its accounting records, this has been undertaken regularly. An audit and accountability trail is present.</p>	
<b>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.</b>	<b>Yes</b>
<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>Note – In May 2024 a cursory review was undertaken of the year end accounts and the draft AGAR accounts statement. This did not identify any matters to change the assessments made at the audit visit.</p>	
<b>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").</b>	<b>Not Covered</b>
<p>The Council did not certify itself as exempt from a limited assurance review in 2022/23.</p>	

AGAR (AIAR section) Internal Control Objective, Internal Audit assessment and related comments	Yes /No
<b>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.</b>	Yes
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.	
<b>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</b> (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
The Council complied with the required period (30 working days including the first 10 working days of July 2023) for the exercise of public rights for the 2022-23 AGAR.	
<b>N. The authority has complied with the publication requirements for the 2022/23 AGAR</b> (see AGAR Page 1 Guidance Notes).	Yes
The Council complied with the 2022-23 publication requirements.	
<b>O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.</b>	Not Applicable
The Council (as a body) does not have trust or charitable responsibilities.	

### Other Areas

Internal Control areas and Internal Audit comments
<b>Review of the implementation of recommendations or improvement opportunities from the previous year's Internal and External Audit Reports</b>
<p><u>From last internal audit report (2022-23)</u>  The recommendations from the 2022-23 internal audit report have been covered within the report above.</p> <p><u>From last external audit report (2022-23)</u></p>

The External Auditor, in their report, made reference to the completion of Section 1, Assertion 1 and the comments made in the internal auditor's report. It also notes that the Council had confirmed that it has not complied with the governance Assertions in Section 1, Boxes 2 ,3 and 8, but it had provided the appointed auditor with an adequate explanation for non-compliance and details of the actions necessary to address weaknesses identified. The Council also confirmed that it had started to address other weaknesses identified in the internal audit report.

Actions have been taken in respect of the comments made by the External Auditor and the Council is aware of the process to be followed for the completion of the 2023-24 AGAR.

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 19 April 2024

Duncan Edwards (2023/24 internal audits)