

DKE AUDIT SERVICES

INTERNAL AUDITOR

Specialist provider to Parish and Town Councils

Warndon Parish Council

Internal Auditors assessment for the completion of the AGAR Part 3 – Financial Year 2022-23

1. Introduction

I have concluded the Council's annual independent internal audit. I am therefore able to complete the Annual Independent Internal Audit Report 2022-23 which forms part of the Annual Governance and Accountability Return (AGAR).

My internal audit considers the evidence available to assess and ensure the Council has effective governance arrangements in place for the areas examined. In examining the governance arrangements focus has been placed on compliance with 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 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. Where weaknesses are identified during the internal audit process, which impact on governance and 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.

2. Summary

In the section below I have recorded my AGAR responses and offered some comments by way of explanation for these. Members need to be mindful that this assessment is for governance and control during 2022-23 to the time of the internal 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. There are no recommendations that impact on the internal auditors AGAR assessment. Comments have been made for the Councils consideration.

3. Internal Audit Assessment

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

AGAR 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. Payments and receipts are recorded in the accounting software. Copy invoices or appropriate evidence are held on file to support transactions.</p> <p>The cashbook is up to date, the financial position, payments and receipts are reported to the Council monthly, payments are approved, and all are recorded in the minutes. The minutes are formally approved and initialled. Quarterly accounting checks are undertaken by Members. An effective overall internal control environment operates.</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 and Standing Orders have been reviewed, the Nalc recommended Financial Regulations have been adopted.</p> <p>Based on a sample examination of a number of payments selected from the cashbook confirmation was gained that payments have been made in accordance Financial Regulations and that payments are supported by appropriate evidence.</p> <p>There are effective links and controls between the order of goods, works and services and the payment, with transaction being properly and promptly recorded in the cashbook. The payments have been properly approved and VAT has been appropriately accounted for.</p> <p>The Clerk has delegated payment powers to an agreed limit, there is a sound retrospective approval process for payments made in advance of the next Council meeting.</p> <p>Effective management and control over the Council's bank accounts and its investments are present.</p> <p>In last year's internal audit report a comment was made in respect of the annual grant/donations to the Lyppard Hub.</p> <p><i>During the year the Council makes a sizable grant / donations to the Lyppard Hub. A report to Council in February 2019 states that, 'On an Annual Basis the Grant will be reviewed to assess the ongoing need should members feel it expedient to do so'. The ongoing agreement to award verifies the organisation continues to deliver its aims to the benefit of the local community. However, for clarity, when approving the annual payment, the Council could consider stating in the minutes that the desired benefits in relation to the sum granted, continue to be provided. The Council has responded to this comment through a number of actions and plans including; the revision of the Council's</i></p>	

AGAR Internal Control Objective, Internal Audit assessment and related comments	Yes /No
grants policy and the requirement for organisations, including the Hub, to demonstrate the benefits and outcomes arising from the grant award (measurable benefits as stated on the grant application and/or clarified in the award offer).	
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 policy that includes risk assessment and risk control arrangements. The Council’s risk register includes control arrangements and frequency of review where appropriate.</p> <p>The insurance policy covers the areas expected for a Parish Council and the assets (for which there is an Asset Register) – the value of insured assets is due to be updated in the final quarter of the year following purchases within the year.</p> <p>IT arrangements have been discussed; these have been reviewed in the year and a new IT support contract is in place. Overall, there is effective IT and data control arrangements operating. The ‘Cloud’ data management arrangement offers access to the Council’s computer held records along with security. All files and data held on the Councils laptop hard drive are backed up automatically to OneDrive (through Microsoft 365), this process includes the backup of data files from the Rialtas (accounts) and HM Govt RTI (PAYE and salary etc) systems.</p> <p>The software to run Rialtas (accounts) and HM Govt RTI (PAYE and salary etc) is installed on the hard drive as neither are, at present, Cloud-based. To mitigate the risk of either or both the laptop and data stick backup being corrupted or of break down, the software for both systems can be reinstalled with the data files being restored from the OneDrive backup.</p> <p>Should the Parish Clerk become unavailable the Council should verify it can gain access the software systems held on the Council’s laptop.</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 all of the Councils activities, income sources and expenditure, and these are included in all budget monitoring reports. An effective budget setting process operates that identifies the funding need based on services and commitments. The precept has been set in accordance with the agreed and approved budget requirement.</p> <p>Budget monitoring is by budget monitoring reports presented at Council meetings.</p>	

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<p>The Council has a Reserves Policy. The Council has identified earmarked reserves (for specific projects and specific projected costs) with the balance being held as general reserves. The current general reserves are greater than the minimum set in the policy (60% of its coming years expenditure which is in line with the JPAG guidance). The Council should be mindful that the upper level of general reserves should not become excessive, the JPAG guidance suggests not beyond the annual precept sum.</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 limited income beyond the precept. The Council manages an allotment site and confirmation was obtained that fees are reviewed annually and evidence provided show the billing process ensures income due is collected.</p> <p>Assurances that expected income is received occurs through the budget monitoring process. 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>The salary payable to the Parish Clerk has been approved by Members. Actual payments are in accordance with agreed terms and relevant employment related deductions are made. Employer liabilities have been paid. At the time of the audit visit the Clerk was in the process of agreeing with the Council the pension arrangements.</p>	
<p>H. Asset and investments registers were complete and accurate and properly maintained.</p>	Yes
<p>The Council has an asset register which is periodically reviewed by Members (last reviewed in May 2022).</p> <p>Assets are properly maintained; reference has been made earlier to evidencing the inspection of assets.</p>	

AGAR Internal Control Objective, Internal Audit assessment and related comments	Yes /No
The Council has placed funds in an investment account, this is evidenced and periodically reviewed.	
I. Periodic bank account reconciliations were properly carried out during the year.	Yes
Evidence shows that statements reconciling each of the Council’s bank accounts with its accounting records been undertaken and presented on a regular basis (in accordance with Financial Regulations), and these have been reviewed and agreed by Members.	
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.	Yes
<p>The accounting statements have been prepared on the correct accounting basis. 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. Members review payments each meeting and verify the bank reconciliation, periodic accounting checks are undertaken and recorded, there is adequate evidence to show both the Parish Clerk and Members ensure effective financial control.</p> <p>Note – In April 2023 a cursory review was undertaken of the year end accounts and the draft AGAR accounts statement. The assessment made at the audit visit is unchanged.</p>	
K. If the authority certified itself as exempt from a limited assurance review in 2021/22, it met the exemption criteria and correctly declared itself exempt (If the authority had a limited assurance review of its 2021/22 AGAR tick “not covered”).	Not Covered
The Council did not certify itself as exempt from a limited assurance review in 2021-22.	
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.	Yes
<p>The wording of section L in the internal auditor’s part of the AGAR has changed from last year.</p> <p>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 information was available on the Councils website.</p>	

AGAR Internal Control Objective, Internal Audit assessment and related comments	Yes /No
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 2022-23 AGAR period, were public rights in relation to the 2021-22 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 2021/22 AGAR (see AGAR Page 1 Guidance Notes).	Yes
The Council complied with the 2021-22 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 or improvement opportunities from the previous year's Internal and External Audit Reports
<p><u>From last internal audit report (2021-22)</u> None. A comment for consideration was made in respect of the annual grant to the Lyppard Hub, see comment earlier.</p> <p><u>From last external audit report (2021-22)</u> External Audit questions were resolved.</p>
None
Any 'unusual' matters arising from the review of the minutes of Council and Committee meetings (the approach to risk and control)

None
Any matters referred by the Council or the Clerk for review
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 01 February 2023

Duncan Edwards (2022/23 internal audits)