

DKE AUDIT SERVICES

INTERNAL AUDITOR

Specialist provider to Parish & Town Councils

Hartlebury Parish Council

Internal Auditors assessment for the completion of the AGAR Part 3 – Financial Year 2021-22

1. Introduction

I have concluded the Council's annual internal audit. I am therefore able to complete the Annual Internal Audit Report 2021/22 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, or system enhancement opportunities are identified, 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 misstatements 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 2021/22 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 control related recommendation has been made for the Council to consider; and there are process matters raised for the Council to follow-up.

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
<p>A. Appropriate accounting records have been properly kept throughout the financial year.</p>	<p>Yes</p>
<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 (spreadsheet). 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 ratification and approval is recorded in the minutes. Overall, an effective internal control environment has been maintained.</p>	
<p>B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved VAT was appropriately accounted for.</p>	<p>Yes</p>
<p>Financial Regulations and Standing Orders have been reviewed (February 2022), the Nalc recommended Financial Regulations have been adopted, in doing this the Council has agreed the 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 properly approved and VAT has been appropriately accounted for.</p> <p>Effective management and control over the Council's bank account is present.</p>	
<p>C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</p>	<p>Yes</p>
<p>The Council has developed its risk management arrangements, however there is opportunity to further enhance this (see the Risk Management recommendation from 2021-22 below). The Councils current Risk Register was reviewed in September 2021, the register lists the areas of risk and the actions to be taken to provide control. The Risk Register is to be reviewed quarterly during 2022-23, this will allow the Council to consider and verify it has identified its current risks and the risk control arrangements are effective and are followed. When the Council considers the effectiveness of the control arrangements it should verify that the planned controlled actions occur and where appropriate are evidenced.</p> <p>The introduction of the day-to-day risk consideration proposal (October 2021 meeting) should demonstrate the assessment of risk is</p>	

AGAR Internal Control Objective, Internal Audit assessment and related comments	Yes /No
<p>evident as matters arise, this process should then link to and inform the decision-making process.</p> <p>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.</p>	
<p>D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.</p>	<p>Yes</p>
<p>The budget covers the Councils activities showing sources of receipts and payment provision by type; these are included in the budget monitoring reports. The budget setting statement for 2022-23 identifies the funding need based on services and commitments. The precept has been set in accordance with what Members have determined is the spending requirement. During 2021-22 the Council identified a need to increase the spending on asset maintenance, this is an indicator that the Council should ensure a longer-term approach to providing for anticipated costs within its three-year rolling budget plan.</p> <p>Frequent budget monitoring is undertaken and evidenced, Members review budget lines and make budget movements as required, these are recorded in the minutes. Where the Council agrees to use its reserves to fund an activity it should be clearly identified as a movement from reserves within the budget monitoring report.</p> <p>The Council approved its Reserves Policy in June 2021 and has determined its earmarked reserves.</p>	
<p>E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.</p>	<p>Yes</p>
<p>The Council receives limited annual receipts beyond the precept, the main other source being from the allotment site. Income is controlled and recorded.</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>	<p>Not Covered (no Petty</p>

AGAR Internal Control Objective, Internal Audit assessment and related comments	Yes /No
	Cash)
The Council does not operate a petty cash system.	
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.	Yes
<p>The salary payable to the Parish Clerk has been approved by Members. For the payments made to the Clerk, actual payments are in accordance with agreed terms and relevant employment related deductions are made. Employer liabilities have been paid.</p> <p>Although there is budget provision, no allowances have been paid to Members during the year, the sum has been donated. Should the allowance be paid in 2022-23 then the Council is reminded that the sum attracts HRMC deductions, see JPAG guidance.</p>	
H. Asset and investments registers were complete and accurate and properly maintained.	Yes
<p>The Council has an Asset Register which has been reviewed by Members. The Assets Register has been developed during the year, there is now a version that includes photos of each of the assets held. The record shows values cost / value of each asset. The Council has determined that better asset maintenance is required, with the assets to be reviewed by 'product group' (Council February 2022)</p> <p><u>Recommendation 1</u></p> <p>The Asset Register should be further enhanced to show the inspection and maintenance requirement (planned and responsive provision), the cost estimates for short term works, which should be recorded and linked to the annual budget requirement (the Councils three-year budget projection). The inspection requirement should link to the Council's risk assessment and register with evidence being retained that the inspections have taken place and the outcome of these.</p> <p>Some of the assets will, at some point require significant maintenance or replacement, the projected spend requirement should be recorded on the Asset Register and the Council should make provision for this through its earmarked reserve process.</p> <p>The Asset Register should be a practical asset management document as well as a list of assets and values – more guidance is provided in the JPAG.</p>	
I. Periodic bank account reconciliations were properly carried out during the year.	Yes

AGAR Internal Control Objective, Internal Audit assessment and related comments	Yes /No
<p>Evidence shows the Council reconciles its bank accounts with its accounting records, this has been regularly undertaken, being reviewed and verified at the alternate Finance Committee and Council meetings, this is recorded in the meeting minutes.</p> <p>Post the internal audit visit the year-end bank reconciliation has been reviewed and confirmation has been gained that this will be approved by Members.</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>	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 and explanations.</p> <p>Post the internal audit visit the year-end financial statements have been provided and reviewed.</p>	
<p>K. If the authority certified itself as exempt from a limited assurance review in 2020/21, it met the exemption criteria and correctly declared itself exempt (If the authority had a limited assurance review of its 2020/21 AGAR tick “not covered”).</p>	Not Covered
<p>The Council did not certify itself as exempt from a limited assurance review in 2020/21.</p>	
<p>L. The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements.</p>	Yes
<p>The Transparency Code applies to Councils with a turnover not exceeding £25,000 and a turnover greater than £200,000. However, it is generally accepted that Councils falling between these two amounts should, as a minimum, comply with the Codes requirements of a Council with a turnover not exceeding £25,000, which the Council does. The Council also includes on the website the supporting documents for many of its meeting agenda items.</p>	
<p>M. The authority, during the previous year (2021-22) correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).</p>	Yes
<p>Evidence confirms the Council correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.</p>	

AGAR Internal Control Objective, Internal Audit assessment and related comments	Yes /No
N. The authority has complied with the publication requirements for the 2020/21 AGAR (see AGAR Page 1 Guidance Notes).	Yes
The Council complied with the 2020-21 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</u></p> <p><u>Recommendation 1</u></p> <p>The Council develops its risk management arrangements having reference to the most recent guidance issued in Governance and Accountability for Local Councils - a Practitioners' Guide (England) issued by the Joint Practitioners Advisory Group (JPAG). The Risk Register is the place where all of the risks the Council needs to manage are identified, assessed, recorded and monitored to ensure risks are controlled to the desired levels. The frequency of risk review by the Council should be appropriate to the risk, to ensure the effectiveness of the control measures.</p> <p>The guide references the following - The focus of risk management is to identify what can go wrong and take proportionate steps to avoid this or successfully manage the consequences. Good risk management allows stakeholders to have increased confidence in the authority's corporate governance arrangements and its ability to deliver its priorities.</p> <p>The relevant Financial Regulations and the AGAR assertion were referenced in the main body of the 2020-21 report.</p> <p>Update 2021-22 – see comments in section C above.</p> <p><u>From last external audit report</u></p>

Internal Control areas and Internal Audit comments
At the time of the internal audit review the external auditor had not concluded their 2020-21 audit as they had 'received correspondence bringing information to our attention that we must consider before certifying the completion of our review and the discharging of our responsibilities'.
Any other governance or financial control issues arising during the internal audit
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 22 March 2022

Duncan Edwards (2021/22 internal audits)