# DKE AUDIT SERVICES

## INTERNAL AUDITOR

Specialist provider to Parish & Town Councils

## Castle Bromwich Parish Council

### Internal Auditors assessment for the completion of the AGAR Part 3 – Financial Year 2024-25

**1. Introduction**

I have concluded the Council's annual independent internal audit. I am therefore able to complete the Annual Internal Audit Report (AIAR) 2024-25 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 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 Councils 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 2024/25 to the time of the audit review.

**During the internal audit review no significant control issues or non-compliances have been identified that prevents a positive response to each of the areas covered by the AIAR. No control recommendations have been made.**

### 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 (AIAR 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** |
| The Council has effective procedures to accurately and promptly record all financial transactions and to maintain appropriate accounting records throughout the financial year.<br><br>The finance system is used to record orders, confirmation of the receipt of the goods, works or services and invoice. Invoices, or appropriate supporting information, are recorded against the initial order and therefore for payments made there is a full audit trail.<br><br>Source records are retained to support receipts.<br><br>The cashbook is kept up to date, payments and receipts and the key financial information is reported to the Finance & General Purposes Committee (F&GP) and Council. Committees oversee the Councils services; the delivery and financial performance, including the Councils facilities letting, and 'trading' activities.<br><br>A significant sum is raised from the Councils 'trading' activities, the letting of facilities and the bar function. The Council operates an accounting and facilities management systems to manage and record its activities. The facilities and finance modules are linked, with the option to select the data that is carried from the facilities module to the finance module. The current data movements, as described, between the two systems is limited; transaction monitoring within both modules and reporting arrangements support the mitigation of risk in this area. | |
| **B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved VAT was appropriately accounted for.** | **Yes** |
| The Council has adopted the revised Nalc model Financial Regulations. | |

| AGAR (AIAR section) Internal Control Objective, Internal Audit assessment and related comments | Yes /No |
|---|---|
| Examination of a sample number of payments selected from the cashbook has been undertaken, to gain confirmation that payments have been made in accordance with the current Financial Regulations. The sample showed that payments made are supported by for example; evidence of ordering, confirmation of receipt and invoices or other documents that evidence each payment as due. Where requested the Clerk provided further information and explanation for the payment.<br><br>The actual payment process and controls have been reviewed, these are effective and compliance was confirmed. Payment schedules have been presented and approved, and VAT has been appropriately accounted for.<br><br>Effective management and control over the Council's bank accounts is present, the bank mandate has been updated. | |
| **C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.** | **Yes** |
| The Council has a risk management policy that covers the areas expected, having considered the activities undertaken by the Council. The Council considered the Risk Policy at its December 2024 meeting. Sample testing of the identified risks showed the mitigating actions are present.<br><br>Examples of risk mitigating being;<br><br>• the Council engage contractors fire risk and legionella risk assessments and act on required / suggested improvements,<br>• the Council undertook a capital project, reviewed the skills required to undertake the management of the project, and engaged those skill,<br>• there are records to show the inspection of the community used assets (independent specialist review and internal inspections),<br>• a risk mitigating action is to insure, and the Council has reviewed its insurance arrangements,<br>• risk assessments are produced for specific Council organised events, and contractor risk assessments and method statements are obtained for contract awards, as appropriate.<br><br>As part of the financial control process quarterly internal control checks are undertaken by Members. Member should undertake these checks when due, the evidence (and the minutes) shows there have been delays. The quarter one (June) check was reported in November. | |
| **D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.** | **Yes** |

| AGAR (AIAR section) Internal Control Objective, Internal Audit assessment and related comments | Yes /No |
|---|---|
| The budget covers all of the Councils activities, income sources and expenditure, and this structure is used for budget monitoring and is effective. At the time of the internal audit visit the 2025-26 budget had been set. The process was discussed and confirmation gained that it identified the Councils funding need based on the service levels, planned improvements and commitments. A budget working group had developed the budget that was presented to Council. The precept is calculated and approved as part of the annual budget setting process, being set in accordance with the agreed and approved budget requirement.<br><br>During the year budget monitoring has occurred. Throughout the year the Council receives funds from the letting of its facilities and makes payments for the costs it incurs. The budget monitoring reports are annotated by the Clerk to inform Member on the reason / impact of budget variances at the time of reporting.<br><br>Budget monitoring reports are detailed and the scrutiny of the estimated to actual receipts position by Members provides an important overarching financial control. This is particularly so for the review of planned income to that received from the 'trading activities'. The supporting evidence, explanation and challenge of variances is an important income management control.<br><br>The Council has a Reserves Policy and has set its general reserve, the Council has elected to set the general reserve at 25% of the annual precept. The Council considers the appropriateness of its General and Earmarked Reserves as part of its budget setting. | |
| **E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.** | **Yes** |
| The Council receives significant income beyond the precept from the hire of facilities and 'trading' activities. Charges and fees are set by Council.<br><br>The Council has effective income management arrangements, hires are recorded in the facilities systems along with deposits paid, and payments and associated receipts are recorded and monitored. Records show effective debt management arrangements are present. At the time of the internal audit visit there was little overdue debt. The facilities module allows the recording and management of letting, which alongside internal operating practices provides an effective control.<br><br>A sample examination of a number of receipts selected from the cashbook has been undertaken, to gain confirmation that receipts have been controlled. The sample showed the correct charge / fee is levied, receipts are recorded in the accounting system, these are supported by source records. | |

| AGAR (AIAR section) Internal Control Objective, Internal Audit assessment and related comments | Yes /No |
|---|---|
| VAT is raised from income sources as required, and is properly recorded and forms part of the VAT submission.<br><br>The bar control systems have been discussed and samples of the documentation used examined and tested. The controls, along with the independent stocktake process and reporting to Members, offers good oversight of the trading performance. | |
| **F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.** | **Yes** |
| The Council has adopted a Petty Cash Policy. The policy and process ensure there are clear 'rules' for use, including limits and supporting evidence requirements. Evidence was provided confirmed; use, showed formal approved reimbursement, and that periodic checks are undertaken.<br><br>The Council operates change floats for the bar function and records show these are controlled through the bar session opening and closing processes. | |
| **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** |
| The Council has a Staffing Committee to oversee staffing matters including salary setting. The Council also retains the services of HR consultants to support its personnel management arrangements.<br><br>Staff are paid monthly either based on 1/12 of annual salary per month or based on hours worked (supported by approved timesheets). Pay related data is submitted to the external payroll service. Sample testing shows employment payments are in accordance with approved grades /rates and deductions and employer's liabilities are paid.<br><br>An allowance is paid to the chair via the payroll (PAYE) system. | |
| **H. Asset and investments registers were complete and accurate and properly maintained.** | **Yes** |
| The Council has an asset management process that shows assets are; identified, recorded, valued (for accounting and insurance purposes), inspected, maintained, and renewed. The most recent version of the Asset Register being considered by the Council at its December 2024 meeting. | |

| AGAR (AIAR section) Internal Control Objective, Internal Audit assessment and related comments | Yes /No |
|---|---|
| There is opportunity to enhance the asset register to aid the management of assets, developing the links to risk management, the reserves provision and funding options, inspection, maintenance, insurance, and revenue and capital spend. As the Council has valued community facilities, it might benefit from a formalised approach to 'facilities management'.<br><br>The assets in relation to the insurance schedule and values were reviewed and approved in May 2024<br><br>The Council has 'investment funds' held in the CCLA Public Sector Deposit Scheme which generates investment returns. | |
| **I. Periodic bank account reconciliations were properly carried out during the year.** | **Yes** |
| Regular bank reconciliations are undertaken being presented and approved by Members; the control process is effective with the approval being recorded in the minutes. | |
| **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** |
| The accounting statements have been prepared on the correct accounting basis (income and expenditure). The overarching 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.<br><br>Debtors and creditors are properly records and debts are monitored, pursued, and recovered.<br><br>*Note – the assessments in this report are based on the control environment at the time of the internal audit visit. However, evidence that the key year-end financial statements (final bank reconciliation for the year, the budget to actual report, and the year-end accounts statement) have been prepared for Member review and approval has been requested and received. A cursory review of these financial statements, and of activity since the internal audit visit, has not identified any matters to change the initial assessments detailed in this report.* | |
| **K. If the authority certified itself as exempt from a limited assurance review in 2023/24, it met the exemption criteria and correctly declared itself exempt** *(If the authority had a limited assurance review of its 2023/24 AGAR tick "not covered").* | **No Covered** |
| The Council did not certify itself as exempt in 2023/24 and therefore had a limited assurance review of its AGAR. | |

| AGAR (AIAR section) Internal Control Objective, Internal Audit assessment and related comments | Yes /No |
|---|---|
| **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** |
| 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 2024-25 AGAR period, were public rights in relation to the 2023-24 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 2023/24 AGAR** *(see AGAR Page 1 Guidance Notes).* | **Yes** |
| The Council complied with the 2023-24 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) is not the Trustee of a charity. | |

**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** |
| **From last internal audit report and earlier reports**<br>None<br><br>**From last external audit report** |

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| The external auditor made reference to a date that had not been included on the AIAR. Although the internal auditor has not experienced this comment before from Parish or Town Council external audits, the matter will be addressed on the 2024-25 AIAR. |
| **Any other financial control issues or matters arising during the internal audit not covered above** |
| 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 09th January 2025 (audit visit – control review and sample testing) and 14th May 2025 (further review of activity and draft year end related financial statements)

Duncan Edwards (2024/25 internal audits)