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 2025-26

1. Introduction

I have concluded the Council's annual independent internal audit. I am therefore able to complete the Annual Internal Audit Report (AIAR) 2025-26 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 2025/26 to the time of the audit review.

During the internal audit review no significant system 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**
Based on review and sample testing, the Council has implemented effective procedures to accurately and promptly record all financial transactions and to maintain appropriate accounting records throughout the financial year. 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. Source records are retained to support receipts. 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 Arden Hall 'trading' activities. The budget process determines that funding requirement and therefore the precept. Also considered is the significant sum raised from the proactive use of the Councils assets, 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 effectively controlled to ensure the data and key financial information within the two modules correspond.	
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved VAT was appropriately accounted for.	**Yes**
The Councils Financial Regulations were reviewed and adopted in June 2025, as were Standing Orders. 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;	

AGAR (AIAR section) Internal Control Objective, Internal Audit assessment and related comments	Yes /No
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. 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. Effective management and control over the Council's bank accounts is present, the bank mandate being updated in February 2025.	
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 F&GP Committee considered the Risk Policy at its January 2026 meeting. Sample testing of the identified risks showed the mitigating actions are present. Examples are; Examples of risk mitigating being; fire and legionella tests, asset inspections, risk assessments for events and activities. As part of the financial control process quarterly internal control checks are undertaken by Members.	
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	**Yes**
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 2026-27 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. 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. 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. Budget monitoring reports are detailed and the scrutiny of the estimated to actual receipts position by Members provides an important overarching financial control. The minutes show virements between budget heads to aid the effective monitoring of costs where change	

AGAR (AIAR section) Internal Control Objective, Internal Audit assessment and related comments	Yes /No
occurs during the year. 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. 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 (November 2025 meeting) and reaffirmed the year end Earmarked Reserve sums at the March 2026 meeting. Investment arrangements were considered by the F&GP Committee in January 2026.	
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 reviewed and set by Council. 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. 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. VAT is raised from income sources as required, and is properly recorded and forms part of the VAT submission. The bar control systems have been discussed. The controls, along with the independent stocktake process and reporting to Members, offers oversight of the trading performance.	
F. Cash payments were properly supported by receipts; all 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.	

AGAR (AIAR section) Internal Control Objective, Internal Audit assessment and related comments	Yes /No
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. 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. 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 was considered and approved, by the Council, at its March 2026 meeting. 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'. The assets in relation to the insurance schedule and values were reviewed and approved in May 2025. 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.	

AGAR (AIAR section) Internal Control Objective, Internal Audit assessment and related comments	Yes /No
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. Debtors and creditors are properly records and debts are monitored, pursued, and recovered. 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 2024/25, it met the exemption criteria and correctly declared itself exempt *(If the authority had a limited assurance review of its 2024/25 AGAR tick "not covered").*	**No Covered**
The Council did not certify itself as exempt in 2024/25 and therefore had a limited assurance review of its AGAR.	
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 publishes the information required by legislation, it 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 2025-26 AGAR period, were public rights in relation to the 2024-25 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set).	**Yes**

AGAR (AIAR section) Internal Control Objective, Internal Audit assessment and related comments	Yes /No
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 2024/25 AGAR *(see AGAR Page 1 Guidance Notes).*	**Yes**
The Council complied with the 2024-25 publication requirements**.**	
O. The authority has complied with laws, regulations & proper practices relating to digital and data compliance.	**Yes**
Assertion 10 has been added to the AGAR; this covers digital and data management and control. The records show the Council is aware of the AGAR Assertion 10 requirements. The Council has a generic email account (.gov.uk) which is hosted on an authority owned domain. The Council publishes the documentation as specified in the Freedom of Information Act and the Transparency Code for Smaller Authorities, and follows the Date Protection Regulations (GDPR). The Council is aware it must process personal data with care and in line with the principles of data protection. The Council has a number of IT, data, and records management policies. An IT policy was approved at the Councils January 2026 meeting. These explain how the Clerk and Members should conduct the Councils business in a secure and legal way when using IT equipment, software and on-line services.	
P. (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

None **<u>From last external audit report</u>** Additional information requested by the external auditor was provided.
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 07 January 2026 (audit visit – control review and sample testing) and 18 April 2026 (further review of activity and draft year end related financial statements)

Duncan Edwards (2025/26 internal audits)