

DKE AUDIT SERVICES

INTERNAL AUDITOR

Specialist provider to Parish and Parish Councils

Dodderhill Parish Council

Internal Auditors working document based on the AIAR – 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. 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 2023/24 only.

During the internal audit review a number of significant control issues or non-compliances have been identified; the assessment for each of the AIAR sections reflect these findings. A number of recommendations are made towards the end of this report designed to aid the Council improve its systems and control environment.

3. Internal Audit Assessment

The table below follows the format of the AGAR (AIAR), for each section, systems and control arrangements have been reviewed based on information obtained, and supporting evidence and explanations provided. This has resulted in a control compliance assessment for each section.

4. Background

During 2023-24 a number of changes occurred that will have impacted on the general and financial administration of the Council, examples being; in May 2023 new Members were elected to the Council, RFO resigned in June, Clerk resigned in October, Advisor was appointed in August, volunteer Members undertook the RFO role, Locum Clerks and volunteers took meeting minutes. Across the year there is reference to challenges in accessing information and managing financial control arrangements. Irrespective of the challenges faced, effective control must be maintained – the internal audit sample tests control and control compliance.

The Council has, and is required to comply, with a number of key control ‘rules’ that support and should ensure effective control, for example; Standing Orders, Financial Regulations (including the Governance and Accountability for Local Councils - a Practitioners’ Guide (England) issued by the Joint Practitioners Advisory Group), adopted policies and processes, Risk Policy and Martix, Internal Controls Policy, Communications Risk Assessment, Operational Risk Assessment, legislation that applies to Parish Councils.

The findings in the sections below stem from following lines of enquiry arising from sample testing, it is not the examination of all matters that may have arisen in the year 2023-24. The Council needs to consider all aspects of governance and control when it determines the Councils response to the 2023-24 Annual Governance Statement assertions (see the Joint Practitioners Advisory Group Practitioners’ Guide 2023).

| AIAR Internal Control Objective - Internal Audit Statement of Findings – AIAR Assessment | Yes /No |
|---|----------------|
| A. Appropriate accounting records have been properly kept throughout the financial year. | No |
| This section assesses the overall accounting arrangements, seeking evidence that these been properly and adequately maintained within the year, and that control has been effectively maintained. | |

| AIAR Internal Control Objective - Internal Audit Statement of Findings – AIAR Assessment | Yes /No |
|---|---------|
| <p>There are several references within the minutes of Finance Committee meetings, Full Council meetings and in the summary of an internal control undertaken in January 2024 which demonstrate control, as specified in Financial Regulations and risk management processes (control arrangements,) have not been present at all times.</p> <p>Regular bank reconciliations, supported by bank statements have not been presented, considered and approved by Members.</p> <p>Payments and supporting evidence have not, in all instances, been promptly entered on the Scribe accounting system.</p> <p>Budget monitoring (budget to actual) have not been carried out regularly, presented, considered and approved by Members within the year.</p> <p>The quarterly internal control checks have not been undertaken within the year.</p> <p>Payments presented for approval have not, in all instances, stemmed from a robust ordering and receipt of goods, or services, arrangement.</p> <p>The roll forward of the 2022-23 year end balances to the new financial year have been adjusted within the opening month of the year. The closing bank balance figure on the AGAR accounting statement for 2022-23 and the opening figure on the end of April 2023 bank reconciliation statement, and a sample examined thereafter, do not agree. The closing bank reconciliation statement at March 2023 (that supports the AGAR) shows a balance on one of the Councils accounts as; Wychbold Village Hall £1876.65. The next bank reconciliation statement – to 30 April 2023 show (for what appears to be the same entry) Petty Cash £0.00. No transactions on this account have been recorded during the month.</p> <p>Evidence provided and explanations show the account referenced above is that of the Parish Council and therefore must be managed and controlled by the Council, and be included within the Councils accounting systems. Bank statements for the year show regular receipts and payments associated the Village Hall hire and costs (now a separate organisation), the costs paid from the account (relating to the Village Hall) eventually running the balance down to zero in December 2023. It is noted from the minutes that the Council has, during the year, sought to obtain information about this account. However, this account has not been properly managed and controlled by the Parish Council during the year and the implications of this needs to be considered when developing the year-end accounting position and governance assessment. There was a second HSBC account, where the Council did not have statements for, was closed and the balance transferred to The Unity account. A small number of transactions were actioned on this account, these have been recorded on the Scribe system.</p> | |

| AIAR Internal Control Objective - Internal Audit Statement of Findings – AIAR Assessment | Yes /No |
|---|-----------|
| <p>There are other references, within the sections below, that relate to the keeping of proper financial records throughout the year. The Council Financial Regulations and its risk assessments detail the required control arrangements – these have not been complied with. The overarching Financial Regulation being <i>'1.2 The council is responsible in law for ensuring that its financial management is adequate and effective and that the council has a sound system of internal control which facilitates the effective exercise of the council's functions, including arrangements for the management of risk'</i>.</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> | No |
| <p>The Councils Financial Regulations were reviewed in May 2022. The Council risk assessments say these will be reviewed annually; this has not occurred during 2023-24.</p> <p>There are several examples (detailed below) that show the Council has not complied, in all instances, with its Financial Regulations or risk mitigating controls, in relations to procurement and payments. Examples of the Financial Regulations that apply being;</p> <p>FR 5.2. The RFO shall prepare a schedule of payments requiring authorisation, forming part of the Agenda for the Meeting and, together with the relevant invoices, present the schedule to council [or finance committee]. The council / committee shall review the schedule for compliance and, having satisfied itself shall authorise payment by a resolution of the council [or finance committee]. The approved schedule shall be ruled off and initialled by the Chairman of the Meeting. A detailed list of all payments shall be disclosed within or as an attachment to the minutes of the meeting at which payment was authorised' and,</p> <p>FR 5.3. All invoices for payment shall be examined, verified and certified by the RFO to confirm that the work, goods or services to which each invoice relates has been received, carried out, examined and represents expenditure previously approved by the council.</p> <p>FR 10.1. An official order or letter shall be issued for all work, goods and services unless a formal contract is to be prepared or an official order would be inappropriate. Copies of orders shall be retained.</p> <p>FR 10.2. Order books shall be controlled by the RFO.</p> <p>The Council has not operated a formal ordering system (the point at which the Council forms a contract and commits expenditure). It would be normal practice for payments presented to Committee / Council on each payment schedule, to have had appropriate checks undertaken to offer assurance to Members that the payment can be approved. The check being that; payment request is in accordance</p> | |

| AIAR Internal Control Objective - Internal Audit Statement of Findings – AIAR Assessment | Yes /No |
|---|---------|
| <p>with the order, the receipts of good, and VAT requirements are met if applicable (Financial Regulation 5.2). There are several instances where Members deferred or stopped payments presented on the schedule from being made.</p> <p>Sample testing of payments show the Council has, during the year, made payments to its grounds maintenance and lengthsman service providers. The contracts relating to these services could not be provided and, linked to risk management - the risk assessment / safe systems of work confirmations and evidence of contractor insurance were not available.</p> <p>The sample examination of payment transactions show that VAT paid is being recorded to enable the VAT reclaim. However, no VAT reclaim has been made during 2023-24, the Council risk matrix states ‘Submit VAT returns quarterly’. The records also include VAT paid on costs that are not those of the Council.</p> <p>The system to approve payments has been explained as - the process required Members to view electronic versions of the supporting information that related to the payments listed on the payments schedule. However, it has been explained that supporting evidence was not, in every instance, available for inspection. Therefore, on occasions, payments were approved by Members ‘unsupported’.</p> <p>The Councils primary payment method is by on-line bank transfer. Two cheques were written early in the financial year on one of the HSBC accounts. It is understood the principle of segregation of duties (between the preparation of due payments on the bank account and the authorisation by two Members) has been applied. However, a key part of that control is that the payments lodged on the bank account, for authorisation, must be the sum approved by the Council. The structure of the payment schedule has not been consistent, the payment schedule for the November meeting is net of VAT and therefore, these payments, the sum on the bank account and authorised, were different to the sum stated on the payment schedule and approved by Council. There are other instances where the sum approved by Council was different to the bank authorised sum and therefore paid.</p> <p>A review of the payment process in November 2023 references that payments for October and November were ‘signed off’ before being authorised by Council, being approved retrospectively.</p> <p>The Councils internal control review shows the ‘RFO position’ did not have, at all times during the year, control over the recording of payments in the Scribe system.</p> <p>Evidence (and explanation) shows that during the year, payments via direct debit were made from the Councils Unity Bank account, to pay utility bills on behalf of Dodderhill Parish Community Hall. At this time the Council was not responsible for these payments (utility bills).</p> | |

| AIAR Internal Control Objective - Internal Audit Statement of Findings – AIAR Assessment | Yes /No |
|---|-----------|
| The Councils payment control processes, during the year, have not been adequate to prevent payments being made for which it is not liable. This matter is under review. | |
| C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these. | No |
| <p>Financial Regulations – examples relating to risk management</p> <p>1.12. The accounting control systems determined by the RFO shall include: measures to ensure that risk is properly managed.</p> <p>17.1. The council is responsible for putting in place arrangements for the management of risk. The Clerk [with the RFO] shall prepare, for approval by the council, risk management policy statements in respect of all activities of the council. Risk policy statements and consequential risk management arrangements shall be reviewed by the council at least annually.</p> <p>17.2. When considering any new activity, the Clerk [with the RFO] shall prepare a draft risk assessment including risk management proposals for consideration and adoption by the council.</p> <p>In February 2022 the Council resolved to approve the Risk Assessment documentation for the Council. It is unclear from the minutes if this included all risk assessment as the versions made available are dated as follows; risk matrix June 2021, Operational Risks dated reviewed in February 2022, Communications risk assessment dated June 2021, and an Internal Controls Policy dated August 2021. Reference is made in the July 2023 Council meeting to risk ‘Risk Assessments: It was proposed to remove this item from the agenda’. The review of the risk matrix is not picked up again by the Council during the year. There was a compliance assessment, against the requirements of the internal control policy, carried out by the Finance Committee in January 2024. This identified a number of instances where there were control non-compliances.</p> <p>The risk matrix / risk assessments include the actions and controls to mitigate each risk, there are a number of examples within the minutes that show risk control requirements (full or in part) have not been, in all instances, present. The examples below show the requirement, which, in many instances, have not been complied with during the whole of the year.</p> <p><u>Banking procedures – the following control requirements have not been met on all occasions</u></p> <p>The control requirement is stated as - follow clear procedure via Financial Regulations, regular banking and reconciliation of statements, termly internal audit by parish councillors, bank mandate kept up to date.</p> | |

| AIAR Internal Control Objective - Internal Audit Statement of Findings – AIAR Assessment | Yes /No |
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| <p>The evidence to demonstrate control compliance being - banking procedure agreed by Council, monthly reconciled bank statements, signed confirmation of quarterly internal audit, independent internal audit, and current bank mandate.</p> <p><u>Inadequate financial controls and records - the following control requirements have not been met on all occasions</u></p> <p>The control requirement is stated as - Qualified Clerk, adherence to Finance Regulations & policies, accounts/asset register prepared on accounting system, bank reconciliations undertaken monthly, quarterly inspection of accounts by appointed members, expenditure payments approved by council, minimum 2 council signatories on payment authorisations, and annual independent internal audit.</p> <p>The evidence to demonstrate control compliance being - minimum of 2-year review of relevant policies, quarterly (minimum) accounts statements to Parish Council, bank reconciliation statements, check-sheets signed by appointed members, signed expenditure payments reports, signed authorisation reports / cheque stubs, approved signatories on bank mandate, and auditors' statement unqualified.</p> <p><u>Internal Control Policy - examples only – the following control requirements have not been met on all occasions.</u> Note - an assessment was undertaken by the Finance Committee in January 2024 which provided a self-assessment of compliance / non-compliance with the control requirements</p> <ul style="list-style-type: none"> • The cash book is kept electronically (on Scribe accounting system), maintained up to date from original documents (cash received, invoices, payments made and cheques as they are prepared) • The cash book is reconciled to the bank statement at least monthly by Administrator and audited by RFO • Reconciled accounts are presented in advance of each Parish Council meeting for reference. • The bank reconciliation is reported to the full Parish Council each month and recorded in the minutes. • The Internal Controls Monthly Checklist is completed by a different councillor monthly, on a rotation basis. • The latest financial position and movements on the Parish Council's cash balances are reported at each council meeting and can be traced back to the expenditure approved in the previous meeting via the minutes • Purchase orders/emails/letters ordering the work are matched to purchase invoices where applicable. • All invoices for payment are listed on the meeting agenda where the expenditure is to be authorised for payment. • Payments made are listed in the minutes of the meeting • Original invoices are available on Scribe to the Councillor carrying out the monthly check. | |

| AIAR Internal Control Objective - Internal Audit Statement of Findings – AIAR Assessment | Yes /No |
|---|---------|
| <p>Specific risks assessments; three areas were selected for testing, the health and safety inspections / maintenance of ‘play equipment’, equipment held at the Village Hall and events.</p> <p><u>Play equipment</u> – Formal annual inspections, by an accredited body, of play equipment were undertaken. Regular inspections are undertaken by the Lengthsman, but these are not evidenced – the Council should consider if this arrangement is adequate to evidence that regular inspections are undertaken and appropriate actions stem from the findings.</p> <p><u>Village Hall equipment</u> – There was uncertainty over the condition of the assets available for use in the Village Hall, as they have not been inspected within the year. Also, it was unclear what requirements are place on the Council, as the owner - PAT testing, guidance / training on use, servicing / maintenance / replacement, etc. – the Council should seek certainty.</p> <p><u>Events</u> (Coronation) - Information was requested in respect of the responsible body for the management and if the Council was responsible; how the associated risks were managed (the event risk register).</p> <p>There appears uncertainty, the information provided indicated the Council was the responsible body for some or all of the event.</p> <p>The minutes in March 2023 state ‘It was resolved to approve running the Big Lunch and Coronation Fete on Saturday 6th May (in conjunction with the relaunch of the Village Hall)’. The March 2023 report includes; the Council held funds – Dodderhill Parish Council have received the following Funding for the Coronation events, £557 from Wychavon District Council and £500 from County Councillor Tony Miller. It is recommended that the Parish Council:</p> <ul style="list-style-type: none"> • Authorise the final purchases (cinema equipment) ensuring no loss of the final Section 106 money. • Apply for a Tens License • Oversee celebrations as described. <p>The Council was invoiced / paid for the facilities used – the Administrators report of 18th July states the Parish Council hired the Village Hall £625.00 which was challenged and unpaid (formal evidence to provide certainty over this should be present), the supply of food £263.00, printing of flyers £255.00, and provision (purchase?) of a countertop griddle £129.99 (if purchased - not added to the Councils Asset Register).</p> <p>For the supply of food - at the September 2023 Finance Committee meeting the following is recorded in respect of this payment ‘The invoice did not show the provider’s name - there are three different names quoted for one payment. Paid on 7 May 2023 but not</p> | |

| AIAR Internal Control Objective - Internal Audit Statement of Findings – AIAR Assessment | Yes /No |
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| <p>authorised following the election - approved by ex-councillor and present councillor. No purchase order. Documentation shows different cheque number from that shown on the bank statement and cheque stub. Payment should not have been made until approved by full Council. There are errors on the cheque and cheque stub. A full breakdown of costs has not been provided so the payment should not have been made in May’.</p> <p>Finance Committee in September 2023 states; ‘Food was sold at the event but there is no record of the sales income taken’.</p> <p>A further example of where the Council did not comply with risk controls is; a banking procedure risk control is stated as ‘Mandate kept up to date’. However, the RFO / Council did not have arrangements in place to change the bank mandate swiftly after the May 2023 election. As a result, the Council had to delay making payments. It is also noted that the name on the HSBC bank statements and, I have been advised, the key bank contact, was the Parish Clerk several years back.</p> <p>During the year there have been specific matters arising requiring risks to be managed (lease and employment matters). Formal reports reviewing these areas, the risk and the action required, have not been produced. The Council has, however, sought external legal support as its primary risk management aid.</p> <p>To insure is an action to part mitigate some risks, the Council has insurance cover. In respect of the Village Hall the Council should regularly verify, evidenced in the minutes, that the property is adequately insured against loss or damage, and the full reinstatement cost.</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>No</p> |
| <p>The budget setting process for 2023-24 should have formed part of the internal control review process undertaken during 2022-23. Information was requested to show a structured approach was applied to the development of the 2024-25 budget and the setting of the precept. The timetable and processes listed indicate the process considered the funding requirement and the consideration of the Councils reserves. Three-year forecasting was not considered – Financial Regulation 3.2.</p> <p>A key financial control is the monitoring of the ‘budget to actual’ position regularly throughout the year. Control ‘rules’ set by the Council are;</p> | |

| AIAR Internal Control Objective - Internal Audit Statement of Findings – AIAR Assessment | Yes /No |
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| <p><u>Financial Regulations</u></p> <p>4.2. No expenditure may be authorised that will exceed the amount provided in the revenue budget for that class of expenditure other than by resolution of the council, or duly delegated committee. During the budget year and with the approval of council having considered fully the implications for public services, unspent and available amounts may be moved to other budget headings or to an earmarked reserve as appropriate ('virement').</p> <p>4.8. The RFO shall regularly provide the council with a statement of receipts and payments to date under each head of the budgets, comparing actual expenditure to the appropriate date against that planned as shown in the budget. These statements are to be prepared at least at the end of each financial quarter and shall show explanations of material variances.</p> <p><u>Internal Control policy</u></p> <p>A budget monitoring report, comparing actual receipts and payments to the budget, is prepared on a monthly basis and presented to the Parish Council either in advance of the meeting or at the meeting and recorded in the minutes.</p> <p>The 2023-24 budget set in the Scribe system; the figures against which actual payments and receipts are monitored, do not mirror the approved 2023-24 budget setting report. The finance system holding the approved budget is a fundamental financial control.</p> <p>Some budget heads have been overspent, the minutes do not demonstrate the consideration of these overspends, the virement and reserve options to ensure and demonstrate spending control.</p> <p>The Council has not complied with these 'rules'. Other parts of this report, the minutes and control reviews show the failure to review the budget position at Full Council has impacted on proper and effective financial administration and control. Effective budget monitoring has not operated within the year.</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>The Council has limited sources of income, the annual precept was in 2023-24 supplemented by allotment income, reimbursement of lengthsman cost, pitch hire, grant, VAT refund, and various minor items.</p> | |

| AIAR Internal Control Objective - Internal Audit Statement of Findings – AIAR Assessment | Yes /No |
|---|---------------------------|
| <p>As far as can be established income received has been banked and recorded in the Scribe systems. There is the matter of receipts paid into the Council HSBC account that appear to relate to the Village Hall (see earlier). There is also uncertainty about cash - the Finance Committees comment regarding the Coronation event; 'Food was sold at the event but there is no record of the sales income taken'.</p> <p>The Council does not charge VAT on its activities.</p> <p>Debts – there is an outstanding debt, raised on Scribe 13 July 2023, of £300.00, the minutes do not show consideration of this debt and the collection arrangements.</p> <p>The Council has leased the Village Hall. The lease appears to indicate that an annual rent of £10 is due on 25th March in each calendar year. There is no evidence that the rent has been invoiced / paid for 2023-24.</p> <p>The minutes show receipts have been reported at meetings however, regular budget monitoring has not provided for the verification of the income received to that planned.</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</p> |
| <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> | <p>Yes</p> |
| <p>In the early part of the Financial Year the Council had four posts (an Administrator, and Parish Clerk, RFO, Meetings Clerk). At varying points within the year each of the four posts were vacated.</p> <p>A sample test of staff salaries showed gross pay was calculated in accordance with the correct (contracted scale) spinal point on the NJC salary scale. Evidence show the annual NALC agreed increase to scales was paid.</p> <p>The Council uses a payroll bureau to administer its payroll related payments. A sample test of data provided shows payments and deductions have been calculated in accordance with the data provided to the bureau.</p> <p>The calculation of employer's pension liability (its contribution rate) was sample tested and was correct.</p> | |

| AIAR Internal Control Objective - Internal Audit Statement of Findings – AIAR Assessment | Yes /No |
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| <p>Sample testing showed that salary payments, in some instances, were paid after the contracted due date of the 12th each month (see reference earlier to managing bank signatories’ risk).</p> <p>A payment recorded in Scribe as salary associated payments (postage) was for the reimbursement of stationery and postage costs. The sum recorded is (V9) £41.79 the minute approval 25/04/2023 shows £34.99.</p> <p>During part of the year the Council paid, from its salary related budget, an advisor and locum meeting clerk, these services being paid based on invoices.</p> <p>It is noted that, relating to the 2023-24 year, employment tribunal cases are progressing. The assessment in the section is limited to the sample testing of salary related payments only.</p> | |
| <p>H. Asset and investments registers were complete and accurate and properly maintained.</p> | <p>No</p> |
| <p>The Council has an Asset Register logged on the Scribe system.</p> <p>Examples of the Councils controls requirements are - Financial Regulations;</p> <p>14.1. The Clerk shall make appropriate arrangements for the custody of all title deeds and Land Registry Certificates of properties held by the council. The RFO shall ensure a record is maintained of all properties held by the council, recording the location, extent, plan, reference, purchase details, nature of the interest, tenancies granted, rents payable and purpose for which held in accordance with Accounts and Audit Regulations.</p> <p>14.6. The RFO shall ensure that an appropriate and accurate Register of Assets and Investments is kept up to date. The continued existence of tangible assets shown in the Register shall be verified at least annually, possibly in conjunction with a health and safety inspection of assets.</p> <p>There is also reference to the requirement to maintain an effective Asset Register in the risk matrix and the internal control policy;</p> <ul style="list-style-type: none"> • The RFO maintains a full asset register on Scribe. • The existence and condition of assets is checked on a six-monthly basis by a member of the Parish Council on a rotational basis. <p>The minutes show that the Council through its Committee and Full Council has periodically considered and or reviewed the Asset Register. However, there have been a number of occurrences evidenced throughout the year, that show effective and adequate control, of both the</p> | |

| AIAR Internal Control Objective - Internal Audit Statement of Findings – AIAR Assessment | Yes /No |
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| <p>Asset Register, and of a number of assets, has not been present – the Asset Register has therefore not been ‘complete, accurate and properly maintained’ throughout the whole year.</p> <p>Examples being;</p> <p>Asset Register – review - There is concern that the Village Hall and DPC assets at the Hall have been removed from DPC’s current asset register. Action: PE to put the Village Hall and DPC assets in the Village Hall back onto the Asset Register on Scribe (Finance Committee December 2023)</p> <p>The Asset Register for 2023-24 has been reinstated on Scribe from 2022-23, following a request to Scribe by JH. The register requires double-checking (before the end of the financial year) for completeness and accuracy, after high value DPC assets had been removed from the register without Council agreement and authorisation. DPC still needs access to the Village Hall to complete the exercise. A further request for access was made yesterday and the matter is not yet resolved. (Finance Committee February 2024)</p> <p>A full review of the Councils assets, to verify the accuracy of the register and to check the condition of each asset has not been undertaken within the year. The minutes show that the Council has attempted to inspect some of its assets held within the Village Hall, however, this has been frustrated, and therefore these have not been inspected within the year.</p> <p>The Council leases one of its main assets, the Village Hall, to a third party, a Charitable Incorporated Organisation (CIO). Sample tests on this arrangement found;</p> <ul style="list-style-type: none"> • Payment of rent – see comment earlier • Insurance – evidence that the tenants insurance cover complies meets the lease requirements could not be provided. • Purpose – the purpose in the lease and the purpose of the CIO (on Charity Commission page) differs. <p>The Council does not have any outstanding loans.</p> <p>The Council does not have any short or long-term investments; however, it is seeking to ensure funds held in any one banking institution is less than the maximum covered under the Financial Services Compensation Scheme.</p> | |
| <p>I. Periodic bank account reconciliations were properly carried out during the year.</p> | <p>No</p> |

| AIAR Internal Control Objective - Internal Audit Statement of Findings – AIAR Assessment | Yes /No |
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| <p>Reference has been made earlier to the Council’s requirement to undertake bank reconciliations, the frequency, reporting and approval. These Councils control requirements have not been met on all occasions within the year. Summarising;</p> <ul style="list-style-type: none"> • There are some examples of bank reconciliations but these were inconsistent and not regularly undertaken (noted by the Finance Committee internal control review). • The minutes do not show bank reconciliations being regularly being undertaken, presented and approved. • As identified above the opening figure stated on any bank reconciliation was not that carried over from 2022-23. • There were periods when the Scribe system was not up to date. • The Council did not have access to both HSBC bank accounts and statements which prevented effective bank reconciliations. | |
| <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> | No |
| <p>The draft accounting statements at the year-end have been developed on correct accounting basis, payment and receipt. However, due to the issues identified above it is not possible to confirm that an adequate audit trail from the underlying records has been present; for example, an adequate audit trail for payment including; - budget provision, approval to commit, procurement process, order, receipt of the goods / works / services, schedule of payments, approval, bank authorisation. In addition, the value of assets, which forms part of the accounting statement, has been adjusted throughout the year, and some assets have not been verified as present.</p> | |
| <p>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”).</p> | Not Covered |
| <p>The Council did not certify itself as exempt from a limited assurance review in 2022/23, and therefore the Council had a limited assurance review.</p> | |
| <p>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.</p> | Yes |
| <p>The Council has a Publication Scheme (on website) dated November 2022; this should be reviewed alongside all the review of all policies. Council and Committee agendas and minutes are published on the Website.</p> | |

| AIAR Internal Control Objective - Internal Audit Statement of Findings – AIAR Assessment | Yes /No |
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| The governance assessments and accounting statements for previous years are held on the Councils website. The formal closure of the 2022-23 accounts has not been concluded. | |
| 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 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). | No |
| The Council has not correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations. The Council approved the notice period at the June 20 th meeting 'The dates for the Exercise of Public Rights Inspection of Accounts between 03-07-2023 and 22-08-2023 were agreed'. The Council therefore missed the 1st July deadline and had to arrange a second 30 consecutive working day period for the exercise of public rights, this second period started on 2nd October ending on 10th November 2023 and was published on the Councils website. It is understood that during this second period the Council did not comply with a request from an elector to view the accounts. | |
| N. The authority has complied with the publication requirements for the 2022/23 AGAR (see AGAR Page 1 Guidance Notes). | No |
| <p>Requirements Under the Accounts and Audit Regulations 2015 are</p> <p>The Council must publish the following information on the authority website/webpage:</p> <p>Before 1 July 2023 Council must publish:</p> <ul style="list-style-type: none"> • Section 1 - Annual Governance Statement 2023/24, approved and signed, page 4 – this was published on but not before 1 July 2023 • Section 2 - Accounting Statements 2023/24, approved and signed, page 5 -- this was published on but not before 1 July 2023 <p>Not later than 30 September 2023 the Council must publish:</p> <ul style="list-style-type: none"> • Notice of conclusion of audit – the 2022-23 audit has not been concluded • Section 3 - External Auditor Report and Certificate – interim report published; the 2022-23 audit has not been concluded • Sections 1 and 2 of AGAR including any amendments as a result of the limited assurance review - the 2022-23 audit has not been concluded | |

| AIAR Internal Control Objective - Internal Audit Statement of Findings – AIAR Assessment | Yes /No |
|---|-----------------------|
| It is recommended as best practice, to avoid any potential confusion by local electors and interested parties, that the Council also publish the Annual Internal Audit Report, page 3. – the AIAR and the longer version 2022-23 is published on the Council website. | |
| O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee. | Not Applicable |
| The Council does not have, as a body, any Trustee of a charity commitment / responsibilities. | |

| Recommendations arising from the Internal Audit Findings 2023-24 | |
|---|--|
| 1. The Council considers and adopts the recently revised NALC model Financial Regulations (2024). | |
| 2. The Council reviews all of its financial administration and control systems building processes that are effective and deliver the requirements of Financial Regulations, JPAG proper practice, and the Councils risk management requirements. | |
| 3. The Council reviews all policies, and associated processes, ensuring these will deliver the intending outcomes, including effective control, transparency and the proper use of all resources, funds and assets. | |
| 4. The Council reviews its risk management arrangement to ensure the process identifies risks, develops and implements controls / mitigating actions, and systems ensure and evidences compliance. The Council also reviews risk registers at a frequency that offers and ensures on-going control assurance. | |
| 5. The Council builds on its initial Strategic Plan looking to include; aims and ambitions that are measurable, linking these to three-year financial planning / forecasting, and to assets management (use, revenue implications, longer term maintenance / replacement), and to the provision and use of reserves. | |
| 6. The Council reviews its administrative processes and financial systems, simplifying where appropriate, for example; <ul style="list-style-type: none"> • Reviewing the use of Scribe to ensure how it is structured and operated is effective, fit for purpose, and provides robust control and financial ‘management’ information. • Reviewing the arrangements that ensure the Council has access to / receives / considers, appropriate and adequate supporting information when, making decisions, approving, or adopting. | |

| | |
|---|--|
| <p>7. The Council review its function, and operating terms and arrangement, along with those of the Clerk/RFO; ensuring roles and responsibilities are clearly defined, understood and met. The operating terms for the Clerk (Proper Officer) and RFO allow the performance of the role; being responsible for the proper administration of the Council, ensuring that the statutory, and other provisions governing or affecting the running of the Council are observed.</p> | |
|---|--|

Any other matters to consider

Previous year's Internal and External Audit Reports

Internal Audit – 2022-23

The Finance Committee in January 2024 reported on the review of the recommendations made in the 2022-23 Internal Audit Report. This referenced the actions required to implement outstanding actions. Some of the control principles within the recommendations made in the 2022-23 report have been identified and commented upon in the report above. The Finance Committee review and other references in the minutes show the Committee, in the latter part of 2023-24, was scrutinising the Councils systems and control arrangements, with actions to clarify and improve these. For information and future tracking the Committees paper summarising the outcome of their review is attached – Appendix A. Any outstanding matters will be considered as part of the implementation of the recommendations made above.

External Audit – 2022-23

At the time of the internal audit review the external auditor had not completed the 2022-23 audit.

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 during May 2024

Duncan Edwards (2023/24 internal audits)

DPC FINANCE COMMITTEE MEETING 10/1/24

Review of the 2022-23 Internal Audit, which was carried out by GAPTC in April 2023

| Audit Report ref | Suggested Action Point | Comments |
|------------------|---|---|
| 1.3 | Does the council (b) have a grant awarding policy? | |
| | <ul style="list-style-type: none"> ➤ DPC Chair to include on agenda for next DPC meeting on 23/1/24, to seek Council's approval to appoint an independent person to carry out an urgent review of DPC's policies and procedures. | Agenda 23/1/24, item 12(h) |
| 2.3 | Is there an annual council authorisation of Direct Debit list and Standing Orders? | |
| | <ul style="list-style-type: none"> ➤ DPC Chair / new Clerk when appointed, to include an agenda item for DD's for clear recording in the minutes. | Closing date for applications for Clerk/RFO vacancy: 23/2/24 Interviews: w/c 11/3/24 |
| 2.6 | VAT – b) reclaimed? | |
| | <ul style="list-style-type: none"> ➤ Quarterly VAT reclaims to be done. | Support needed with this, ref agenda 23/1/24, item 12(h) |
| 3.3 | Asset register | |
| | <ul style="list-style-type: none"> ➤ Temp RFO or Proper Officer (if recruited before the year-end) to reinstate assets. ➤ Access to the Village Hall to carry out asset checks to be resolved by DPC. ➤ Asset register to be placed on DPC's website once updated and assets reinstated. | Assets reinstated 19/1/24 To be resolved To be done |
| 3.5 | Evidence that internal controls a) take place? b) are documented? c) minuted? as per Council's Financial Regulations/Standing Orders | |
| | <ul style="list-style-type: none"> ➤ Separate Internal Control review to take place by Finance Committee, alongside an independent policy and procedures review, and recommendations to be put forward to Council once reviews are completed. | Agenda 23/1/24, item 12(h) |
| 3.6 | Bank reconciliations are on agenda to be considered by Council? | |
| | <ul style="list-style-type: none"> ➤ To review as part of Internal Controls review. | Agenda 23/1/24, item 12(h) |
| 3.7 | Review of b) bank mandates (signatories on bank accounts)? | |

| Audit Report ref | Suggested Action Point | Comments |
|------------------|--|--|
| | <ul style="list-style-type: none"> ➤ DPC to continue to pursue access to its HSBC VH account, to remove ex-councillors as signatories on both HSBC accounts, and to appoint new signatories. (Until this is done, HSBC will not communicate with the temp RFO or DPC.) ➤ Update 29/12/23: The HSBC Business Account (...9225) was closed by someone prior to the Christmas break. No resolution was passed by Council to do this. The account balance was paid into Unity Trust Savings account. | On-going pursuit and investigation of HSBC accounts' information by RFO |
| 3.9 | Are a) physical records secure? b) electronic records backed up? | |
| | <ul style="list-style-type: none"> ➤ a) DPC has not been given access to its physical records storage at its village hall. ➤ b) DPC's software provider terminated their contract on 18th December 2023, giving 30 days' notice. ➤ b) DPC's IT Committee to review Council's IT provision and update full Council as a matter of urgency. | <p>a) -On-going requests from DPC Chair to DPCH Chair.</p> <p>b) -Agenda Item 6, ITC meeting 18/1/24, and agenda Item 14(a), DPC meeting 23/1/24</p> |
| 4.2 | a) Were the earmarked objectives of the reserves identified in the budget, if any? | |
| | <ul style="list-style-type: none"> ➤ Balances and Reserves Policy to be reviewed as part of the overall policies and procedures review. | Agenda 23/1/24, item 12(h) |
| 4.4 | Did the council a) regularly compare budget vs spend (as detailed in the financial regulations) b) and evidenced in the minutes? | |
| | <ul style="list-style-type: none"> ➤ DPC to ensure that the published budget report is the same as that on Scribe. ➤ Additional Finance training to be offered to Finance Committee members, if necessary. | Agenda 23/1/24, item 12(h) |
| 4.5 | Are any significant variances from budget reported? | |
| | <ul style="list-style-type: none"> ➤ For any grants in 2024, the Finance Committee and DPC will ensure that any significant variances from budget will be reported. | Agenda 23/1/24, item 12(h) |
| 6.1 | Are debtors and creditors recorded properly on separate balance sheet - N/A but Recommend that the Council considers moving to Income & Expenditure reporting? | |
| | <ul style="list-style-type: none"> ➤ New Clerk/RFO to review. | Pending recruitment |
| 6.2 | Does Council as a whole consider the year-end accounts in addition to 6.5? | |
| | <ul style="list-style-type: none"> ➤ DPC will publish its 2023-24 year-end balance sheet on its website. ➤ Agenda item required at year end, for DPC to consider and approve the whole of the year-end accounts in addition to the AGAR 2023-24 accounting statement. | <p>-To be done after the year end.</p> <p>-Chair/Clerk to add to April's agenda.</p> |

| Audit Report ref | Suggested Action Point | Comments |
|------------------|--|---|
| | <ul style="list-style-type: none"> ➤ DPC to consider producing a fact sheet for its electorate, to show how their money is spent. | - Chair/Clerk to add to April or May's agenda. |
| 6.7 | Did council correctly provide for the exercise of public rights? | |
| | <ul style="list-style-type: none"> ➤ DPC to ensure that all information is available during the 2023-24 public rights period. | To be actioned by new Clerk/RFO. |
| 7.1 | Policies in place for compliance with GDPR, such as Data Protection Policy for Staff & Councillors and for the public? | |
| | <ul style="list-style-type: none"> ➤ The Hexad GDPR compliance audit to be revisited and reviewed. ➤ Data Protection policies to be urgently and independently reviewed along with all other DPC policies and procedures. ➤ Dates of policy reviews to be added as a footnote, along with the next review date. | <p>Agenda 23/1/24, item 12(h)</p> <p>As above</p> <p>As above</p> |
| 7.5 | Did council formally appoint GAPTC as the Internal Auditor? | |
| | <ul style="list-style-type: none"> ➤ DPC to write to GAPTC to confirm re-appointment, and confirm that the IA is competent and independent of Council. | RFO to confirm with GAPTC before year end. |
| 8.1 | Procedures - Minutes: c) initialled on each page and final page signed? | |
| | <ul style="list-style-type: none"> ➤ Procedures – Minutes: To be reviewed along with all other DPC policies and procedures. ➤ Minutes to be checked for compliance. | Agenda 23/1/24, item 12(h) |