

**INTERNAL AUDIT REPORT**  
**ANNUAL GOVERNANCE and ACCOUNTABILITY RETURN 2023/2024**  
**ESH PARISH COUNCIL**

**1. Background**

- 1.1. Local Councils in England and Wales (Parish Councils, Town councils) are expected to complete an Annual Governance and Accountability Return (AGAR) summarising their annual activities at the completion of each financial year.
- 1.2. Esh Parish Council completes part 3 of the AGAR with one of the parts within the AGAR to be completed by the Council's independent internal auditor, who is to give an opinion of the Council's internal controls.

**2. Objectives of the Audit**

- 2.1. To examine the system of internal controls to ensure that the Parish Council may obtain an adequate level of assurance for its activities.

**3. Scope of the Work and the areas of Audit Work examined.**

- 3.1 The Scope of Work covers the key control tests identified in the internal audit part of the AGAR.
- 3.2. Following the audit report for 2022/23 (dated 9<sup>th</sup> June 2023) where several recommendations were made, it was agreed with the new Parish Clerk to carry out an interim audit, and a report on this was dated 7<sup>th</sup> November where the 2 recommendations were actioned, although 1 further recommendation was made and was checked during this audit.
- 3.3. To properly complete the audit the following areas of activity have been examined and tested by Internal Audit:
- Payroll
  - Creditors
  - Risk Management/Governance arrangements
  - Income collection and Banking arrangements
  - Assets
  - Debtors
  - Budgetary Control (including year end procedures)
  - Exercise of public rights.
- 3.4. The audit findings of this report have been discussed with the Parish Clerk any audit recommendations have been agreed with her.

**4. Findings**

**4.1. Payroll**

- 4.1.1 The Parish Council has 2 employees (Clerk and Cleaner) who work fixed hours and are paid by an independent payroll provider for the Parish Council. The increases in the rates of pay are determined by the National Pay award for local government workers.

- 4.1.2. I examined the payroll amounts for the financial year 2023/2024 and all payments had been correctly made.

**4.2. Creditors (Accounts Payable)**

- 4.2.1. There are no separation of duties regarding Finance and Administration at the Parish Council as the Parish Clerk is the Officer responsible, and carries out all administration on the processing of the payments. Internal controls are in place as the Clerk provides an Expenditure sheet (Payments to approve) of all payments each month at the Council meeting. After verifying that the payments are correct (i.e. goods received or service provided) the Parish Councilors' can then ask questions on the payments, when agreed, payments are made by either Bank transfer with some by Direct Debit. The Chair of the Council authorizes payment of the expenditure.

4.2.2. All invoices could be found on the expenditure sheet, and were examined, with the payment date shown on the invoice.

4.2.3. Any section 137 payments/Donations had been agreed by the Council prior to payment being made and properly recorded in the Expenditure records.

#### **4.3. Governance/Risk Management**

4.3.1. A review of Standing Orders and Financial Regulations was not carried out for the year 2023/24 mainly due to having no Clerk in place, however, I understand that the previously agreed Financial Regulations and Risk Management Policy, still applied.

4.3.2. **As NALC have issued a new model of the Financial Regulations, I would recommend that the Council work through this and adapt for the Council own use.**

4.3.3. An asset register was completed in March 2024.

4.3.4. A risk register is to be approved with the statement of accounts for 2023/24.

4.3.5. There appears to be adequate insurance cover for all assets of the Council which were reviewed at the 11<sup>th</sup> January 2023 Council meeting.

4.3.6. Risks to the Parish Council are improved with the appointment of an independent Internal Auditor who gives assurance on the Council's activities.

4.3.7. The Parish Council has a small budget with only 2 employees, and therefore its risks are considered to be low.

4.3.8. The notice of appointment of date for the Exercise of Public Rights for the accounts for the year ending 31<sup>st</sup> March 2023 was announced 30<sup>th</sup> June 2023 commencing on 30<sup>th</sup> June to 10<sup>th</sup> August 2023.

4.3.9. The Clerk provides all invoices for payment each month at the Council meeting, with confirmation that a bank reconciliation has been carried out with the bank statement being seen by the Chair.

4.3.10. A statement of Internal Control for 2023/24 is to be reported with the statement of accounts.

#### **4.4. Income collection and Banking arrangements**

4.4.1. The Responsible Finance Officer (Clerk) provides a monthly statement of Income to the Members at the monthly Council meeting,

4.4.2. Income is received for the precept, vat claim, Room hire, dog bags and photocopying.

4.4.3. Booking forms are completed for all room hire and are recorded in a diary. Payment is usually made on the day to the Council (cash) or for regular bookings an invoice is raised at the end of the month.

Cash Income is recorded on the petty cash record and is banked as soon as is practical, by the Clerk on a paying in slip, Income received monthly is paid direct to the bank. Cash is normally banked immediately but can be held in a locked drawer in the locked office with the keys kept by the Clerk and the Chair.

4.4.4. I examined the income records provided by the accountant from April 2023 to March 2024 and it was confirmed that all income had been collected, banked and properly recorded.

4.4.5. There are 4 bank accounts held by the Council which are reconciled to the yearend accounts, with the bank statements initialed by the Chair.

4.4.6. No Vat claim was completed during 2023 although as it is considered small it will be included in the next claim.

**4.5. Accounting Records**

4.5.1. The Council records all income and expenditure on monthly spreadsheets.

4.5.2. The end of year accounts is submitted on a spreadsheet in Receipts and Payments format.

**4.6. Security/Assets**

4.6.1. There is an Inventory held of all assets (completed March 2024) to be approved with the statement of accounts.

**4.7. Debtors**

4.7.1. Accounts are raised each month (see paragraph 4.4.3)

**4.8. Budgetary Control**

4.8.1. The budget for the year 2024/2025 and the precept was discussed and agreed by the Council on the 10<sup>th</sup> January 2024.

**5. Conclusions/Recommendations**

5.1. The Internal Controls within the Parish Council were satisfactory

5.2. It is recommended that.

- the council adapt the new Model of Financial Regulations by NALC.
- an updated vat claim be submitted
- ensure that a statement of internal control and risk register is completed and approved with the statement of accounts.



**Gordon Fletcher (C.M.I.I.A.),**

**Internal Auditor,**

**Date: 28<sup>th</sup> May 2024**