

DKE AUDIT SERVICES

INTERNAL AUDITOR

Specialist provider to Town & Town Councils

Bewdley Town Council

Internal Auditors assessment for the completion of the AGAR Part 3 – Financial Year 2022-23

1. Introduction

I have concluded the Council's annual internal audit. I am therefore able to complete the Annual Internal Audit Report 2022/23 which forms part of the Annual Governance and Accountability Return (AGAR).

My internal audit considers the evidence available to assess and ensure the Council has effective governance arrangements in place for the areas examined. In examining the governance arrangements focus has been placed on compliance with the Council's key governance 'rules', its management of risk and its financial controls. Consideration is given to the size and scope of activities undertaken by the Council.

The internal audit is not designed to identify all weaknesses in the Parish Council's systems but, it is a sample examination of systems and of testing those systems. Where weaknesses are identified during the internal audit process, which impact on governance and control, or system enhancement opportunities are identified, recommendations are made.

The responsibility for the prevention and detection of fraud, error and non-compliance with the law or regulations rests with the Council. The internal audit should not be relied upon to disclose all material misstatements or frauds, errors or instances of non-compliance as may exist.

2. Summary

In the section below I have recorded my AGAR responses and offered some comments by way of explanation for these. Members need to be mindful that this assessment is for governance and control during 2022/23 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 AGAR. However, one recommendation is made to enhance longer-term budget setting arrangements bring this in line with the Councils Financial Regulations.

3. Internal Audit Assessment

The table below follows the format of the AGAR, for each section questions have been answered with supporting evidence provided which has been examined and assessed.

AGAR Internal Control Objective, Internal Audit assessment and related comments	Yes /No
A. Appropriate accounting records have been properly kept throughout the financial year.	Yes
<p>The Council has put in place effective procedures to accurately and promptly record all financial transactions, it has maintained up to date accounting records throughout the year, together with all necessary supporting information. Invoices, payment requests and receipts are recorded on the accounting software (Scribe). Copy invoices, payment requests, or other supporting information for transactions are held electronically.</p> <p>The cashbook is up to date, and is well structured, payments are reported to the Council at each meeting, and ratification and approval is recorded in the minutes. Overall, an effective internal control environment has been maintained.</p>	
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved VAT was appropriately accounted for.	Yes
<p>Financial Regulations are reviewed annually, the Nalc recommended Financial Regulations have been adopted, in doing this the Council has agreed the processes to be applied and controls to be followed.</p> <p>Based on a sample examination of a number of payments selected from the cashbook confirmation has been gained that the payments made are supported by invoices, payment requests or other supporting evidence.</p> <p>Quotes for works and services are obtained, and grants awards are supported and approved.</p> <p>Payments have been properly approved and VAT has been appropriately accounted for.</p> <p>Effective management and control over the Council's bank account is present.</p>	
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	Yes
<p>The Council has a risk management policy that includes risk assessment and risk control arrangements. The Council's risk register includes control arrangements and frequency of review where appropriate. The risk policy and register were review in July 2022.</p> <p>A Financial Control process operates to ensure effective monitoring of financial management risk.</p>	

AGAR Internal Control Objective, Internal Audit assessment and related comments	Yes /No
<p>The insurance policy covers the areas expected for a Town Council and the assets (for which there is an Asset Register) have been insured in line with the assessed values, the Council is aware there is a risk exposure in respect of the insurance arrangements for some assets of significant value, and of the need address this.</p> <p>IT support arrangements have been enhanced and are appropriate to provide effective security and control.</p> <p>Confirmation has been given that an asset inspection schedule operates to ensure repairs and maintenance is undertaken, however this is not evidenced.</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>	Yes
<p>The budget covers the Councils activities showing sources of receipts and payment provision by type. The precept for 2022-23 has been set in accordance with what Members have determined is the spending requirement. Budget monitoring reports are presented to the Finance and Facilities Committee, being recorded in the minutes.</p> <p>The budget setting process for 2023-24 was nearing the draft budget stage at the time of the internal audit. Discussions with the Town Clerk in respect of the timetable and arrangements indicated a structured process whereby due consideration was being given to the likely cost challenges. In last year’s internal audit report the following comment was made ‘The Council should ensure a longer-term approach to budgeting is developed through a three-year rolling budget plan’. The localism agenda has seen the Council take responsibility for assets (the maintenance and associated service provision) from the District Council and further opportunities may arise. This, and the funding challenges of the coming years, would appear to require a longer-term budget planning arrangement, ensuring each annual budget is informed by future year forecasts, where forecasts reflect the Councils aims, objectives and ambitions.</p> <p><u>Recommendation 1</u></p> <p>In accordance with the Councils Financial Regulation 3.1 - The Finance and Facilities Committee and the Council (if any) shall review its three-year forecast of revenue and capital receipts and payments. Having regard to the forecast, it shall thereafter formulate and submit proposals for the following financial year to the council not later than the end of [November] each year including any proposals for revising the forecast.</p>	

AGAR Internal Control Objective, Internal Audit assessment and related comments	Yes /No
The Council has a Reserves Policy and has identified both earmarked reserves and its working contingency. The policy and the reserve levels were due to be considered in January 2023 as part of the budget setting process.	
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	Yes
<p>The Council receives income primarily from the precept, there are other minor sources and sums from the localism arrangement which will reduce over time. Income is controlled and promptly recorded in the cashbook.</p> <p>Assurances that expected income is received occurs through the budget monitoring process.</p> <p>The Council do not raise fees that attract VAT.</p>	
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	Not Covered (Not Applicable)
The Council no longer operates a petty cash system. A payment card process operates for minor purchases which is effectively controlled.	
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	Yes
<p>The Council has a Staffing Committee that considers staffing matters and reports to the Council. The salary payable to the Town Clerk and other members of staff has been approved by Members. For a sample test confirmation was gained that payments made are in accordance with agreed terms and relevant employment related deductions are made. Employer liabilities have been paid.</p> <p>Payroll services are outsourced – to the District Council, effective control operates.</p> <p>No allowances are paid to Councillors.</p>	
H. Asset and investments registers were complete and accurate and properly maintained.	Yes

AGAR Internal Control Objective, Internal Audit assessment and related comments	Yes /No
<p>The Council has an Asset Register which is periodically reviewed by Members. Assets are risk assessed, periodically inspected as part of the risk mitigation arrangements (see comment in respects of a 2021-22 internal audit recommendation below), and are properly maintained.</p> <p>See earlier comment in respect of asset insurance.</p>	
<p>I. Periodic bank account reconciliations were properly carried out during the year.</p>	<p>Yes</p>
<p>Evidence shows the Council regularly reconciles its bank accounts with its accounting records, this is recorded in the minutes.</p>	
<p>J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.</p>	<p>Yes</p>
<p>The accounting statements have been prepared on the correct accounting basis. The accounting process as reviewed is effective and appropriate; the accounting statements agree to the cash book and are supported by an adequate audit trail from underlying records and explanations.</p> <p>Note – In April 2023 a cursory review was undertaken of the year end accounts and the draft AGAR accounts statement. The assessment made at the audit visit is unchanged.</p>	
<p>K. If the authority certified itself as exempt from a limited assurance review in 2021/22, it met the exemption criteria and correctly declared itself exempt (If the authority had a limited assurance review of its 2020/21 AGAR tick “not covered”).</p>	<p>Not Covered</p>
<p>The Council did not certify itself as exempt from a limited assurance review in 2021/22.</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>	<p>Yes</p>
<p>The wording of section L in the internal auditor’s part of the AGAR has changed from last year.</p>	

AGAR Internal Control Objective, Internal Audit assessment and related comments	Yes /No
The Clerk has confirmed that 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 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 2022-23 AGAR period, were public rights in relation to the 2021-22 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 2021/22 AGAR (see AGAR Page 1 Guidance Notes).	Yes
The Council complied with the 2021-22 publication requirements.	
O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes
The Council (as a body) has trust or charitable responsibilities and evidence has previously not been able to show the Council had met all of its responsibilities, this has now been addressed – see detail below.	

Other Areas

Internal Control areas and Internal Audit comments
Review of the implementation of recommendations from the previous year's Internal and External Audit Reports
<p><u>From last internal audit report (carried over from the internal audit report 2019-20)</u></p> <p>Comment - The Wribbenhall Millennium Green Trust (a registered charity) is responsible for an area of land; the Councillors are trustee of the site by default and are responsible for site maintenance. I have been advised that the Town Council has no access to the Trust's bank account and holds funds due to be banked. There is an Annual General Meeting and the Trust should be meeting throughout the year. The Charity Commissions website states that documents are 340 days overdue and the charity has failed to provide information on its finances within 10 months of its financial year end.</p>

Internal Control areas and Internal Audit comments

Recommendation - As the Council is the Trustees of the Wribbenhall Millennium Green Trust (a registered charity - charity number: 1079242) then compliance with the requirement of a charity must be complied with.

Recommendation update 2020-21 – This recommendation has not yet been implemented; Covid-19 restrictions have been a contributing factor for this.

Recommendation update 2021-22 – The recommendation from 2020-21 had not been implemented, the following recommendation was made - The Council should, as a matter of urgency, review how it acts and operates in respect of Wribbenhall Millennium Green ensuring it fulfils its responsibilities as sole trustee. The Council must also ensure it accounts properly for financial transactions relating to the Charity. The review should consider the Council's position and options in relation to the structure of the Charity.

Recommendation update 2022-23 - The Council now operates the Wribbenhall Millennium Green as a Charity, separate from the Council in terms of activities, administration and financial management and control.

From last internal audit report

As part of the risk control process records are maintained to demonstrate asset inspections are undertaken. Also, for other areas where checks form part of the control arrangement, there are supporting audit trails to show the risk mitigating checks are undertaken as required. For all inspection and checking processes the outcomes and actions should be documented to satisfactory conclusion.

The recommendation has been actioned.

From last external audit report

The smaller authority has confirmed that it has not complied with the governance assertion in Section 1, Box 9, in respect of trust funds, but it has provided the appointed auditor with an adequate explanation for non-compliance and details of the actions necessary to address weaknesses identified. In the completion of the Annual Internal Audit Report, and their detailed report, the internal auditor has drawn attention to the same matter in respect of compliance with the requirements for responsibilities as a trustee. The same matter was raised in our prior year reports. The smaller authority must ensure that action is taken to address this in a timely manner.

See comments earlier regarding the 'trust funds'.

Any other governance or financial control issues arising during the internal audit

Internal Control areas and Internal Audit comments
None
Any 'unusual' matters arising from the review of the minutes of Council and Committee meetings (the approach to risk and control)
None
Any matters referred by the Council or the Clerk for review
None

The draft version of this report was discussed and agreed by the Town Clerk.

The internal auditor wishes to acknowledge the support and assistance provided by the Town Clerk during the internal audit review.

Duncan Edwards

Internal Audit undertaken on 7 December 2022

Duncan Edwards (2022/23 internal audits)