

# Bradworthy Parish Council

## Internal Audit Report

Year Ended 31<sup>st</sup> March 2024

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**Prepared by:** Aalgaard Renshaw Business Solutions Ltd

**Date of Interim Visit:** n/a

**Date of Final Inspection:** 22<sup>nd</sup> May 2024.

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## **Internal Audit Regulation**

*All town and parish Councils are required, by the provisions set out in **The Audit Commission Act 1998** and **Accounts and Audit Regulations** (issued from time to time under the Act) to arrange for an independent internal audit examination, to be undertaken in respect of the authority's accounting records and system of internal control. The conclusions of the said examinations are, thereafter, reported on the authority's Annual Return for the relevant year.*

*Internal auditing is defined as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its' objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."*

*Aalgaard Renshaw Business Solutions Ltd was appointed as the Internal Auditor by Bradworthy Parish Council, for the Municipal Year 2023/24*

*The Internal Audit Review was undertaken after the year end. This audit included compliance and substantive testing to ensure that the control objectives are being met.*

*The Audit does not guarantee that the accounting records are free from fraud or error.*

*This report details the scope of the assessment undertaken in relation to Bradworthy Parish Council for the 2023/24 financial year. This assessment was undertaken on 22<sup>nd</sup> May 2024.*

## **Methodology**

*When undertaking the Internal Audit for the financial year 2023/24 regard has been given to the materiality of the authority's transactions and the potential for mis-recording or misinterpreting the same in year- end Statement of Accounts/ Annual Return.*

*Aalgaard Renshaw Business Solutions Ltd operates an investigatory programme, designed to provide the requisite level of assurance that the audited authority has appropriate and robust financial processes in situ, which ensure that transactions are enacted with both efficacy and integrity and which provide a reasonable probability that any material errors, or possible abuses of organisational, or national, regulatory frameworks are easily identifiable.*

*The Internal Audit programme applied by Aalgaard Renshaw Business Solutions Ltd also facilitates the completion of the Internal Audit Report, which forms part of the authority's Annual Return document.*

## **Observations and Conclusion**

*Having undertaken a comprehensive Internal Audit of Bradworthy Parish Council's accounting records and system of internal control, we have concluded that, based on our inspection, the Parish Council has maintained an effective and accurate system of internal control arrangements for the accounting period 2023/24.*

*The Parish Council's 'Internal Audit Report', part of the Annual Return, has been duly completed and signed. We are of the firm opinion that the control objectives set out in that report have been achieved within the financial year to a high standard and thereby easily meets the needs of the Council.*

## **Acknowledgement**

*Aalgaard Renshaw Business Solutions Ltd would like to take this opportunity to thank the Members and Clerk of Bradworthy Council for their instruction in relation to this matter.*

*Jacquelyn Peskett*

*Aalgaard Renshaw Business Solutions Ltd*

## Overview of Council and Corporate Governance Statement

Terms of Engagement		Ref	Notes
1.	Review Terms of Engagement; confirm that engagement is appropriate to this financial year.	n/a	Engagement by email; Date: 14 <sup>th</sup> February 2024.
2.	Confirm the professional independence and competence questionnaire has been completed and agreed with the client	Page 8	N/A
3.	Agree Internal Audit fee with client	n/a	Agreed a cost of £200 (plus VAT).
4.	Agree attendance date	n/a	Agreed by email that the work would be carried out at ARBS office May 22 <sup>nd</sup> , 2024.

Planning Notes		Ref	Notes
5.	Number of Electors	n/a	Circa: 1085
6.	Precept sum	Minutes	£19,000.00
7.	Other Income	S/S	VAT refund £508.67 Community Locality Grant £200 Wayleave £38.05 Grass Cutting payment £321.00. Energiekontor £3,000 Interest £624.37 Other £310.71
8.	Key Personnel	n/a	Christine Summerfield (Parish Clerk/ RFO)
9.	Type of Manual Accounting in Place	n/a	Accounting recorded on Excel Spreadsheet.
10.	Any significant changes to staff/ procedures since previous Internal Audit?	n/a	The previous Clerk left her post in July 2023 and the new Clerk was appointed to commence on 1 <sup>st</sup> October 2023.
11.	Are there any matters arising from the last Internal Audit and/ or Management Letter?	n/a	It was recommended that a review of effectiveness is carried out annually.
12.	Have there been any matters arising from discussions with Council, including whether there is any evidence of fraud/ material mis-statement?	n/a	None identified.
13.	Key high risk/ expected problem areas	n/a	None identified.

<b>Observations</b>	<i>Satisfactory, no issues identified.</i>
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## Corporate Governance Statement

Area	Response (please provide detail below or on supplementary pages)
<p>Please confirm whether or not Standing Orders and Financial Regulations are in place.</p> <p>If so, when were they last updated and formally adopted by the Council?</p> <p>(Please provide an electronic copy of both).</p>	<p>Standing Orders and Financial Regulations are in place.</p> <p>These were reviewed and re -adopted at the Meeting held 22<sup>nd</sup> March 2024 (Minute references 21 &amp; 22 refer).</p>
<p>Where original minutes are not provided for our examination, please confirm that each page of the master copy is signed or initialed by the Chairman at the subsequent meeting when they are approved.</p>	<p>Original Minutes were provided and signed in accordance with the terms and conditions of the Local Government Act 1972; Schedule 12. Para 41(1).</p>
<p>Does the Council meet the criteria for adoption of the General Power of Competence and, if so, has it been adopted? Please confirm minute reference and date.</p> <p>If reliance is still placed on S.137, etc., when considering the approval of grants and donations to local (and other) bodies, are the relevant powers considered and formally minuted?</p> <p>Where detail of powers relied on is only set out on an agenda paper, please provide an example.</p>	<p>No</p> <p>N/A</p> <p>N/A</p>
<p>Please confirm that all internal and external audit reports are presented to and agreed by members, also with agreement on the actions to be taken to address any issues identified. Again, please provide detail of the relevant meeting and minute reference.</p>	<p>The Internal Audit Report was considered at the meeting held on 26<sup>th</sup> May 2023 (Minute reference 09/23 (iii a) refers).</p> <p>The Parish Council declared itself exempt; it was noted at the meeting held on 28<sup>th</sup> July 2023 that the documentation had been received by the External Auditor (Minute reference 126/23 refers).</p>
<p>Has the Council reviewed an updated version of the financial risk assessment and formally approved its re-adoption (Governance and Accountability Manual – 2014 refers).</p>	<p>Yes, this has been reviewed updated and adopted at the Parish Council Meeting held on 22<sup>nd</sup> March 2024 (Minute reference 044/21 refers).</p>
<p>When approving payments for release, do those members signing cheques examine and sign / initial individual invoices. Please provide a brief description of the approval process from receipt of invoice through to release of funds, on a separate sheet.</p>	<p>A selection of invoices was examined, it is noted that these are either paid by BACS or with debit card with the method of payment clearly shown on the accounting sheet. The invoice also shows the date of approval.</p> <p>Once payments are approved by Full Council, monthly Finance sheets are then clearly displayed on the Parish Council Website.</p>

Are all individual payments by direct debit, bankers' standing order or internet, if in use, similarly examined and approved for payment by members? Please provide detail of the controls in place over such payments, where different to those for cheque payments.	Yes, the Parish Council uses Internet Banking Facilities whenever possible or Debit Card. These are clearly shown on the payment sheet for each meeting, which is then in turn, presented to Members.
Does the Council / a nominated member review the detail of bank reconciliations routinely throughout the year and verify detail to underlying cashbooks and bank statements (Governance and Accountability manual refers)	Updated financial statements are provided Monthly and have been reconciled to bank balances/ statements, these are then presented at full Council.
Please provide a brief description of the approach taken to the preparation and approval of the Annual Budget and Precept.	Previous year's expenditure and income are considered along with bank balances.
Does the Council formally consider and approve the level of reserves (General and Earmarked Funds) to be carried forward to the next financial year?  (Such consideration should be minuted formally).	Only when considering the amount for Precept.
Has a physical examination / verification of the Councils stock of assets been undertaken recently? If so, when and by whom?	Yes.
Are asset values based on purchase cost net of VAT (where known)? Where detail of the purchase cost is unknown, asset values should be reported on the Annual Return at the same value as the previous year, except where new assets are acquired or disposed of.	Yes.
Does the Council act as Sole or Custodial trustees of any charitable funds? If so, are the transactions excluded from the Annual Return financial detail at Section 2?	No

<b>Observations</b>	<i>Satisfactory – no issues identified.</i>
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## Professional Independence and Competence Questionnaire

The internal audit function must be sufficiently independent from the management of financial controls and procedures of the council which are the subject of review. The person or persons carrying out internal audit must be competent to carry out the role in a way that meets the business needs of the council. The two key principles, which councils must follow in setting up their internal audit function are; **independence and competence**.

<b>Independence</b>	
Do you have any specific reliance on the fee to be earned from this assignment	No
<b>Overdue fees</b>	
Does the client/group of clients owe the firm any money which exceeds our normal credit terms?	No
<b>Litigation</b>	
Is there any actual or anticipated litigation between us and the client in relation to fees, audit work or other work?	No
<b>Associated firms</b>	
Are you or your staff associated with any other practice or organisation which has had any dealings with the client council?	No
<b>Family or other personal relationships</b>	
Do you or any of your staff have personal or family connections with the council or its officers?	No
<b>Mutual business interest</b>	
Do you or any of your staff have any mutual business interests with the client or with an officer or employee of the client?	No
<b>Financial involvement</b>	
Do you or your staff, or anyone closely related to you or any of your staff, have any financial involvement in the client in respect of the following:	
Any beneficial interest in shares or other investments?	No
Any loans or guarantees?	No
<b>Goods and services: hospitality</b>	
Have you or any of your staff accepted materials, goods or services on favourable terms or received undue hospitality from the council?	No
<b>Ex-partners or senior staff</b>	
Has any senior officer of the council been a partner or senior employee of the practice?	No
Is the partner or any senior employee on the audit team in negotiations to join the client?	No
<b>Long association</b>	
Have you been acting for more than 10 years? If yes, then consider rotation/engagement quality review.	No
<b>Provision of other services</b>	
Do we provide any of the following services to the client:-	
Accounting services, book-keeping or payroll services	No
Staff secondments	No
IT services where we are involved in the design, provision or implementation of systems	No
Specialist valuations which are included in the accounts	No
Tax compliance work or tax planning	No



## Section 1 – Maintenance of Accounting Records & Bank Reconciliations

### Internal Control Objectives

	Control Objective	Comments
A	Has the RFO been appointed with specific duties? (S.151 LGA 1972)	The Clerk has been appointed with specific duties (Standard NALC Contract).
B	Appropriate records of account have been properly kept throughout the year	Yes, clearly shown on an Excel spreadsheet.
C	Closing Cashbook Balance	Closing balances as of 31 <sup>st</sup> March 2024. Nat West Current Account £24,250.28 Nat West Deposit Account £29,002.29 Nat West Bonus Saver Account £23,473.98
D	Formal, year-end, Bank Reconciliations were carried out.	Yes again, these calculations are clearly shown on an Excel spreadsheet.

<b>Observations</b>	<i>Satisfactory, no issues identified.</i>
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## 2. Review of Corporate Governance

	Control Objective	Comments
E	There are appropriate governance arrangements in place to help ensure compliance with extant legislation and that no decisions are taken that may result in unlawful, or unbudgeted costs.	It is noted that the Council has prepared and adopted both Standing Orders (S/O's) and Financial Regulations (F/R's). These were revised and adopted on 22 <sup>nd</sup> March 2024.
F	The Council's Financial Regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	A sample of payments were examined. All had been processed appropriately and were in accordance with the terms and conditions set out in the Council's Financial Regulations.
G	Procurement	The Council's Financial regulations confirm that a proposed contract for the supply of goods, materials, services and the execution of works with an estimated value in excess of £60,000 shall be procured on the basis of a formal tender as summarised in Financial Regulation No. 11.1(b).
H	Clarity of Records	Financial Records were easy to find and follow; filed in an appropriate manner and; appeared to be complete and fit for purpose.
I	Precept Setting 2024/25	In the minutes of the Parish Council meeting held on 26 <sup>th</sup> January 2024, the precept is mentioned in item 30. This says it has been sent off but no other details. After checking, it appears full Council were asked to attend an extraordinary meeting on 12 <sup>th</sup> January 2024 due to the precept deadline occurring before the next meeting date.

		The Internal Auditor was unable to find these minutes on the website however the Clerk has sent proof that this was discussed and agreed (Minute reference 2) set at £19,574.00
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<b>Observations</b>	<i>It is recommended that the extra ordinary minutes are also shown on the Parish Council website.</i>
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### 3. Review of Expenditure

	<b>Control Objective</b>	<b>Comment</b>
J	Payments	Supported by Invoices. Authorised and Minuted under 'Finance'
K	Procurement of services above the 'de minimis' Amount	N/A
L	VAT	VAT return submitted to the value of £508.67 this was paid into the bank account on 17 <sup>th</sup> August 2023.
M	S.137 Expenditure (LGA 1972)	N/A
N	Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for	No Petty Cash Account utilised.
O	Clerk's Expenditure was properly supported by receipts, expenditure was approved and VAT appropriately accounted for	Yes

<b>Observations</b>	<i>Satisfactory – no issues identified</i>
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### 4. Review of Income

	<b>Control Objective</b>	<b>Comment</b>
P	The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate	Yes
Q	Expected income was fully received, based on correct prices, properly recorded and promptly banked, with VAT appropriately accounted for.	Yes
R	Are there any significant, unexplained, variances from the budget?	No

<b>Observations</b>	<i>Satisfactory – no issues identified</i>
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## 5. Review of Capital Budgeting

	Control Objective	Comment
S	Sale of fixed assets	None
T	Use of income from sales (de minimis £10,000)	N/A
U	Capital Expenditure	No significant Capital Expenditure.
V	Long-term capital budget/ rolling capital schemes	No
W	Capital budget review (annually) date	No

Observations	<i>Satisfactory – no issues identified</i>
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## 6. Review of Employment Arrangements

	Control Objective	Comment
X	Each employee has been issued with a contract of employment, with clear terms and conditions	Yes, The Clerk has been issued with a standard NALC contract.
Y	Salaries paid agreed with those approved by the Council	Yes
Z	Are all employees in a registered pension scheme/ have all employees been offered the opportunity to enrol in a work pension scheme	The Clerk does not receive a Pension for this role.
AA	Are other payments made to employees reasonable and approved by the Council	Yes.
AB	Have PAYE / NIC been properly operated by the Council as an employer	This task is undertaken by Torridge district Council.
AC	Does the Council have current, appropriate Employer Liability Insurance?	Yes – Cover provided by (Community First) Zurich Municipal Policy No. YLL-2720278713 expires 31 <sup>st</sup> May 2024.

Observations	<i>Satisfactory – no issues identified</i>
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## 7. Risk Management Arrangements

	Control Objective	Comment
AD	Does a review of the minutes identify any unusual financial activity?	None identified.
AE	Do the minutes record the Council carrying out an annual risk assessment?	Yes.
AF	Is insurance cover current, appropriate and adequate?	Yes –. Cover provided by (Community First) Zurich Municipal Policy No. YLL-2720278713.
AG	Is the Fidelity Guarantee appropriate and has it been reviewed?	The Fidelity Guarantee (£100,000 limit) is Index Linked and deemed appropriate for a Council with an annual precept of £19,000
AH	Are internal control systems documented and regularly reviewed?	Yes

AI	Has the Council carried out a review of the effectiveness of internal auditing during the year?	No
AJ	Has appropriate action been taken regarding matters raised in reports from Internal Audit?	None raised.

<b>Observations</b>	<i>Satisfactory – no issues identified</i>
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## 8. Asset Register

	<b>Control Objective</b>	<b>Comment</b>
AK	Does the Council maintain a register of all material assets owned, or in its care?	Yes. Requested and inspected. These were are regularly reviewed and agreed by the Parish Council.
AL	Are the assets and investments register up to date?	Yes.
AM	Have dates of acquisitions been noted?	No
AN	Is a life estimate recorded?	No
AO	Has the location of the item been recorded?	Yes
AP	Have costs of acquisitions and enhancement been recorded?	Value recorded £84,032.00
AQ	Have dates of upgrade and disposal been noted?	The Council has not disposed of any assets at value. The Assets have increased by the sum of £6,009 which relates to the History Society assets which are part of the Parish Council
AR	Do asset insurance valuations agree with those in the asset register?	These will be noted within the policy wording.

<b>Observations</b>	<i>Satisfactory – no issues identified</i>
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## 9. Investments and Loans

	<b>Control Objective</b>	<b>Comment</b>
AS	Have all excess balances been appropriately and prudently invested in appropriate accounts for safeguarding? (LGA 2003 and guidance issued by the Secretary of State).	N/A
AT	Does the Council have, documented and approved, appropriate recovery actions for unpaid debts/ writing off, of irrecoverable debts process/ debt monitoring arrangements in place?	No.

<b>Observations</b>	<i>Satisfactory – no issues identified</i>
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## 10. Audit Notices and Annual Return

	Control Objective	Comment
AU	When were these advertised to the public?	All published in accordance with required regulations.

<b>Observations</b>	<i>Satisfactory – no issues identified</i>
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## 11. Transparency

	Control Objective	Comment
AW	Publication Method of Agendas/ Minutes	Website – Complete
AX	Publication of Annual Governance Statement	Website – Complete
AY	Meeting dates	Last Friday of each month except December. Public Meeting held 11 <sup>th</sup> May 2023.
AZ	List of Council Members	Website – Complete
ABA	Councillors Code of Conduct/ Complaints	Website – Complete
ABB	Financial Regulations/ Standing Orders	Website – Complete

<b>Observations</b>	<i>Satisfactory – none identified.</i>
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<b>Recommendations</b>	<i>It is recommended that the extra ordinary minutes are also shown on the Parish Council website.</i>
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