

Probus Parish Council

Internal Audit Report

Year End 31st March 2023

Prepared by: Aalgaard Renshaw Business Solutions Ltd

Date of Interim Visit: n/a

Date of Final Inspection: 15th June 2023

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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 at Section 3 of 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 Probus Parish Council, for the Municipal Year 2022/23.

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 Probus Parish Council for the 2022/23 financial year. This assessment was undertaken on 15th June 2023.

Methodology

When undertaking the Internal Audit for the financial year 2022/23, 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 Probus 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 2022/23.

The Parish Council's 'Internal Audit Report', part 3 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 of Probus Parish Council for their instruction in relation to this matter.

Jacquí 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: November 2022.
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 £325.00 (plus VAT)
4.	Agree attendance date	n/a	15 th June 2023

Planning Notes		Ref	Notes
5.	Number of electors	n/a	Circa 2500
6.	Precept sum	Mins	£53,427.71
7.	Other Income	n/a	£32,544.00
8.	Key Personnel	n/a	Maria Roper/Clerk & RFO Glen Brunsdan – Handyman & Trained Enforcement Officer. Victor Coop – Toilet Operative.
9.	Type of Manual Accounting in Place	n/a	Excel Spreadsheet
10.	Any significant changes to staff/ procedures since previous Internal Audit?	n/a	Locum Clerk ended June 2022; alternative Locum Clerk appointed July 2022. Permanent Clerk appointed October 2022 with Locum assisting with RFO duties until confident in all aspects.
11.	Are there any matters arising from the last Internal Audit and/ or Management Letter?	n/a	Matters arising have been noted and will be appropriately address in the 2022/23 Audit process.
12.	Have there been any matters arising from discussions with Council, including whether there is any evidence of fraud/ material misstatement?	n/a	None

Observations	<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>It was noted that a review of Financial Regulations & Standing Orders was undertaken in May 2021/22. No reference to such a review has been noted in the 2022/23 meeting minutes.</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>A thorough inspection of all Meeting Minutes was carried out. It is noted that these had been appropriately reviewed and signed on each page by the Chairman of the Parish Council.</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>No.</p> <p>The current Clerk appointed October 2022, and is not ,currently, CilCA qualified.</p>
<p>Please confirm that the External Audit reports Was presented to, and agreed by, Members, with an agreement on the actions to be taken to address any issues identified.</p>	<p>The External Audit Report from PKF Littlejohn does not appear to have been considered by the Full Parish Council.</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>It is noted that an Annual Review of the Financial Risk Assessment was discussed at the Finance meeting held on 23rd November 2022 (minute reference 22/F025 refers). It was agreed that the Clerk would work with the Locum on this matter.</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>The Clerk presents a list of payments supplied to all Members monthly with a budget update. All payments are then approved by Council with 2 members checking the payment schedule against the invoices. BACS payments are then authorised by a “dual- step” process.</p>

<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.</p>	<p>All standing orders and direct debit payments are listed on the monthly payment schedule provided to Councillors for approval.</p>
<p>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)</p>	<p>These are reviewed quarterly by the appointed Internal Control Member.</p> <p>All invoices, cheque stubs and quarterly bank reconciliations are reviewed . Each inspection is validated with a signature to the appropriate bank statement.</p> <p>Direct Debits are also checked against the cash book /bank statements.</p> <p>It is noted that, at the Parish Council meeting held on 7th March 2023 (minute reference 23/F08 refers) that Cllr James Faull would be appointed to undertake this duty.</p>
<p>Please provide a brief description of the approach taken to the preparation and approval of the Annual Budget and Precept.</p>	<p>A detailed list of regular expenditure for the previous financial year is provided by the Clerk, to Finance Committee Members. Consideration is given to the projected annual expenditure for the following Financial Year, prior to setting the budget and precept level.</p>
<p>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).</p>	<p>Yes. An in-depth assessment of projects and maintenance schedules is undertaken, and appropriate sums allocated to each, as an 'Earmarked Reserve'. This exercise was undertaken at the Finance Meeting held 2nd November 2022 (Minute reference 22/F09 refers). Ratified at the Full Parish Council Meeting held on 16th November 2022.</p>
<p>Has a physical examination / verification of the Councils stock of assets been undertaken recently? If so, when and by whom?</p>	<p>This task is usually carried out by the Clerk. This may be reviewed due to the change of Clerk.</p>
<p>Do Members consider formally whether these assets should be included on the Council's insurance schedule or, be regarded as "self-insured"</p>	<p>Yes, these are formally considered and correctly minuted. The asset register is then circulated along with the Insurance renewal details.</p>
<p>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.</p>	<p>Net costs are used for values, the play equipment will.</p> <p>This matter was discussed and resolved at the Finance Meeting held on 23rd November 2022.</p>
<p>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?</p>	<p>No</p>

<p>Observations</p>	<p>It is recommended that the Parish Council's Standing Orders and Financial Regulations be reviewed during the extant Financial Year.</p>
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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**.

Independence	
Do you have any specific reliance on the fee to be earned from this assignment	No
Overdue fees	
Does the client/group of clients owe the firm any money which exceeds our normal credit terms?	No
Litigation	
Is there any actual or anticipated litigation between us and the client in relation to fees, audit work or other work?	No
Associated firms	
Are you or your staff associated with any other practice or organisation which has had any dealings with the client council?	No
Family or other personal relationships	
Do you or any of your staff have personal or family connections with the council or its officers?	No
Mutual business interest	
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
Financial involvement	
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
Goods and services: hospitality	
Have you or any of your staff accepted materials, goods or services on favourable terms or received undue hospitality from the council?	No
Ex-partners or senior staff	
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
Long association	
Have you been acting for more than 10 years? If yes, then consider rotation/engagement quality review.	No
Provision of other services	
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)	Yes. Contract of Employment has been reviewed by the Internal Auditor.
B	Appropriate records of account have been properly kept throughout the year	The accounting records were reviewed. It was noted that transactions have been recorded, using the Microsoft Excel programme. Transactions have been properly reconciled to the Parish Council's Bank Statements.
C	Closing Cashbook Balance	The closing cashbook for the 2022/23 Financial Year is £90,098.
D	Formal, year-end, Bank Reconciliations were carried out.	The preparation and presentation of formal, regular bank reconciliations to the Council during the year has been noted.

Observations	<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 will result in unlawful, or unbudgeted costs.	It is noted that the Council has prepared an adopted both Standing Orders and Financial Regulations.
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 was examined, all had been processes appropriately in accordance with the terms and conditions set out in the Councils. 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 £25,000 shall be procured on the basis of a formal tender as summarised in Financial Regulations; Number 11
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 2023-24	It is noted that the Precept for the Financial Year 2023-24 was discussed and approved at the Finance Committee Meetings held on the 2 nd and 23 rd November. This was then taken to Full Council and ratified at the Parish Council Meeting held on 21 st December 2022.(Minute reference 22/310 refers),

Observations	<i>Satisfactory, no issues identified.</i>
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3. Review of Expenditure

	Control Objective	Comment
J	Payments	Supported by invoices, authorised and minuted.
K	Procurement of services above the 'de minimis' Amount	N/A
L	VAT	It is noted that VAT on purchases has been properly identified and recorded.
M	S.137 Expenditure (LGA 1972)	None
N	Petty cash payments were properly supported by receipts, expenditure was approved, VAT appropriately accounted for	No Petty Cash is held
O	Clerk's Expenditure was properly supported by receipts, expenditure was approved VAT appropriately accounted for	Yes, all appropriately accounted for.

Observations	<i>Satisfactory, no issues identified.</i>
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4. Review of Income

	Control Objective	Comment
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

Observations	<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	None
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, Copies requested and inspected.
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	Only the Clerk qualifies for enrolment in the Pension Fund. The necessary actions have been undertaken to register her for this benefit.
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	Payments made in compliance with PAYE/NIC requirements, booklets inspected.
AC	Does the Council have current, appropriate Employer Liability Insurance?	Yes, Policy number - PENAXA0000284

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?	The Council has appropriate and adequate insurance cover, provided by AXA. Policy number PENAXA0000284 applies.
AG	Is the Fidelity Guarantee appropriate and has it been reviewed?	Yes, it is deemed appropriate for a Council with this precept. It was noted that the cover is listed as "Employee dishonesty" and is set at £150,000.
AH	Are internal control systems documented and regularly reviewed?	Yes, these have been reviewed and are clearly documented and duly signed. Recorded and Minuted at the relevant Parish Council Meetings.
AI	Has the Council carried out a review of the effectiveness of internal auditing during the year?	Yes
AJ	Has appropriate action been taken regarding matters raised in reports from Internal Audit?	None identified.
AK	Have adequate GDPR measures been adopted	Yes, appropriate measures are in place. The Data Protection Policy published on the Parish Council Website has been adapted in line with new GDPR requirements.

Observations	<i>Satisfactory, no issues identified.</i>
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8. Asset Register

	Control Objective	
AK	Does the Council maintain a register of all material assets owned, or in its care?	Yes, requested and inspected, a detailed and comprehensive list held for the Financial Year.
AL	Are the assets and investment registers up to date?	Yes
AM	Have dates of acquisitions been noted?	Yes
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?	Yes
AQ	Have dates of upgrade and disposal been noted?	Yes ,all changes noted.
AR	Do asset insurance valuations agree with those in the asset register?	Yes.

Observations	<i>Satisfactory, no issues identified.</i>
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9. Investments and Loans

	Control Objective	Comment
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, not experienced to date.

Observations	<i>Satisfactory, no issue identified.</i>
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10. Audit Notices and Annual Return

	Control Objective	Comment
AU	Are these advertised to the public?	Yes, shown on website.

Observations	<i>Satisfactory, no issues identified.</i>
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11. Transparency

	Control Objective	Comment
AW	Publication Method of Agendas/ Minutes	Website/Noticeboard.
AX	Publication of Annual Governance Statement	Website/Noticeboard
AY	Public Meeting date	April 2022
AZ	List of Council Members	Website.
ABA	Councillors Code of Conduct/ Complaints	Website.
ABB	Financial Regulations/ Standing Orders	Website.

Observations	<i>Satisfactory, no issues identified.</i>
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