

INTERNAL AUDIT REPORT
ANNUAL GOVERNANCE and ACCOUNTABILITY RETURN 2024/2025
ESH PARISH COUNCIL

1. Background

- 1.1. Following the abolition of the Audit Commission a new organisation has been established which is responsible for issuing proper practices in relation to the accounts of smaller authorities. It is called the Smaller Authorities Proper Practices Board (SAPPB), and is made up of members of the SLCC, NALC, CIPFA, the Department of Levelling up, Communities and Housing, the Department of Environment, Food and Rural Affairs (DEFRA), the National Audit Office and a representative of the external audit firms appointed to smaller authorities.
- 1.2. Every smaller authority in England that either received gross income or incurred gross expenditure exceeding £25,0000 must complete Part 3 of the Annual Governance and Accountability Return (AGAR) at the end of each financial year. The AGAR is made of 3 sections along with an annual internal audit report. which is to be completed by the Parish Council's independent internal auditor, who is to give an opinion of the Parish Council's internal controls.
- 1.3. CDALC have provided Councils with a checklist to be used, this annual audit uses this list as the minimum of the tests to be carried out. 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.

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. 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 2024/2025 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 2024/25 mainly due to having no Clerk in place, however, I understand that the previously agreed Financial Regulations and Risk Management Policy, still applied.

For 2025/26 Financial Regulations and Standing Orders were discussed at the 14th May 2025 Annual meeting, other policies including the Risk Register and the Statement on internal control for 2024/25, are to be discussed at the 11th June 2025 Council Meeting. (Agenda to be sent to me)

- 4.3.2. An asset register has been completed and is to be approved with the statement of accounts.
- 4.3.3. There appears to be adequate insurance cover for all assets of the Council.
- 4.3.4. Risks to the Parish Council are improved with the appointment of an independent Internal Auditor who gives assurance on the Council's activities.
- 4.3.5. The Parish Council has a small budget with only 2 employees, and therefore its risks are considered to be low.
- 4.3.6. The notice of appointment date for the Exercise of Public Rights for the accounts for the year ending 31st March 2024 was announced 28th June 2024 commencing on 28th June to 9th August 2024
- 4.3.7. 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.

4.4. 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 hires, 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 in cash, or for regular bookings an invoice is raised at the end of the month.
- 4.4.4. Petty cash - Cash Income (mainly from dog bags and room hire) is recorded on a petty cash record and is banked as soon as is practical, by the Clerk on a paying in slip. 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.
Income received monthly for room hire is paid direct to the bank.
The record of all cash income and expenditure is recorded in the income and expenditure

records.

4.4.4. I examined the income records provided from April 2024 to March 2025 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 initiated by the Chair.

4.4.6. No Vat claim was completed during 2024/25 (nor 2023/24) although as it is very 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 2025) 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 2025/2026 and the precept was discussed and agreed by the Council on the 8th January 2025

5. Conclusions/Recommendations

5.1. The Internal Controls within the Parish Council were satisfactory

5.2. It is recommended that.

- an updated vat claim be submitted
- The statement on internal Control and risk register to be reviewed at the March meetings every year.

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

Date: 1st June 2025