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Dodford Parish Council

Annual Internal Audit Report

2024/25

Having been appointed at the parish council meeting held 24th June 2024, and visited the Clerk's office on 23rd April 2025, I have now completed the annual internal audit of the parish council's accounts and governance procedures.

Included in this annual review is my understanding of those procedures and the end of year figures which support the completed Annual Internal Audit Report section of the AGAR for 2024/25. The signed copy is returned herewith.

The role of the Internal Auditor is to review systems rather than undertake detailed checks that are more appropriately the responsibility of the council, however in this report I have included a few recommendations as '**Comment**' where there is potential for improvement.

I confirm I have acted independently of the council to produce this report.

In general, I have found the records of the council's accounts and governance procedures to be well kept, and would like to thank your Clerk, Kay Stone for her assistance in preparation of this report.



Gill Lungley
Internal Auditor
03/05/2025

Introduction

The Accounts and Audit Regulations 2015 require all parish and town councils to prepare an Annual Governance and Accountability Return (AGAR). The process expects the council to conduct a review of the effectiveness of their system of internal control in accordance with proper practices relating to accounts, and appoint a competent, independent person to undertake an internal audit.

As part of that review process, Dodford Parish Council has appointed me to undertake the annual internal audit. The role of the Internal Auditor is to look through the council's processes and procedures and, where necessary, make recommendations (here noted as '**Comment**') intended to support improvement of the Council's governance.

The primary objectives of Internal Audit are to:

- i. review, appraise and report upon the adequacy of governance and internal control systems operating throughout the council, for which I will adopt a predominantly systems-based approach; and
- ii. carry out an annual inspection of the books and records of the council.

Scope of Work

In keeping with Proper Practices, I have checked the following key areas for compliance:

- A. Proper bookkeeping
- B. Payment controls in relation to Financial Regulations
- C. Risk management and Financial Internal Controls
- D. Budgetary controls
- E. Income controls
- F. Petty cash procedures (if applicable)
- G. Payroll controls
- H. Assets and investments
- I. Bank reconciliations.
- J. Accounting statements and application of spending powers
- K. Exemption criteria (if applicable)
- L. Website and transparency code
- M. Public Rights notice and dates
- N. Publication of previous AGAR
- O. Review of the status of Trusts (if applicable)

Please note: Reference to "Proper Practices" is to the annual publication from the Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide. In this case it refers to the edition for the financial year 2024/25, which is available online here: [file](https://www.saaa.co.uk) (<https://www.saaa.co.uk>)

AGAR certificate reference	Internal Audit action for expected controls, as specified in ' Governance and Accountability for Smaller Authorities in England ', March 2024	
A.	Appropriate accounting records have been properly kept throughout the year. It is noted the council uses an excel spreadsheet for the bookkeeping.	
	(1) Roll forward of the prior year cashbook balances to the new financial year. Box 7 2024 = £25,520; Box 1 2025 = £25,520 and the opening balance to bank reconciliations during the year is £25,519.29	✓

	(2) Financial transactions in cashbooks relative to bank statements , etc: the sample size dependent on the size of the authority and nature of accounting records maintained. Attached as appendix A.	✓
	(3) Bank Reconciliations Are bank reconciliations prepared routinely and subject to independent scrutiny and sign-off by members? Comment: Bank reconciliations are prepared quarterly and reported to meetings on a quarterly basis; a councillor is appointed to review them. The bank balances are reported to each meeting of the council.	✓
	(4) Year-end bank reconciliation and accuracy of the combined cash and bank balances on AGAR s2, line 8. The bank statements total £17,236.22.	✓
	(5) Investment strategy if bank balances are more than £100,000	n/a
B	This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT appropriately accounted for.	
	1. Review the procedures in place for acquisition of formal tenders and quotes, ensuring they are in line with the SOs and FRs which should be based on the latest version. Comment: No large purchases during the year. It is noted the council has adopted Standing Orders and Financial Regulations but that they are now dated. It is recommended the council considers adoption of the latest model templates for these important documents, suitably adapted for its needs to ensure legal compliance.	✓
	2. Review the procedures for receipt of invoices, agreement of invoice detail and confirmation of goods / services delivery and approval for payment: ideally, a suitably designed certification stamp should be in place providing for evidencing of these checks and payment authorization. It is noted invoices are verified by the council prior to payment.	✓
	3. Check there is effective segregation between the writing of cheques or the setting up of online payments, and physical release of payments. Comment: Whilst all invoices are checked and agreed by the council prior to payment the actual release of funds relies on only one person. This is a vulnerability at this point; should a transcription error be made it is not picked up until it appears on the bank statement. Having a minimum of two authorisers for online banking, as used to be the case when signing cheques, this risk is reduced. For instance, an error could occur if the first signatory misreads an invoice and a payment that should include VAT is made for the net value only. A second signatory would identify this and the payment would be amended.	x
	4. Check VAT reclaims are prepared and submitted in a timely manner in line with the underlying records and in accordance with current HMRC requirements An annual claim is submitted to HMRC.	

C	This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	
	1. Ensure authorities have prepared, and formally adopted, at least once annually, an appropriate and comprehensive register of assessed risks, both regular and ad hoc	✓
	2. Ensure appropriate levels of insurance cover are in place for land, buildings, public, employers' and hirers' (where applicable) liability, fidelity / employees (including councillors) liability, business interruption and cyber security	✓
	3. Review the effectiveness of internal control carried out by the authority The minutes of the annual parish council meeting on 20/05/2024 refer to the review of the Risk Assessment which includes consideration of the parish council's internal control system.	✓
D	The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	
	1. Ensure the full Authority, not a committee, has considered, approved and adopted the annual precept for the coming year in accordance with the required parent Authority timetable A budget for 2025/26 was presented to the meeting held 26/11/2024 from which the parish council agreed the precept amount. This was corroborated by the council at its meeting on 27/01/2025. The budget is reviewed quarterly and minuted.	✓
	2. Ensure the Authority has considered the establishment of specific earmarked reserves and, ideally, reviews them annually as part of the budget assessment process The budget refers to 'reserves' but not that they are earmarked or identified for any specific future purchase or project. With reserves amounting to more than the annual precept, the council is advised to consider what the funds are to be spent on in the future. It is good practice for parish councils to spend what they have to benefit the community that is providing the funds via the precept, rather than do nothing with it. It would be helpful to allocate a General Reserve for day-to-day activities. The Practitioners Guide states: 5.33 <i>The general reserve of an authority comprises its cash flow and contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances.</i> 5.34. <i>The generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure.</i> Anything else should be allocated to separate earmarked reserves for identified projects. In this way the electorate can be reassured the parish council has plans for spending their money.	✓
	3. Ensure the precept received in the accounts matches the prior year submission form to the relevant authority and the public record of precepted amounts It is noted the first half of the precept for 2024/25 was included in in the previous year's accounts.	✓

E	Expected income was fully received based on correct prices, properly recorded and promptly banked; and VAT appropriately accounted for.	
	Dodford PC receives income via the precept, paid in two halves usually during the relevant financial year, the WCC Lengthsman scheme, bank interest and annual VAT reclaim, all of which have been appropriately accounted for.	✓
F	Petty Cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for	
	Not used.	
G	Salaries to employees and allowances to members were paid in accordance with the authority's approvals, and PAYE and NI requirements were properly applied.	
	Salary is calculated using the HMRC Basic Tools software which produces the monthly payslip. This should be verified by at least one councillor every year regarding the appropriate PAYE and NI payments to HMRC. There is evidence of monthly payment to HMRC. Access to the council's government gateway account is recommended to ensure the correct HMRC records are being maintained.	✓
H	Asset and investment registers were complete and accurate and properly maintained.	
	<p>1. Tangible Fixed Assets: Ensure the Authority is maintaining a formal asset register and updating it routinely to record new assets at historic cost price, net of VAT and removing any disposed of / no longer serviceable assets.</p> <p>The parish council has very few assets, however please ensure the asset register complies with best practice as outlined in the Practitioners Guide-</p> <p>Para 5.58: "The asset register should contain in its most simple form the date of acquisition, cost of acquisition, useful life estimate and location along with value held for investments; however, it is desirable for the register to contain other such supplementary information to enable the user to better understand the nature and scope of the use of the fixed asset. It is therefore recommended to show insurance value, replacement value, custodian, date last physically vouched."</p>	
	Borrowing and Lending:	n/a
I	Bank account reconciliations.	
	Periodic bank account reconciliations were properly carried out during the year (see objective A above).	✓
J	Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cashbook, supported by an adequate audit trail from underlying records and, where appropriate, debtors and creditors were properly recorded.	
	Dodford PC has chosen to prepare its accounts on receipts and payments basis.	✓
K	If the authority certified itself as exempt from a limited assurance review in the prior year, it met the exemption criteria and correctly declared itself exempt.	

	IAs should ensure that, all relevant criteria are met (receipts and payments each totalled less than £25,000)'...	✓
	the correct exemption certificate was prepared and minuted in accordance with the statutory submission deadline...	✓
	that it has been published, together with all required information on the Authority's website and noticeboard.	✓
L	The authority publishes information on a free to access website / web page, up to date at the time of the internal audit in accordance with the relevant legislation	
	IAs should review the Authority's website ensuring that all required documentation is published in accordance with the relevant legislation. The relevant legislation includes: Fol Publication Scheme Accounts and Audit Regulations 2015 Transparency Code for Smaller Authorities 2014 (NB mandatory if annual turnover is less than £25k)	✓
M	The authority, during the previous year, correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations.	
	1. IAs should acquire / examine a copy of the required "Public Notice" ensuring that it clearly identifies the statutory 30 working day period when the Authority's records are available for public inspection . Comment: The notice is available on the council's website. The period for the exercise of public rights 2023/24 was short by one day. See Appendix B.	X
	2. IAs may also check whether councils have minuted the relevant dates at the same time as approving the AGAR. The minutes do not record the relevant dates.	X
N	The authority complied with the publication requirements for the prior year AGAR.	
	IAs should ensure that the statutory disclosure / publication requirements in relation to the prior year's AGAR have been met as detailed on the front page of the current year's AGAR.	✓
O	Trust funds (including charitable) - the Council met its responsibilities as a trustee	
	n/a	

Gill Lungley, 03/05/2025

Appendix A

Test sample of payments made.

Month	Item ✓	Gross Amount	VAT recorded	Approval minute ref	Payment same as minuted	Date paid on bank statement
Apr24	Lengthsman	£183.00	£30.50	22/04-13ii	✓	23/04/2024
May24	Grant (Holiday Farm)	£285.00	None	20/05-12	✓	21/05/2024
Jul24	HMRC	£149.20	None	15/07-16	✓	16/07/2024
Dec24	Hall hire	£35.00	None	27/01-14iii	✓	23/12/2024
Mar25	Grant (school)*	£600.00	None	25/03-8	✓	25/03/2025

Notes:

1. Due to the online payment process whereby only one person is required to upload and authorise online payments, it is recommended staff are paid by monthly standing order. Any overtime payments may be made by BACS as required. All standing orders and direct debits are approved in advance by the Council. This absolves the staff member from any embarrassing unintentional errors that can occur during the online process.
2. *No statutory authority is recorded against any payment approval. It is recommended this is done for all proposed payments. In this case there is no statutory authority that allows the parish council to pay for school-related items that should more properly be paid for by the Education Authority.

Bank reconciliation based on bank statements to 31/03/2025 and cashbook record.

Opening balance as at 01/04/2024 as per AGAR 2023/24 box 7:		
Current a/c	£185.66	
Deposit a/c	£25,333.63	
		£25,519.29
From cashbook to 31/03/2025:		
Add total receipts to date	£8,917.16	£8,917.16
Less total payments to date	£17,200.23	-£17,200.23
	A	£17,236.22
Closing balance as at 31/03/2025 from bank statements:		
Current a/c	£37.34	
Deposit a/c	£17,198.88	
	B	£17,236.22

A=B=balance.

B = Closing balance as at 31/03/2025, as per AGAR 2024/25 box 7.

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Explanation for 'no' response to the Annual Internal Audit Report 2024/25, AGAR page 4.

Internal control objective M checks that '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 2024-25 AGAR period, were public rights in relation to the 2023-24 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set*).'

The notice is available on the council's website, however the period for the exercise of public rights 2023/24, which should be for 30 working days, falls short by one day.