



Kelbrook & Sough Parish Council

Internal Audit Report [Year Ending 31 March 2023]

Financial Year Ending:	31 March 2023	Date Audit Carried Out:	13 July 2023
Internal Auditor:	Ms Safia Kauser	Date Draft Report Issued:	16 July 2023
Report Status:	Final (Issued 15 August 2023)		
Audit Assurance Assessment Cover:	The programme of cover has been designed to afford <u>reasonable assurance</u> that the Councils financial systems are operating in an effective manner and in compliance with the statutory legal framework. This audit assurance applies to each individual control area that has received a positive internal audit response.		
Audit Assurance Definition:	Reasonable Assurance Definition: There is generally a sound system of governance, risk management and control in place. Some issues non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.		

This internal audit report considers the best practice and internal auditing standards referenced within the Practitioners' Guide to Governance and Accountability for Local Authorities.

Internal audit is an on-going function, undertaken regularly throughout the financial year, to test the continuing existence and adequacy of the authority's internal controls. It results in an annual assurance report to members designed to improve effectiveness and efficiency of the activities and operating procedures under the authority's control. Managing the authority's internal controls is a day-to-day function of the authority's staff and management, and not the responsibility of internal audit.

Internal audit does not involve the detailed inspection of all records and transactions of an authority in order to detect error or fraud.

Background

1.1 Kelbrook and Sough Parish Council

Kelbrook Parish Council is the Kelbrook is a village in the civil parish of Kelbrook & Sough, Borough of Pendle, in Lancashire, England. It lies on the A56 road between Colne and Earby. It had a population of 1,026 recorded in the 2011 census and represents the first tier of local government.

The 2021/22 internal audit and AGAR was submitted late for reasons referenced within the internal audit report relating to the financial year ending 31st March 2022. We are informed that the council recruited a part-time Parish Clerk/RFO who commenced their post around June/July 2022 and resigned on the 14th March 2023 prior to the council meeting held on the 14th March 2023. The council was left without an officer leading up to the council elections held in May 2023. We are informed that although the council had appointed a Clerk/RFO the finances continued to be maintained by Cllr Christine Durance until October 2022 and it is noted that Cllr Durance resigned in early 2023.

1.2 It is noted that the council encountered issues with convening the annual council meeting after the elections and receiving the formal declarations of acceptance of office which was discussed with the Chair of the Council Cllr Sharon Ashley prior to undertaking the audit. We have received a copy of the advice from the Monitoring Officer at Pendle Borough Council who has confirmed that the councillors have been duly elected and have signed their declarations of interest in accordance with the Local Government Act 1972. It is further noted that the Monitoring Officer at Pendle Borough Council consulted with the NALC solicitor via the Lancashire Association of Local Councils.

Statement of Responsibility

1.2 Responsibility

The internal audit work was undertaken in accordance with the agreed scope of assignment and in accordance with the letter of engagement. The council as a corporate body is responsible for ensuring that council business is conducted in accordance with the law, regulations and proper practices and that public money is safeguarded and properly accounted for. Managing the authority's internal controls is a day-to-day function of the authority's staff and management, and not the responsibility of internal audit.

1.3 This report and findings are based on the information that was made available during the course of the audit. The matters raised in the report should not be read as a comprehensive statement of all the weaknesses identified or all improvements to be made. Internal Audit work should not be relied upon to identify all circumstances of fraud and irregularity, should there be any. Internal audit does not involve the detailed inspection of all records and transactions of an authority in order to detect error or fraud.

1.4 The Internal audit report should inform the authority's responses to Assertions 2 and 6 in the Annual Governance Statement that forms part of the Annual Governance and Accountability Return [AGAR]. This internal audit report should therefore be made available to support and inform members considering the authority's approval of the annual governance statement.

Internal Control Objectives and Assessment Summary of Responses

Internal Control Objectives [As set out in the AGAR Internal Audit Report]		Internal Audit Response
A	Appropriate accounting records have been kept properly throughout the year.	No
B	This smaller authority met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	Yes
C	This smaller authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	No
D	The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	No
E	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	Yes
F	Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	Not Applicable
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.	No
H	Asset and investments registers were complete and accurate and properly maintained.	No
I	Periodic and year-end bank account reconciliations were properly carried out.	Yes
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.	Yes
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 2021/22 AGAR tick "not covered")	Not Covered
L	The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.	No
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 <i>(during 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).</i>	No
N	The authority has complied with the publication requirements for 2021/22 AGAR <i>(see AGAR Page 1 Guidance Notes).</i>	No
O	(For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	Not Covered

Internal Audit Findings and Recommendations

A Appropriate accounting records have been kept properly throughout the year.

Internal Audit Testing	Compliance	Comments / Recommendations
<p>Has the council appointed a Responsible Financial Officer (RFO)? <i>*The council need to appoint an officer to be responsible for the financial administration of the authority in accordance with section 151 of the Local Government Act 1972</i></p>	Yes	<p>The council appointed a Clerk/RFO who commenced post on the 01st July 2022 (according to the detail in the contract of employment). We are informed that Cllr Durance continued to maintain the finances until October/November to allow the Clerk/RFO to settle into the role.</p>
<p>Has the Responsible Financial Officer (RFO) determined a form of accounting and supporting records (Regulation 4 of the Accounts and Audit Regulations 2015)? Do the accounting records contain entries from day to day of all sums of money received and expended by the council and the matters to which its income and expenditure or receipts and payments relate; and a record of the assets and liabilities of the authority.</p>	See comments	<p>The accounts were maintained on an excel spreadsheet which recorded all the transactions for the full financial year. Following a review of the cashbook, we found that the cashbook had recorded entries for cheques that had been issued in the 2023/24 financial year (after the 01st April 2023). These included cheque numbers 022256 to 022263. We also found that several cheques issued in the 22/23 financial year (cheque numbers 022233 to 022237) had not been included in the cashbook. The council have two bank accounts with Santander.</p> <ul style="list-style-type: none"> • Current Account • Savings Accounts (closed on 19 October 22) <p>RECOMMENDATION 1: That the entries recorded in the cashbook be amended to remove the entries relating to payments made in the 2023/24 financial year.</p> <p>RECOMMENDATION 2: That the cashbook be updated to include the entries relating to cheque numbers 022233 to 022237.</p> <p>A sample of invoices were reviewed against the data recorded in the cashbook to check data entry and input accuracy and against the bank statement. We noted that one claim form for reimbursement to Cllr Durance had not been calculated correctly. The adjustment had been shown on the cashbook.</p>
<p>Do the previous year's annual return figures agree with the current year's opening balances in the cash book?</p>	No	<p>These were not recorded in the cashbook.</p>
Internal Audit Response		No

B This smaller authority met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

Internal Audit Testing	Compliance	Comments / Recommendations
Has the Council adopted the Standing Orders and are these in accordance with the latest NALC model?	Yes	<p>The Standing Orders were reviewed by council at their meeting held on the 21st February 2023 and re-adopted following a some changes to Standing Order. It is noted that the new council intend to review the Standing Orders during the 2023/24 financial year.</p> <p>RECOMMENDATION 3: That the adoption date and minute reference be inserted on the front cover of the Standing Orders for audit purposes.</p>
Has the Council adopted Financial Regulations and are these up to date with the latest NALC Model? And tailored to the Council?	Yes	The Financial Regulations were reviewed by council at the meeting held on the 10 th January 2023 and re-adopted following minor changes. It is noted that the adoption and review date was inserted on the last page of the document.
Is the purchasing authority defined in Financial Regulations? Are the values for formal contracts/tenders consistent with the Standing Orders?	Yes	<p>The value for formal contracts exceeding £25,000 was consistent with the Standing Orders and Financial Regulations. The Financial Regulation determine the following thresholds for quotations and estimates to be obtained:</p> <ul style="list-style-type: none"> ➤ £25,000 - £3,001 – three quotes required ➤ Less than £3,000 and above £100 - three estimates required <p>The Chair informed us that the council is due to review the Financial Regulations during the 2023/2024 financial year and the threshold values for works above £100 due to the difficulty in obtaining the estimates. Guidance was provided to the Chair relating to securing the best value for money and ensuring that any procurement exercise could withstand public scrutiny.</p>
Are all payments listed in the cashbook supported by invoices, authorised and minuted in accordance with the Financial Regs? Certification of an account stamp used?	See Comments	<p><u>Purchasing Authority</u> Financial Regulation 4.1 requires the authority of full council for the purchase of all items. Expenditure testing was carried out for the purchasing authority relating to the Jubilee Celebrations. We found that at the meeting held on the 15th February 2022 the council minutes record '<i>a community meeting to be held to take views from resident</i>'. Following a review of the minutes held in April, May and June we could not find a minute resolution for the purchasing of event associated</p>

		<p>expenditure relating to the Jubilee Celebrations. It is further noted that expenditure in the region of £500.00 was incurred.</p> <p>RECOMMENDATION 4: That the council routinely approves the purchase of goods and services in accordance with the requirements set out in Financial Regulation 4.1 and that this is recorded as a council resolution in the minutes.</p> <p><u>Authorisation of Payments</u> The payments were routinely presented at council meetings for authorisation and formed part of the minutes in accordance with the requirements of the Financial Regulations (5.2).</p> <p><u>Authorisation Stamp</u> It is noted that although the council resolved to implement the internal audit recommendation relating to the purchase of an authorisation stamp at the meeting held in October 2022, the stamp was not purchased.</p> <p><u>Invoices</u> The cashbook and bank statements for the full year for both bank accounts were reviewed. We found that some payments recorded in the cashbook were not supported by an invoice on file. Guidance was provided to the Chair to ensure these are retained on file as they are required for audit and VAT purposes.</p>
<p>Is there a segregation of duties between writing cheques and/or setting up online payments and physical release of payments? Do the instructions for the payment of invoices comply with the Financial Regulations?</p>	<p>See comments</p>	<p>The councils payments were made via cheque and the council does not operate with online banking.</p> <p><u>Cheque Signatories</u> We are informed that the cheque signatories comprised of Councillors Christine Durrance, Paul Maskell & Garry Wilson.</p> <p>As reported in the findings above, Cllr Durance continued to carry out the responsibilities of the Responsible Financial Officer until October/November 2022.</p> <p><u>Cash Payments</u> £776.29 – was reimbursed to Cllr Durance for expenditure associated with the Jubilee Event. £302.00 related to 12 months storage of council assets. Guidance was provided to the Chair Cllr Ashley during the audit relating to cash payments and it was acknowledged that all future payments would be made via cheque or bank transfer.</p>

<p>Has the council complied with the quotations procedures for obtaining quotations and formal tender requirements? Is there a quotations database and list of contracts?</p>	<p>See comments</p>	<p>There has been no requirements for formal tendering during the financial year. Following a review of the council minutes it is noted that some purchases were made in relation to the Jubilee Event that may not have complied with the purchasing authority although it is noted that in any case it may have been difficult to obtain quotes as this related to event entertainment providers in which case the council should ensure that the relevant exemptions are applied and documented in the council minutes.</p>
<p>Does the council operate with a debit/charge card?</p>	<p>No</p>	
<p>Is S137 separately recorded and within limits? Is S137 expenditure of direct benefit to electorate? Is S137 expenditure minuted?</p>	<p>Not applicable</p>	<p>None paid during the financial year.</p>
<p>Is VAT correctly recorded in the cashbook and linked to invoices?</p>	<p>See comments</p>	<p>The council pay a direct debit for Easy Websites. This was recorded in the cashbook with VAT recorded however no VAT invoices were found on file. The Chair is aware to ensure a VAT invoice is obtained from the supplier.</p>
<p>VAT evidence, recording and reclaim?</p>	<p>No</p>	<p>The 2021/22 financial year VAT reclaim is outstanding. The Chair has confirmed that the councils last VAT payments were received in 2020 and it is understood that this is likely to relate to the 2019/20 financial year. The Chair has agreed to request the Locum Clerk to verify this against the paperwork on file.</p> <p>RECOMMENDATION 5: That the 2021/22 VAT reclaim is submitted to HMRC.</p> <p>RECOMMENDATION 6: That the 2022/23 VAT reclaim is submitted to HMRC.</p> <p>Further guidance on VAT reclaims are available on the HMRC website, VAT 749 notice, see link: Local authorities and similar bodies (VAT Notice 749) - GOV.UK (www.gov.uk)</p>
<p>Internal Audit Response</p>		<p>Yes</p>

C This smaller authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

Internal Audit Testing	Compliance	Comments / Recommendations
<p>Annual risk assessment carried out?</p> <p><i>*Risk Management forms part of the Annual Governance Statement assertion 5. In order to warrant a positive response the council should identify, assess and record risks associated with actions and decisions it has taken or considered taking during the year that could have financial or reputational consequences. Having identified, assessed and recorded the risks, the should be addressing them by ensuring that appropriate measures are in place to mitigate and manage risk. This might include the introduction of internal controls and/or appropriate use of insurance cover.</i></p>	<p>No</p>	<p>Risks are unavoidable, but they need to be managed either by mitigation or controls such that they are tolerated, treated, transferred or terminated. A review of the minutes confirmed that the council did not adopt an annual risk assessment during the year.</p> <p>Risks are uncertain events or conditions (not just financial) that if they occur, will affect the authority's ability to achieve its objectives. The council are collectively and individually responsible for risk management. Typical categories of risks include:</p> <ul style="list-style-type: none"> • financial – loss of money; • security – fraud, theft, embezzlement; • property – damage to property; • legal – breaking the law or being sued; • IT – failure of IT systems or misuse or data loss; and • reputational – actions taken could harm the authority's public reputation. <p>RECOMMENDATION 7: That an annual risk assessment is prepared including all financial and reputational risks that the council may be exposed to. The risk assessment document to be formally reviewed and adopted at a council meeting. Further guidance on risk assessments are available on page 43, see link: file (nalc.gov.uk)</p>
<p>Evidence of annual insurance review?</p>	<p>No</p>	<p>The councils insurance payment was renewed in May 2022 but was not formally reviewed by members.</p>
<p>Insurance cover appropriate and adequate?</p>	<p>See comments</p>	<p>The councils insurance was renewed from 01st June 2022 to 31st May 2023. The main insurable risks of public liability, employers liability, fidelity guarantee and legal expenses was in place. Other cover included libel and slander. It is noted that there is no cover in place for council assets (see findings in asset management internal control objective).</p>
<p>Internal financial control checks documented and evidenced?</p> <p><i>*Regulation 6 of the Accounts and Audit Regulations 2015 requires the council to conduct each financial year a review of the effectiveness of the system of internal control. The review assists the council to</i></p>	<p>No</p>	<p>Guidance was provided to the Chair during the audit regarding the requirements for the internal control checks to be conducted by council. The working group should not include bank signatories.</p>

<p><i>respond to the Annual Governance Statement, Assertion two.</i></p>		<p>RECOMMENDATION 8: That the council carries out a review of the effectiveness of its internal control systems to part comply with the annual governance statement, assertion two.</p>
<p>Appropriate monitoring in place? (Play areas, sports pitches, open spaces)</p>	<p>Yes</p>	<p>Kelbrook Play Area – This is maintained by Pendle Borough Council who are responsible for carrying out the visual checks and for the annual inspection by a ROSPA qualified inspector. The play area is on the land owned by Lancashire County Council and we are informed that the council pay LCC a peppercorn rent.</p> <p>Sough Park Play Area – The park falls within the Parish of Kelbrook and Sough and Earby and is owned by Pendle Borough Council. We are informed that the park is due to being transferred to the Parish Council. It is noted that there is currently no service level agreement in place.</p> <p>RECOMMENDATION 9: That the arrangements for the Sough Play Area be formalised with Pendle Borough Council and that an appropriate service level agreement or asset transfer be considered.</p> <p><u>Benches & Bus Shelters</u> The council is responsible for the five bus shelters and approximately 14 benches however no inspections or risk assessment's are carried out.</p> <p>RECOMMENDATION 10: That inspections and appropriate risk assessments take place for benches and bus shelters.</p>
<p>Internal Audit Response</p>		<p>No</p>

D The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

Internal Audit Testing	Compliance	Comments / Recommendations																														
<p>Is there an annual budget to support precept? Has the budget been discussed and adopted by council? Is the precept demand correctly recorded in the minutes?</p>	<p>No</p>	<p>There are over seven key stages to the budgeting process that assist with the preparation of the annual council budget and the councils financial position. This assists the council to set a precept for the next financial year.</p> <p>The precept was agreed at the council meeting held on the 17th January 2023. The minutes do not record any budget discussion arising from the meeting and the council resolution does not confirm the precept demand for the 2023/24 financial year. The budget document was reviewed which showed the next year figures however there was no budget monitoring or year-end projections or calculations in place to demonstrate the precept request of £15,250. It is noted that the budget amounts shown on the document did not equal to the amount requested and in the absence of any explanation on the document it could be assumed that the shortfall would be met by the councils general reserves balance however the council should ensure that the precept calculations are clearly demonstrated on official council records.</p> <table border="1" data-bbox="890 1238 1390 1839"> <thead> <tr> <th colspan="2">Approved Budget 2023/24</th> </tr> </thead> <tbody> <tr> <td>Clerk Salary</td> <td>2900</td> </tr> <tr> <td>Training</td> <td>500</td> </tr> <tr> <td>Consumables</td> <td>100</td> </tr> <tr> <td>Website</td> <td>1000</td> </tr> <tr> <td>IT Costs</td> <td>1000</td> </tr> <tr> <td>Playground Inspections</td> <td>100</td> </tr> <tr> <td>Sough Park</td> <td>6000</td> </tr> <tr> <td>Insurance</td> <td>300</td> </tr> <tr> <td>Payroll Charges</td> <td>500</td> </tr> <tr> <td>External Audit</td> <td>500</td> </tr> <tr> <td>Village Hall Rental</td> <td>840</td> </tr> <tr> <td>Memberships</td> <td>250</td> </tr> <tr> <td>Repairs & Maintenance</td> <td>2760</td> </tr> <tr> <td>Total Budget</td> <td>16750</td> </tr> </tbody> </table> <p>RECOMMENDATION 11: The budget document demonstrates how the calculations for the opening balances, projected income and expenditure, earmarked reserves and projected closing balances contribute towards the level of precept to be levied. Further Guidance on budgeting is available on page 37 of the</p>	Approved Budget 2023/24		Clerk Salary	2900	Training	500	Consumables	100	Website	1000	IT Costs	1000	Playground Inspections	100	Sough Park	6000	Insurance	300	Payroll Charges	500	External Audit	500	Village Hall Rental	840	Memberships	250	Repairs & Maintenance	2760	Total Budget	16750
Approved Budget 2023/24																																
Clerk Salary	2900																															
Training	500																															
Consumables	100																															
Website	1000																															
IT Costs	1000																															
Playground Inspections	100																															
Sough Park	6000																															
Insurance	300																															
Payroll Charges	500																															
External Audit	500																															
Village Hall Rental	840																															
Memberships	250																															
Repairs & Maintenance	2760																															
Total Budget	16750																															

		<p>Governance & Accountability Practitioners Guide, see link: file (nalc.gov.uk)</p> <p>RECOMMENDATION 12: That the actual amount of precept be recorded in the council minutes.</p>
Level of reserves within Proper Practice? Is it between 3 and 12 months running costs. Review earmarked reserves.	No	<p>The councils earmarked and General Reserves balances were not considered as part of the budgeting process. It is noted that the council had £37,885.10 at the 31st March 2023. The incumbent Chair explained that during 9 months of the financial year the council did not make any payments to the Clerk/RFO (although one was in post) and that this was due to contract issues. The other surplus amounts have been explained by the councils build up of reserves since Covid-19 and it would appear that projects with associated expenditure had not been completed. The council will need to ensure that there is an adequate explanation provided to the external auditor relating to the high reserves at year-end.</p>
Is the budget against spend comparisons provided regularly to the Council? Is it on a quarterly basis? Any unexpected variances?	No	<p>There was no budget monitoring during the full financial year. Reviewing the budget against actual expenditure at least quarterly gives members an early warning about the likelihood of a shortfall (or surplus) and helps them to decide what to do.</p> <p>RECOMMENDATION 13: That budget monitoring reports be made available to council at least once each quarter showing the actual spend against the agreed budget.</p>
Internal Audit Response		No

E Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for

Internal Audit Testing	Compliance	Comments / Recommendations
Does the precept approved agree to the Council Tax authority's notification and has this been received and banked?	See comments	The councils precept request for 2022/23 was not recorded in the minutes and the precept notification form could not be located during the audit. We can confirm that that council did receive £15,250 in one instalment for the precept received from Pendle Borough Council on the 27 th April 2022.
Does the council receive any other income in addition to the precept? Is the income properly recorded and banked?	No	The council received a total of £7.84 income during the financial year which related to the interest on the bank account.

Has the council correctly invoiced for any sales and is the correct rate of VAT applied? (if applicable)	Not Applicable	Not applicable
Internal Audit Response		Yes

F Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for		
Internal Audit Testing	Compliance	Comments / Recommendations
Internal Audit Response		Not applicable

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.		
Internal Audit Testing	Compliance	Comments / Recommendations
Is there a contract of employment for the Clerk/RFO and all employed staff?	Yes	A copy was provided during the audit however this was not a signed copy. It is noted from a review of the council minutes that the council resolution refers to the start date as June 2022 and the employment contract referred to a start date of 01 st July 2022.
Has the Council approved the salaries paid? Do the salary records correspond with the pay points agreed by the Council?	No	The council minutes dated 17 th January 2023 refer to the Clerk's salary to be paid from June 2022 – December 2022 = £1481.04. The payment to the Clerk/RFO was made in April 2023 which is outside of the financial year under audit, therefore no audit testing could take place. The council need to ensure that the statement of particulars relating to the main terms of the employment and the contract of employment are issued in accordance with the requirements of Employment law. Further guidance is available on the HMRC website, see link: Employment contracts: Written statement of employment particulars - GOV.UK (www.gov.uk)
Is the Tax and NI contributions paid within the expected parameters to HMRC? Are copies of P11s available?	See comments	The council have outsourced their payroll service to JLL Accountants. The accountant fees were discussed with the incumbent Chair and it is recommended that the council reviews their payroll service to ensure they have secured the best value for money. It is noted that the current payroll service fees for the full year would total in the region of £495 for one part-time employee.
Are pension obligations met as part of the auto-enrolment process? Criteria £10k salary p.a	Not applicable	Not applicable. It is noted that the Pensions Regulators letter was actioned by the payroll service provider JLL Accountants.

Do members receive any allowances? And have PAYE/NI requirements been properly applied?	Not applicable	None received.
Internal Audit Response		No

H Asset and investments registers were complete and accurate and properly maintained.

Internal Audit Testing	Compliance	Comments / Recommendations
Does the council keep a register of all material assets owned? Is asset register up to date?	Yes	<p>In our 2021/22 internal audit report we reported that there were no values recorded against each individual asset at purchase cost or nominal value and that the asset register was compiled in 2019 from observation as no records existed before that time and therefore no values had been recorded.</p> <p>During the audit we were provided with a copy of an updated asset register which recorded data for 'date acquired' against each individual asset and the value for insurance purposes. Due to the internal changes within the council and the absence of a Clerk/RFO we are informed that additional work is required and that the total asset value cannot be agreed for the current financial year (2022/23).</p> <p>The Practitioners Guide states that the particular method of asset valuation is not specified in proper practices so authorities may use any reasonable approach to be applied consistently from year to year. The method of asset valuation adopted should be set out in a policy approved by the authority and recorded in the authority's minutes and in the asset register.</p> <p>RECOMMENDATION 14: That improvements are made to the asset register to record the date of acquisition, purchase cost or nominal value, replacement value for insurance purposes, item location. Further guidance on Asset Management is available from page 40 of the Practitioners Guide, see link: file (nalc.gov.uk)</p>
Does the asset register record the replacement value of individual assets for insurance purposes?	See comments	See findings above.
Compare the Asset Register value reported in section 2, box 9 prior year reported figure, adjusted to include new assets / and/or disposals. Is there a record of disposals to record non-serviceable/disposed assets?	Not applicable	See findings above.

Does the Asset Register value correspond to box 9 of the Annual Return?	Not applicable	No figure was reported in box 9 at the 31 st March 2023 due above findings.
Does the register of assets correspond to the insurance schedule to ensure that all assets are insured or self-insured by the council?	No	RECOMMENDATION 15: That a copy of the updated asset register be provided to the insurance company.
Have the assets been inspected for risk and H&S purposes and do inspection records exist?	See comments	Refer to findings in the risk management internal control objective.
Internal Audit Response		No

I Periodic and year-end bank account reconciliations were properly carried out.

Internal Audit Testing	Compliance	Comments / Recommendations
Is there a bank reconciliation for each account? Reconciliation carried out on receipt of statement?	No	It is noted that the Clerk/RFO attempted to create some form of bank reconciliation reporting from November 2022 and these appear to have been formally reported to council in January and February 2023.
Are bank reconciliations reported to council and committee? Are these independently signed off by members and recorded in the minutes?	No	RECOMMENDATION 16: That the council complies with the requirements of Financial Regulation 2.2 which states that ‘On a regular basis, at least once in each quarter, and at each financial year end, a member other than the Chairman or a cheque signatory shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the council’.
Bank Reconciliation to the 31 March?	Yes	The bank balance held at the 31 st March 2023 was £37,885.10 and this agreed to the bank reconciliation statement.
Internal Audit Response		Yes

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.

Internal Audit Testing	Compliance	Comments / Recommendations																						
Year-end accounts prepared on correct accounting basis?	Yes	<p>The statements are prepared on and receipts and payments basis.</p> <table border="1"> <thead> <tr> <th colspan="2">AGAR – Figures Reported</th> </tr> </thead> <tbody> <tr> <td>Box 1</td> <td>40,670.77</td> </tr> <tr> <td>Box 2</td> <td>15,250.00</td> </tr> <tr> <td>Box 3</td> <td>7.84</td> </tr> <tr> <td>Box 4</td> <td>0.00</td> </tr> <tr> <td>Box 5</td> <td>0.00</td> </tr> <tr> <td>Box 6</td> <td>18,043.51</td> </tr> <tr> <td>Box 7</td> <td>37,885.10</td> </tr> <tr> <td>Box 8</td> <td>37,885.10</td> </tr> <tr> <td>Box 9</td> <td>0.00</td> </tr> <tr> <td>Box 10</td> <td>0.00</td> </tr> </tbody> </table> <p>*boxes 3 and 6 were revised and updated during the audit following the changes to the cashbook.</p>	AGAR – Figures Reported		Box 1	40,670.77	Box 2	15,250.00	Box 3	7.84	Box 4	0.00	Box 5	0.00	Box 6	18,043.51	Box 7	37,885.10	Box 8	37,885.10	Box 9	0.00	Box 10	0.00
AGAR – Figures Reported																								
Box 1	40,670.77																							
Box 2	15,250.00																							
Box 3	7.84																							
Box 4	0.00																							
Box 5	0.00																							
Box 6	18,043.51																							
Box 7	37,885.10																							
Box 8	37,885.10																							
Box 9	0.00																							
Box 10	0.00																							
Staff Costs [Box 4] Do payments relate to employment of staff including gross salary, employers' national insurance contributions, employers' pension contributions, gratuities for employees or former employees and severance or terminations payments to employees?	Not applicable	No staff costs were incurred during the 2022/23 financial year.																						
Do the Bank statements and ledger reconcile at 31 March?	Yes	A bank reconciliation was prepared for the 31 st March 2023.																						
Is there an underlying financial trail from records to presented accounts?	See comments	The cashbook did not record all the underlying records and this was updated during the audit to enable verification of the accounting statements report on the AGAR.																						
Is the explanation of significant variances from completed? Explanations required for variances exceeding 15%	No	The Chair is aware to complete the pro-forma document which is required as part of the submission requirements for external audit.																						
Internal Audit Response		Yes																						

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")

Internal Audit Testing	Compliance	Comments / Recommendations
Has the Council correctly declared itself exempt from external audit? i.e receipts and payments individually totaled less than £25k.		
Internal Audit Response		Not applicable

L The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.

Note: The auditing requirements in the practitioners guide are not entirely clear and objective L for this year has changed. Therefore testing has been carried out to seek assurance on the publication requirements of the Accounts and Audit Regulations 2015 - Section 13 (2) (b) to ensure that Councils display the AGARs for the five years 2017-18, 2018-19, 2019-20, 2020-21 and 2021-22 on their website and compliance with the Local Government Data Transparency Code (if applicable).

Internal Audit Testing	Compliance	Comments / Recommendations
<p>Publication of the AGAR for the last five years in accordance with the Accounts and Audit Regulations 2015, section 13 (2)?</p>		<p>2017/2018 – No (according to the website)</p> <p>2018/2019 – No (section 2 had been uploaded, see link: agar-annual-return-2018-19-2019.pdf (kelbrookandsoughparishcouncil.org.uk))</p> <p>2019/2020 – Sections 1 and 2 of the AGAR were unsigned, see link: agar-2020.pdf (kelbrookandsoughparishcouncil.org.uk). The certificate of exemption was uploaded, see link: agar-certificate-of-exemption-2019-20-2020.pdf (kelbrookandsoughparishcouncil.org.uk)</p> <p>2020/2021 – No – no documents had been uploaded.</p> <p>2021/2022 – Yes, Sections 1 and 2 were uploaded and the internal audit report, see links: 2021-22 - Section 1 Annual Governance Statement.pdf (kelbrookandsoughparishcouncil.org.uk) 2020-21 - Section 2 Accounting Statements.pdf (kelbrookandsoughparishcouncil.org.uk) 2020-21 Annual Internal Audit Report.pdf (kelbrookandsoughparishcouncil.org.uk)</p>
<p>Publication Requirements in accordance with the Local Government Data Transparency Code (This code has been issued in accordance with Local Government, Planning and Land Act 1980, Section 3)</p> <ul style="list-style-type: none"> • Transparency Code for smaller authorities ie: annual turnover not exceeding £25,000 • Local Government Data Transparency Code ie: a parish council which has gross annual income or expenditure (whichever is the higher) exceeding £200,000 	<p>No</p>	<p>The council has recently refreshed their website and it is noted that although there is some compliance with the Data Transparency Code, the council is not fully complying with the publication requirements.</p> <p>RECOMMENDATION 17: That the council ensures that they comply with the requirements of the Local Government Data Transparency Code, see link for further information: SI/SR Template (publishing.service.gov.uk)</p>
<p>Freedom of Information Act – Has the Council adopted a Publication Scheme?</p>	<p>Yes</p>	<p>The council adopted a publication scheme on the 21st February 2023. This document should be updated to remove the contact details of councillors and officers who have left the organisation.</p>
<p>Internal Audit Response</p>		<p>No</p>

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 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*).

Internal Audit Testing	Compliance	Comments / Recommendations
Do arrangements for public inspection of council's records exist? The inspection window must include a 30-working day period including the first 10 working days of July following the end of the financial year to which the accounts relate. Evidence of public inspection notice seen? And website address.	No	The council was late in submitting the AGAR documentation in relation to the 2021/22 financial year and therefore could not comply with the statutory inspection period notice to include the first 10 working days in July. It is noted that an inspection period notice was issued advertising the dates from 12 October 2022 to 30 November 2022, see link: 21-22 Exercising the provision of public rights.docx (live.com)
Did the council minute the relevant dates for the exercise of public rights at the same time as approving the AGAR?	No	The council approved the AGAR at the meeting held on the 11 th October 2022. The dates for the exercise of public rights were not minuted. The council should ensure that future inspection dates are recorded in the minutes.
Internal Audit Response		No

N The authority has complied with the publication requirements for 2021/22 AGAR (*see AGAR Page 1 Guidance Notes*).

Internal Audit Testing	Compliance	Comments / Recommendations
Review evidence for publication (Form 3): AGAR to be approved and published by 01 July 2022 at the very latest. External Audit Certificate and Conclusion of Audit of Notice to be posted on the council website by 30 September 2022.		
Before 01 July 2022, the authority should have published: a) Notice of the period of exercise rights and a declaration that the accounting statements are as yet unaudited.	No	See findings above.
b) Section 1 the Annual Governance Statement approved and signed page 4	No	See findings above. It is noted that the Governance statement was published on the website, see link: 2021-22 - Section 1 Annual Governance Statement.pdf (kelbrookandsoughparishcouncil.org.uk)
c) Section 2 the Accounting Statements approved and signed page 5	No	See findings above. It is noted that the Governance statement was published on the website, see link: 2020-21 - Section 2 Accounting Statements.pdf (kelbrookandsoughparishcouncil.org.uk)
Not Later than the 30 September 2022: d) Notice of conclusion of audit	No	The council received a letter from the external auditor dated 09 May 2023 confirming completion of the audit for the 2021/22 financial year. The notice as at 01 st July 2023 had not been published due to the issues

		following the resignation of the Clerk/RFO and new councillors being elected in May 2023. The Chair is aware to complete the notice and place this on the council website and noticeboards.
e) Section 3 – External Auditor Report and Certificate	No	See findings above. Chair is aware to action this.
f) Sections 1 and 2 of AGAR including any amendments as a result of the limited assurance review	Not Applicable	
Internal Audit Response		No

o Trust funds (including charitable) – The council met its responsibilities as a trustee

Internal Audit Testing	Compliance	Comments / Recommendations
Charities reported and accounted separately?	Not applicable.	
Internal Audit Response		Not Applicable

AGAR Internal Audit Report 2022/23

The AGAR internal audit report has been signed off. The responses as set out in the summary (page 3) have been carried across to the AGAR form. The negatives responses are supported by the findings contained in this report. We would like to thank the new Chair Councillor Sharon Ashley for all her help and assistance with the audit.

Recommendations Action Plan (Attached)

No	Recommendation	Page Number	Responsibility	Timescale
1	That the entries recorded in the cashbook be amended to remove the entries relating to payments made in the 2023/24 financial year.	4		
2	That the cashbook be updated to include the entries relating to cheque numbers 022233 to 022237	4		
3	That the adoption date and minute reference be inserted on the front cover of the Standing Orders for audit purposes.	5		
4	That the council routinely approves the purchase of goods and services in accordance with the requirements set out in Financial Regulation 4.1 and that this is recorded as a council resolution in the minutes.	6		
5	That the 2021/22 VAT reclaim is submitted to HMRC.	7		
6	That the 2022/23 VAT reclaim is submitted to HMRC.	7		
7	That an annual risk assessment is prepared including all financial and reputational risks that the council may be exposed to. The risk assessment document to be formally reviewed and adopted at a council meeting. Further guidance on risk assessments are available on page 43, see link: file (nalc.gov.uk)	8		
8	That the council carries out a review of the effectiveness of its internal control systems to part comply with the annual governance statement, assertion two.	9		
9	That the arrangements for the Sough Play Area be formalised with Pendle Borough Council and that an appropriate service level agreement or asset transfer be considered.	9		
10	That inspections and appropriate risk assessments take place for benches and bus shelters.	9		

11	Recommendation	Page Number	Responsibility	Timescale
No	The budget document demonstrates how the calculations for the opening balances, projected income and expenditure, earmarked reserves and projected closing balances contribute towards the level of precept to be levied. Further Guidance on budgeting is available on page 37 of the Governance & Accountability Practitioners Guide, see link: file (nalc.gov.uk)	10		
12	That the actual amount of precept be recorded in the council minutes.	11		
13	That budget monitoring reports be made available to council at least once each quarter showing the actual spend against the agreed budget.	11		
14	That improvements are made to the asset register to record the date of acquisition, purchase cost or nominal value, replacement value for insurance purposes, item location. Further guidance on Asset Management is available from page 40 of the Practitioners Guide, see link: file (nalc.gov.uk)	13		
15	That a copy of the updated asset register be provided to the insurance company.	14		
16	That the council complies with the requirements of Financial Regulation 2.2 which states that ' <i>On a regular basis, at least once in each quarter, and at each financial year end, a member other than the Chairman or a cheque signatory shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the council.</i>	14		
17	That the council ensures that they comply with the requirements of the Local Government Data Transparency Code, see link for further information: SI/SR Template (publishing.service.gov.uk)	16		