

# APPROVAL OF THE 2023/24 ANNUAL INTERNAL AUDIT REPORT

## AGENDA ITEM NO: 11

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<b>MEETING:</b>	<b>FULL COUNCIL</b>
<b>DATE:</b>	<b>12<sup>TH</sup> JUNE 2024</b>
<b>REPORT BY:</b>	<b>FINANCE MANAGER</b>

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### **1.0 Purpose of the Report**

- 1.1 The purpose of this report is to put forward for approval the Annual Internal Audit Report, which forms part of the Council's Annual Governance and Accountability Return, for the 2023/24 financial year.

### **2.0 Background to the Report**

- 2.1 In accordance with Regulation 5 of the Accounts and Audit Regulations 2015, the Council *'must undertake an effective internal audit to evaluate the effectiveness of its risk management, internal control and governance processes, taking into account public sector internal auditing standards or guidance'*.
- 2.2 As Members are aware, during the financial year 2023/24, following Durham County Council ceasing provision of internal audit services to all Town and Parish Councils, the Council's Internal Audit Service was transferred to an independent self-employed Internal Auditor providing 44 days of internal audit. This enabled the internal auditor to provide full assurance to be given on the internal control objectives set out in the Internal Audit Report contained within the Annual Governance and Accountability Return, along with a review of a number of other major systems and service areas in the financial year.
- 2.3 Based on the number of days available, an Annual Internal Audit Plan was developed. This allowed for full assurance to be given on the internal control objectives set out in the Annual Internal Audit Report within the Annual Governance and Accountability Return at the end of the financial year, along with a number of other major systems and service areas being reviewed in the financial year. This ensured that the Council meets the non-statutory guidance for internal audit for town and parish councils, as set out in Section 4 of the 'Joint Panel on Accountability and Governance Practitioners' Guide'. This document is produced annually by the Joint Practitioners Advisory Group (JPAG) and published by the National Association of Local Councils (NALC),
- 2.4 Progress on the internal audits undertaken, including the key findings, conclusions and recommendations, is reported to and considered by the Council's Audit, Risk and GDPR Sub Committee on a regular basis.

- 2.5 Any weaknesses in the Council's internal control arrangements that were identified by the Internal Auditor during the year would initially be reported to and considered by the Audit, Risk and GDPR Sub-Committee, and subsequently reported to the Policy and Resources Committee. Any recommended actions to improve the system of internal control and address any weaknesses would also be considered and approved at these committees.
- 2.6 Any significant weaknesses in internal control identified during the year would be reported to Council in the annual review of the effectiveness of the system of internal control. This review would include the recommendations made and actions taken to address the weaknesses and improve the Council's system of internal control.
- 2.7 As reported to the Council Meeting on 13<sup>th</sup> March 2024, there were no weaknesses in internal control identified during the 2023/24 financial year.
- 2.8 A review of the Council's internal audit arrangements was also undertaken in 2023/24 which concluded that they had operated effectively during the 2023/24 financial year and were relevant to the size of the Council and the scope of its activities.
- 2.9 This review was approved by the Council's Policy and Resources Committee on the 6<sup>th</sup> March 2024 and provides assurance that the Council's internal audit arrangements are fit for purpose.

### **3.0 2023/24 Annual Internal Audit Report**

- 3.1 The Council's 2023/24 Annual Governance and Accountability Return includes an Annual Internal Audit Report.
- 3.2 This report sets out fourteen internal control objectives which highlight the key systems, procedures and internal controls that are expected to be in operation in larger town and parish councils during the financial year. These internal control objectives are as follows:-
1. Appropriate accounting records have been properly kept throughout the financial year.
  2. The Council complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.
  3. The Council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.
  4. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.
  5. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.
  6. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.
  7. Salaries to employees and allowances to members were paid in accordance with the Council's approvals, and PAYE and NI requirements were properly applied.

8. Asset and investments registers were complete and accurate and properly maintained.
  9. Periodic and year-end bank account reconciliations were properly carried out.
  10. Accounting statements prepared during the year were prepared on the correct accounting basis, agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.
  11. If the authority certified itself as exempt from a limited assurance review in 2022/23, it met the exemption criteria and correctly declared itself exempt.
  12. The Council publishes information on a free website/webpage up to date at the time of internal audit in accordance with the relevant legislation.
  13. In the year covered by this AGAR, the Council correctly provided for a period of the exercise of public rights as required by the Accounts and Audit Regulations (*during the 2023-24 AGAR period, were public rights in relation to the 2022-23 AGAR evidenced by a notice on the website and/or Council approved minutes confirming the dates set*).
  14. The Council has complied with the publication requirements for the 2022/23 AGAR.
- 3.3 The Council's Internal Auditor is expected to provide a conclusion as to 'whether, in all significant respects', each internal control objective has been 'achieved throughout the financial year to a standard adequate to meet the needs of the Council'.
- 3.4 If the Internal Auditor is not able to provide a 'yes' response to an internal control objective, they are required to 'state the implications and the action being taken to address any weakness in internal control' that may have been identified.
- 3.5 If an internal control objective has not been covered during the year, the Internal Auditor must state '*when the most recent internal audit work was completed in this area and when it is next planned*'.
- 3.6 A copy of the Annual Internal Audit Report for the year ended 31<sup>st</sup> March 2024 is attached to this report at Appendix 1 for Members' consideration.
- 3.7 As can be seen, based on the internal audit work completed during the 2023/24 financial year, the Council's Internal Auditor is satisfied that all of the internal control objectives have been achieved throughout the year to an adequate standard and has completed and signed the Internal Audit Report to confirm this.
- 3.8 It is therefore recommended that the 2023/24 Internal Audit Report is approved by the Council.

## **4.0 Policy Implications**

4.1 The preparation, approval and publication of the Annual Internal Audit Report assists in the delivery of the following Council Aims:-

*Council Aim 1 - "To provide good quality governance and management of the Council"*

*Council Aim 2 – "To manage the Council's finances and assets in a responsible manner".*

## **5.0 Staffing Implications**

5.1 The Annual Internal Audit Report has been independently reviewed and completed by the Council's Internal Auditor based on the audit work undertaken in the 2023/24 Internal Audit Plan, as reported to the Council's Audit, Risk and GDPR Sub Committee.

## **6.0 Financial Implications**

6.1 The financial implications for the Council are fully set out in the report.

## **7.0 Crime and Disorder Implications**

7.1 None.

## **8.0 Equal Opportunities Implications**

8.1 The 2023/24 Annual Governance and Accountability Return incorporating the Annual Internal Audit Report will be made available for inspection at the Council Offices and on the Council website.

8.2 Copies of the 2023/24 Annual Governance and Accountability Return would be made available in alternative formats upon request.

## **9.0 Environmental, Biodiversity, and Climate Change Implications**

9.1 None.

## **10.0 Risk Assessment**

10.1 Internal audit is a key factor in ensuring effective risk management arrangements within the Council. Risk management is covered by Control Objective C on the Annual Internal Audit Report and an audit of the Council's risk management arrangements is undertaken as part of the Annual Audit Plan to review the Council's risk management arrangements.

## **11.0 General Data Protection Regulation (GDPR)**

11.1 There is no personal or sensitive data required for this proposal which may have any implications for GDPR.

## **12.0 Recommendations**

12.1 It is recommended that the Annual Internal Audit Report in respect of the 2023/24 financial year is approved.