

# DKE AUDIT SERVICES

## INTERNAL AUDITOR

Specialist provider to Parish & Town Councils

### Honeybourne Parish Council

#### Internal Auditors assessment for the completion of the AGAR Part 3 – Financial Year 2025-26 - DRAFT

##### 1. Introduction

I have concluded the Council's annual independent internal audit. I am therefore able to complete the Annual Internal Audit Report (AIAR) 2025-26 which forms part of the Annual Governance and Accountability Return (AGAR).

My internal audit considers the evidence available to assess if the Council has effective systems and control arrangements in place for the areas examined. In examining these arrangements focus has been placed on compliance with a number of the Council's key governance 'rules', its management of risk, and its financial controls. Consideration is given to the size and scope of activities undertaken by the Council.

The internal audit is undertaken during the financial year in order to review and test the systems and controls operating during that year. The internal audit report details the findings at the time of the internal audit review. For the year-end financial statements, a cursory inspection is carried out to verify there are no significant financial management or control matters that may impact on the AIAR assessments made at the time of the internal audit review. The internal audit should inform, it is not designed to offer assurance over the completion of the AGAR sections 1 & 2, responsibility for the accuracy of these submissions' rests with the Council.

The internal audit is not designed to identify all weaknesses in the Parish Council's systems but, it is a sample examination of systems and of testing those systems and controls. Where weaknesses are identified during the internal audit process, which impact on governance and internal control, recommendations are made.

The responsibility for the prevention and detection of fraud, error and non-compliance with the law or regulations rests with the Council. The internal audit should not be relied upon to disclose all material mis-statements or frauds, errors, or instances of non-compliance, as may exist.

As the Council's appointed internal auditor, I confirm that I am independent of the Council.

##### 2. Summary

In the section below I have recorded my AIAR responses and offered some comments by way of explanation for these. Members need to be mindful that this assessment is of systems and control during 2025/26 to the time of the audit review.

During the internal audit review no significant system control issues or non-compliances have been identified that prevents a positive response to each of the areas covered by the AIAR. No control recommendations have been made.

*Note – evidence that the key year-end financial statements have been prepared for Member review and approval will be requested in March / April / May 2026, these being the final bank reconciliation for the year, the budget to actual report, and the year-end accounts statement. A cursory review of these financial statements, along with the consideration of any significant governance or control matter that may arise in the remainder of the financial year, may alter the internal audit findings detailed in this draft report. Verification of the annual accounts does not form part of the internal audit; this is the responsibility of Members.*

### 3. Internal Audit Assessment

The table below follows the format of the AIAR section of the AGAR, for each section questions have been raised in order to establish the systems and control arrangements. The responses, along with the supporting evidence provided, has allowed review, challenge, examination and assessment.

AGAR (AIRA section) Internal Control Objective, Internal Audit assessment and related comments	Yes /No
<b>A. Appropriate accounting records have been properly kept throughout the financial year.</b>	Yes
The Council has put in place effective procedures to accurately and promptly record all financial transactions, it has arrangements to maintained up to date accounting records throughout the year, together with all necessary supporting information. The Council uses the Scribe accounting system, a system used by many Parish Councils, payments and receipts are recorded on the system. Invoices or appropriate evidence are held on the finance systems and in hard copy form, these support the transactions.  At the time of the internal audit visit the cashbook was up to date, payments and receipts are reported to the Council monthly, payments are approved, and all are recorded in the minutes.	
<b>B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved VAT was appropriately accounted for.</b>	Yes
All decisions are taken by Council. There are a number of working groups which focus on specific these have no decision-making powers. The Council's Financial Regulations were reviewed at the September 2025 Council meeting; the current version is based on the model issued by the National Association of Local Councils (NALC).	

AGAR (AIRA section) Internal Control Objective, Internal Audit assessment and related comments	Yes /No
<p>A sample number of payments were selected from the cashbook and, for each, information and supporting evidence was provided to evidence compliance with the Councils Financial Regulations and control processes.</p> <p>For the sample an audit trail was present linking the authority to procure goods, works and services, the order process and the payment. The payments examined have been properly approved and VAT has been appropriately accounted for. VAT is periodically reclaimed.</p> <p>The Council has a debit card that is used in place of holding petty cash. There are financial limits place on the card and transactions are reviewed and approved.</p> <p>Effective management and control over the Council's bank accounts is present.</p>	
<p><b>C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</b></p>	Yes
<p>There is evidence the Council is risk aware it has a Risk Policy and a Risk Register; these being reviewed each year.</p> <p>The Council assesses risk for specific works and ensures contractors have appropriate insurance for contracted works. Risks related to the assets held by the Council are inspected.</p> <p>Testing showed the Council undertakes risk assessments for events it manages.</p> <p>The Council has an Internal Control Policy and periodic checks are undertaken of the control and risk management arrangements.</p>	
<p><b>D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.</b></p> <p>The budget covers all of the Councils activities, income sources and expenditure. An effective budget setting process operates that identifies the funding need based on services and commitments. The precept has been set in accordance with the agreed and approved budget requirement.</p> <p>With regard to budget monitoring please refer to the recommendation follow-up in the section later. Budget monitoring is undertaken.</p> <p>The reserves are appropriate for the Council, based on its expenditure levels and planned activities and future activities. The Council has a Reserves Policy and has identified both general and earmarked reserves.</p>	Yes

AGAR (AIRA section) Internal Control Objective, Internal Audit assessment and related comments	Yes /No
<b>E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.</b>	Yes
<p>The Council receives income beyond the precept from the cemetery and allotments. An invoicing process operates and expected income is received based on the fees and charges set. Sample testing showed an effective and controlled system operates.</p> <p>The Council do not raise fees that attract VAT.</p>	
<b>F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.</b>	Not Covered (no Petty Cash)
<p>The Council does not operate a petty cash system.</p>	
<b>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.</b>	Yes
<p>The salary payable to the Parish Clerk has been agreed by Members. Sample testing showed payments are in accordance with agreed terms and relevant employment related deductions are made. Employer liabilities have been paid.</p> <p>Allowances are not paid to Members.</p>	
<b>H. Asset and investments registers were complete and accurate and properly maintained.</b>	Yes
<p>The Council has an Asset Register (held on the Scribe system) that records the assets, showing - the item, purchase value, current value and location. The Asset Register was reviewed and approved at the September 2025 Council meeting.</p> <p>The Councils assets are insured, and the insured values are periodically reviewed and agreed.</p> <p>Assets are inspected, repaired and maintained as required.</p>	
<b>I. Periodic bank account reconciliations were properly carried out.</b>	Yes

AGAR (AIRA section) Internal Control Objective, Internal Audit assessment and related comments	Yes /No
The Council minutes and supporting papers show the bank reconciliation is undertaken and reviewed monthly; the approval of the bank reconciliation is included in the minutes. Sample testing showed the bank reconciliation statement is supported by evidence of the bank position.	
<b>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.</b>	Yes
<p>The accounting statements have been prepared on the correct accounting basis (receipts and payments).</p> <p>Note - due to the funding received from various grants and one-off funding sources in 2023-24 the Council did exceed the £200,000 limit for accounting on a receipts and payments basis. However, there is provision (a three-year window) for such instances. The Council's financial activities in 2024-25 fell under the £200,000 limit, the same will be so for 2025-26. Therefore, accounting on a receipts and payments basis is within the guidance.</p> <p>The accounting process as reviewed is effective and appropriate. The cashbook transactions are supported by an adequate audit trail from underlying records. Members review payments each meeting and there is regular bank reconciliation confirmation.</p> <p><i>Note – the assessments in this report are based on the control environment at the time of the internal audit visit. However, evidence that the key year-end financial statements (final bank reconciliation for the year, the budget to actual report, and the year-end accounts statement) have been prepared for Member review and approval has been requested and received. A cursory review of these financial statements, and of activity since the internal audit visit, has not identified any matters to change the initial assessments detailed in this report.</i></p>	
K. If the authority certified itself as exempt from a limited assurance review in 2024/25, it met the exemption criteria and correctly declared itself exempt (If the authority had a limited assurance review of its 2024/25 AGAR tick "not covered").	Not Covered
The Council did not certify itself as exempt in 2024/25 and therefore had a limited assurance review of its AGAR.	
L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.	Yes

AGAR (AIRA section) Internal Control Objective, Internal Audit assessment and related comments	Yes /No
<p>The records show the Council is aware of, and has assessed (report to Council November 2025) its position in respect of AGAR Assertion 10 requirements.</p> <p>The Council publishes the information required by legislation, it has a Publication Scheme which details the information available and how it can be accessed.</p> <p>At the time of the audit the expected financial information was available on the Council's website.</p> <p>The Council has a generic email account (.gov.uk) which is hosted on an authority owned domain.</p> <p>The Council publishes the documentation as specified in the Freedom of Information Act and the Transparency Code for Smaller Authorities, and follows the Data Protection Regulations (GDPR). The Council is aware it must process personal data with care and in line with the principles of data protection.</p> <p>Examples of the related policies and statements reviewed and approved by the Council during the year are, the; Freedom of Information Policy, Publication Scheme, Website Accessibility Statement, IT Policy, Dispensation Policy, Subject Access Request Policy, Document Retention Policy and Privacy Notice Policy.</p>	
<p><b>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</b> (during the 2025-26 AGAR period, were public rights in relation to the 2024-25 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set).</p>	Yes
<p>Evidence confirms the Council correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.</p>	
<p><b>N. The authority has complied with the publication requirements for the 2024/25 AGAR (see AGAR Page 1 Guidance Notes).</b></p>	Yes
<p>The Council complied with the 2024-25 publication requirements.</p>	
<p><b>O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.</b></p>	Not Applicable
<p>The Council (as a body) is not the Trustee of a charity.</p>	

## Other Areas

<b>Internal Control areas and Internal Audit comments</b>	
<b>Review of the implementation of recommendations from the previous year's Internal and External Audit Reports</b>	
<b>From last internal audit report</b>	There were no recommendations from the internal auditor.
<b>From last external audit report</b>	There were no recommendations from the external auditor.
<b>Any other governance or financial control issues arising during the internal audit, or further comment not covered above.</b>	
<p>During the audit visit the Clerk and I discussed the Council potentially applying for the Local Council Award Scheme. Although not an expert in the administration of the scheme, the Bronze and Silver elements appear to focus on effective governance and control arrangements, compliance and improvement initiatives. The Council has a sound governance and control base.</p> <p>The Gold Award appears to seek evidence of a proactive forward-looking Council, it refers to business planning – future planning based on identified and assessed community need, linked to; aims and objectives, the attainment of measurable milestones and the delivery of outcomes, future budget requirements (and funding sources) to deliver plans, and the use, maximisation, and development of assets. An annual reports detailing the progress of the business plan, plan update, and the attainment of specific outcomes would, I feel, aid an application for the Gold Status. I trust these comments are helpful.</p>	

The draft version of this report was agreed by the Parish Clerk.

The internal auditor wishes to acknowledge the support and assistance provided by the Parish Clerk during the internal audit review.

*Duncan Edwards*

Internal Audit undertaken on 8 December 2025 ([audit visit – control review and sample testing](#)) and xx xxx 2026 ([further review of activity and draft year end related financial statements](#))

Duncan Edwards (2025/26 internal audits)