Grappenhall and Thelwall Parish Council

Internal Audit 2024/25

JDH BUSINESS SERVICES LTD

Registered to carry on audit work by the Institute of Chartered Accountants in England and Wales

The internal audit of Grappenhall and Thelwall Parish Council is carried out by undertaking the following tests as specified in the AGAR Annual Return for Local Councils in England:

- Checking that books of account have been properly kept throughout the year
- Checking a sample of payments to ensure that the Council's financial regulations have been met, payments are supported by invoices, expenditure is approved, and VAT is correctly accounted for
- Reviewing the Council's risk assessment and ensuring that adequate arrangements are in place to manage all identified risks
- Verifying that the annual precept request is the result of a proper budgetary process; that budget progress has been regularly monitored and that the council's reserves are appropriate
- Checking income records to ensure that the correct price has been charged, income has been received, recorded and promptly banked and VAT is correctly accounted for
- Reviewing petty cash records to ensure payments are supported by receipts, expenditure is approved and VAT is correctly accounted for
- Checking salaries are paid in accordance with Council approvals and PAYE and NI requirements are properly applied
- Checking the accuracy of the asset and investments registers
- Testing the accuracy and timeliness of periodic and year-end bank account reconciliation(s)
- Review of year-end financial statements
- The authority has complied with the publication requirements for the prior year AGAR.
- The authority correctly provided for a period for the exercise of public rights for the prior year AGAR
- The authority published required information on a website up to date at the time of the internal audit in accordance with relevant legislation.

The interim internal audit provides evidence to support the internal audit conclusion in the AGAR Annual Return for local councils.

Conclusion

On the basis of the internal audit work carried out, which was limited to the tests indicated above, in our view the council's system of internal controls is in place, adequate for the purpose intended and effective, **except for** the recommendations reported in the action plan overleaf. As part of the internal audit work for the next financial year we will follow up all recommendations included in the action plan.

JDH Business Services Limited

	ISSUE	RECOMMENDATION	FOLLOW UP
2024/25 internal audit			
1	The council did not comply with Regulation 15 of the Accounts and Audit Regulations 2015 as it failed to make proper provision for the exercise of public rights for the 2023/24 accounts. The public notice period for inspecting the accounts was for longer than 30 working days rather than the statutory required period of 30 days, and the announcement dates was AFTER the commencement date of the public inspection period.	*The council must comply with the requirements of the Accounts and Audit Regulations 2015 with respect to the notice for the exercise of public rights.*	
2	There is currently no formal medium term corporate plan showing the medium term priorities, objectives and strategic direction of the council.	*The council should consider formalising its priorities and objectives into a medium term corporate plan.*	
3	The Stansby account has been reconciled to April 1st 2025 rather than March 31st 2025. As a result, £82.33 of interest has been included in 2024/25 instead of the 2025/26 financial year.	*Bank reconciliations at the year end must be completed to the correct date of March 31st.*	

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4	Two income sample items for Have a Go group income did not agree to the supporting documentation provided.	*Council should review the supporting information issued and received for this source of income to ensure in future that income vouchers substantiate the income received.*	
5	There are no formal contingency arrangements are place to maintain complete and accurate up to date accounting records if the clerk/RFO was absent for a significant period.	*The council need to review its contingency arrangements for maintaining complete and accurate financial systems and controls in the absence of the clerk/RFO and ensure formal arrangements are in place.*	
6	The Accounts and Audit Regulations require the council to conduct a financial year review of the effectiveness of the system of internal control. Although there are internal controls in place as evidenced by the Financial Regulations and a risk assessment review approved minutes, the council has not conducted an overall annual review of the effectiveness of internal controls and documented this in the minutes.	*The council should conduct an annual review of the effectiveness of the system of internal controls and document this review in the minutes.*	
7	The information reviewed at the time of the internal audit indicated the following were not published, either	*The council must ensure that it complies fully with the publication requirements*	

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	in accordance with the Transparency Code or the Audit Regulations Section 13 (2): - payments over £500 each quarter. In addition , the following contract information required by the Transparency Code could not be identified: PUBLICATION 32. Local authorities must also publish details of any contract, commissioned activity, purchase order, framework agreement and any other legally enforceable agreement with a value that exceeds £5,000. For each contract, the following details must be published: - *reference number* - *title of agreement* - *LA department responsible* - *description of the goods and/or services being provided* - *supplier name and details* - *sum to be paid over the length of the contract or the estimated annual spending or budget for the contract* - *Value Added Tax that cannot be recovered* - *start, end and review dates*	*of all Regulations and the Local Authority Transparency Code 2015.*	

	ISSUE	RECOMMENDATION	FOLLOW UP
	- *whether or not the contract was the result of an invitation to quote or a published invitation to tender, and* - *whether or not the supplier is a small or medium sized enterprise and/or a voluntary or community sector organisation and where it is, provide the relevant registration number*		
2023/24 internal audit			
1	The council has disclosed that fidelity cover is currently £250,000, however, the level of precept is now increasing significantly. Fidelity insurance should aim to cover the maximum projected cash and bank balances which is estimated as the year end cash and bank balances of £253,298 plus the next precept instalment of £277,360 (2024/25), which is an estimated maximum projected balance of £530,658. Financial Regulations require the following: *16.5. All appropriate members and employees of the council shall be included in a suitable form of security or fidelity guarantee insurance which shall*	*As part of risk assessment procedures, the council should annually estimate maximum projected cash and bank balances as part of annual risk assessment and set the level of fidelity insurance accordingly as required by s16.5 of the Financial Regulations* *The council need to review the current level of fidelity insurance as it does not cover maximum projected cash and bank balances.*	Implemented - fidelity insurance is £million

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	cover the maximum risk exposure as determined by the council.		
2	Precept and budget review: - The amount of the precept request for 2024/25 is not recorded in the minutes which is a requirement of the Local Government Act 1992 as the December council meeting agreed the precept budget but did not state how much the precept was. - There is no formal adopted budget timetable in place evidencing the key milestones leading to the agreement of the precept request for the year and approval of the annual budget.	*The amount of precept requested must be stated in the council resolution of the minutes where the precept was decided.* *A comprehensive formal budget timetable should be established annually covering the main elements of the Council's budget setting process together with key dates and responsibilities.*	Implemented Recommendation Outstanding
3	The contract for Tree/Hedge/ Works 01/08/2023 (Pond Works Walled Garden) CCNW £4,648.90 was awarded to one supplier after council determined the supply was specialist.	*When a contract is determined as exempt from the standard procurement requirements for FRs, the exemption paragraph relied upon in the FRs should be referenced.*	No further procurement issues identified in 2024/25 internal audit
4	Bank reconciliation review:	*The difference between SCRIBE and the actual bank statements should be*	See bank reconciliation issues identified in 2024/25 internal audit

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	The Unity account statement balance in the year end bank reconciliation is recorded as £86909.27, however, the actual year-end balance is £86906.88 per the UNITY bank statement.	*investigated and any amendments required posted to ensure the bank reconciliation in SCRIBE agrees to all year end bank statements.* *(NB Clerk has identified the issue and will adjust April 2024 to correct.)*	
5	The council did not comply with Regulation 15 of the Accounts and Audit Regulations 2015 as it failed to make proper provision for the exercise of public rights for the 2022/23 accounts. The public notice period for inspecting the accounts was for 37 days rather than the statutory required period of 30 days.	*The council must comply with the requirements of the Accounts and Audit Regulations 2015 with respect to the notice for the exercise of public rights.*	Recommendation outstanding
6	We are informed the council is updating and launching a new website. The information reviewed at the time of the internal audit indicated the following were not published, either in accordance with the Transparency Code or the Audit Regulations Section 13 (2): - payments over £500 - 5 years of AGAR accounts published on the website	*The council must ensure that it complies fully with the publication requirements of all Regulations and the Local Authority Transparency Code 2015.*	Recommendation outstanding

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	In addition , the following contract information required by the Transparency Code could not be identified: PUBLICATION 32. Local authorities must also publish details of any contract, commissioned activity, purchase order, framework agreement and any other legally enforceable agreement with a value that exceeds £5,000. For each contract, the following details must be published: - *reference number* - *title of agreement* - *LA department responsible* - *description of the goods and/or services being provided* - *supplier name and details* - *sum to be paid over the length of the contract or the estimated annual spending or budget for the contract* - *Value Added Tax that cannot be recovered* - *start, end and review dates* - *whether or not the contract was the result of an invitation to quote or a published invitation to tender, and* - *whether or not the supplier is a small or medium sized enterprise and/or a voluntary or community sector organisation and where it is, provide the relevant registration number*		

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7	Although councillor periodic checks cover expenditure and payroll, the current checks do not review the accuracy of pricing of income invoices.	*Councillor periodic checks should be expanded to cover the accuracy of pricing of income invoices by comparing a sample of sales invoices to price lists.*	No further evidence provided for 2024/25 for implementation of this issue
2022/23 year end internal audit			
1	**Investments** The income included in the draft accounts was the net of investment income plus sales of investments minus purchases of investments. Therefore, the accounts errors were as follows: - £543,301 of investment purchases had not been recorded in the extended trial balance so expenditure had been understated by this amount - Instead of the net of investment income plus sales of investments minus purchases of investments being recorded in income, the	***RECURRING RECOMMENDATION*** ***The council must ensure investment sales and purchases are correctly accounted for in the year end accounts.*** *The adjustments required have been provided to the clerk.*	Implemented

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	amounts of £101,754 actual investment income and £616,627 sales of investments should have been recorded.		
2	The council did not comply with Regulation 15 of the Accounts and Audit Regulations 2015 as it failed to make proper provision for the exercise of public rights for the 2021/22 accounts. The public notice announcement date was the same date as the commencement of the public inspection period. The announcement date must be at least one day before the commencement date of public inspection.	*The council must comply with the requirements of the Accounts and Audit Regulations 2015 with respect to the notice for the exercise of public rights.*	Recommendation Outstanding
3	Publication Requirements: The Notice of Conclusion of Audit and Audit Certificate were not published by the deadline of September 30th 2022. Therefore, the council did not strictly comply with the publication requirements for the 2021/22 AGAR audit as required by the Accounts and Audit Regulations 2015. However, this was not possible as the external	*No recommendation as the council could not comply with the 30 September deadline as the external audit had not been completed by that date.*	Implemented

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	audit had not been completed by that date.		
4	Debtors were incorrectly posted as Creditors in the year end extended trial balance.	*The extended trial balance should always journal Debtors as a Debit to the Balance Sheet.*	Implemented
5	The fixed assets value recorded in the AGAR accounts of £2,314,855 did not agree to the fixed asset register value of £2,306,305.	The fixed assets value recorded in the AGAR accounts, prior to adding the book value of investments, must agree to the fixed asset register.	Implemented
6	The VAT debtor prior to adding VAT on creditors recorded in the Balance Sheet and extended trial balance of £4543.44 did not agree to the fourth quarter VAT claim outstanding of £4357.94.	*The Council should review the VAT debtor and outstanding VAT claims and reconcile the difference. Any extra VAT due or reclaimable should be adjusted in the next VAT reclaim.*	Implemented
7	A number of items had not been posted to the cashbook which totalled a net of £451.89 and were therefore a reconciling item in the year end bank reconciliation.	*All transactions should be posted to the cashbook prior to completing the year end bank reconciliation.*	Implemented
8	The Investment Manager income and capital cash movements statement changed from the original provided to the clerk for 2022/23. This resulted in all the accounts having to be changed revised to account for the extra income recorded.	*As part of year end procedures the Council need to agree a final deadline with the Investment Manager for receipt of a complete and accurate annual statement showing cash movements on the investment account.*	Implemented

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9	The risk assessment does not address the risks of supplier fraud. The supplier fraud risks can be managed via appropriately robust policies and procedures. Examples of prevention actions include: - training for staff to alert them to the potential risks of providing sensitive company information, by phone or other means, especially contract and account information. - establish a rigorous change of supplier details procedure - where a supplier has purported to have changed their bank details always call the supplier to check the veracity of a request, using details in your system, rather than those on any associated letter or email. A person should be authorised to approve a supplier bank account change after having reviewed the process undertaken to verify the supplier details change - periodic review of supplier accounts should also be undertaken to remove any dormant accounts. This reduces the likelihood of any old supplier information being used to secure	*The risk assessment should be updated to include supplier fraud including the adequacy of supplier onboarding controls.*	Implemented

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	fraudulent payments. - checking address and financial health details with Companies House - checking samples of online payments to supplier invoices to ensure the payment has been made to the supplier bank account		
2022/23 interim internal audit			
1	There is no current completeness control in place to evidence that all fixed assets in the asset register have been reviewed to ensure they are adequately insured.	*An internal control should be introduced to evidence that all fixed assets have been reviewed to ensure they are adequately insured, for instance a Y/N column inserted into the asset register.*	Council has confirmed that insurance value is now also recorded in asset register.
2	There is no current expenses policy in place covering officers and members.	*The council should consider adopting an expenses policy that coves both officers and members.*	Implemented
3	Section 10.3 of the Financial Regulations requires that 'The Council will review all fees and charges annually.' This has not been completed for 2022/23.	*All fees and charges should be reviewed annually by full council as required by the Financial Regulations.*	Implemented
4	Feedback to our interim internal audit questionnaire item regarding Public	*The council need to ensure staff involved in procurement are aware of*	Implemented

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	Contract Regulations indicate no officers had received training in the requirements.	*the requirements of the Public Contracts Regulations 2015 regarding publishing information about contract opportunities and awards, over certain value thresholds, on the Contracts Finder website. In addition, officers need to be aware that the Public Contracts (Amendment) Regulations 2022 came into force on 21 Dec 2022 (refer to Action Note PPN 01/23 Procurement Policy Note – update to legal and policy requirements to publish procurement information on Contracts Finder).*	
5	A review of policies identified that a policy for gifts and hospitality has not been adopted by council.	*The council should establish a gifts and hospitality policy covering both members and officers.*	Implemented