INTERNAL AUDIT REPORT 2019/20
GRAPPENHALL and THELWALL PARISH COUNCIL

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

- 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 that salaries to employees have been paid in accordance with Council approvals and that PAYE and NI requirements have been 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)
- Year end testing on the accuracy and completeness of the financial statements

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, subject to 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 Ltd

	ISSUE	RECOMMENDATION	FOLLOW UP
1	The petty cash vouchers, authorisations and analysis were not available for internal audit due to the pandemic lockdown. Therefore, we have noted 'not covered' on the AGAR internal audit certificate.	*The petty cash vouchers, authorisations and analysis should be made available for the 2020/21 internal audit*	
2	The increase in the base cost of investments had not been disclosed in the investments figure for fixed assets. The income included in the accounts for investments was net of purchases of investments.	*The year end fixed asset register should show the base cost of investments as at the end of the financial year.* *The council should ensure investment purchases are included in expenditure and sale proceeds of investments are included in income.* *The adjustments required have been provided to the clerk.*	
3	The council uses model Financial Regulations (FRs) which refer in section 10.) to a Purchase Order (PO) system. However, no PO system is currently in place.	*If the Purchase Order section of the model FRs is an accepted requirement by council, then the council should establish a sequential Purchase Order system.*	
4	The Financial Regulations state the following:	*The council should consider periodically market testing material contracts in accordance with the*	

	ISSUE	RECOMMENDATION	FOLLOW UP
	11 (i) When it is to enter into a contract less than £50000 in value for the supply of goods or materials or for the execution of works or specialist services other than such goods, materials, works or specialist services as are excepted as set out in paragraph (a) the Clerk or RFO shall, where possible, obtain 3 quotations, and shall in any event use his/her best endeavours to obtain value for money' The grounds maintenance was last tendered/quoted for in 2008.	*Financial Regulations to ensure value for money is being delivered.*	
5	A number of the items in the bank reconciliation that has been classified as 'unpresented' were items outstanding from the prior year which the clerk confirmed should have been written off.	*Out of date unpresented items in the year end bank reconciliation should be written off.*	
6	Due to the pandemic lockdown the walled garden outreach income files were not available for internal audit in order to test internal controls.	*The income files should be made available for the 2020/21 internal audit.*	
7	The Financial Regulations authorise the use of a debit card but no transaction limit is established.	*The Financial Regulations should be updated to include a reasonable transaction limit for the Debit Card.*	

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	ISSUE	RECOMMENDATION	FOLLOW UP
2018/19 internal audit			
1	Investments The base cost of investments has increased but this has not been disclosed in the investments figure for fixed assets. The income included in the accounts for investments is net of purchases of investments.	*The year end fixed asset register should show the base cost of investments as at the end of the financial year.* *The council should ensure investment purchases are included in expenditure and sale proceeds of investments are included in income.* *The adjustments required have been provided to the clerk.*	Recommendation Outstanding
2	The external auditor had requested in 2017/18 that the disclosure of precept and other income in the AGAR annual return is adjusted for council tax support grant. The 2018/19 draft AGAR annual return did not include these adjustments.	*The adjustments required by external audit should be implemented.*	Implemented
3	Currently only one member signs to authorise BACS and Debit Card payments (the clerk is the other signatory).	*Authorisation of BACS and Debit Card payments should show equivalence with the authorisation procedures for cheques, so two members should certify these payments.*	Implemented

	ISSUE	RECOMMENDATION	FOLLOW UP
4	Petty cash expenditure is not reviewed and approved by the chair as complete and accurate.	*The chair should review petty cash quarterly and approve the expenditure by signing the petty cash analysis.*	See 2019/20 issues

IMPORTANT GUIDANCE NOTE

INTERNAL AUDIT CERTIFICATE in the AGAR

There is a new internal control objective (Objective L) in the 2018/19 internal audit certificate that requires internal audit to conclude on whether the Public Rights Notice during the **previous Summer** was compliant with the Regulations. This is pre-filled for 2018/19 but in order to test this and conclude YES or NO for the 2019/20 internal audit we would need to receive with the 2019/20 books and records:

- A copy of the completed 2018/19 Notice of Public Rights and Publication of the Unaudited Annual Governance and Accountability Review

- A dated photograph showing the first day of the Notice of Public Rights on the noticeboard and/or a dated computer screenshot showing the first date of the Notice of Public Rights on the website for 2018/19

Our approach to this new requirement will be to conclude NO if we have not received the above evidence and explain on the AGAR that we received insufficient evidence to be able to conclude YES; we would also conclude NO if the dates advertised were not compliant with the Regulations.

This will be a new ongoing requirement for internal audit, as well as verifying whether certain smaller councils meet the exemption criteria from an external audit. Therefore, for the 2019/20 internal audits there will be additional time charged at a fixed fee of £9 + VAT per local council to complete the new requirements.

2017/18 internal audit

1	The year end accounts were incorrect as prepayments had been included within cash and bank balances and an extended trial balance was not available to substantiate the balance sheet items. The appropriate amendments were provided to the	*Cash and bank reconciliations should not include prepayments. The cash and bank figure on the draft annual return should be amended* *An extended trial balance should be produced at each year end.*	Implemented Recommendation Outstanding

	ISSUE	RECOMMENDATION	FOLLOW UP
	RFO.		
2	In a number of instances, the Walled Garden outreach income was not supported by invoices. The invoices that were issued were not sequentially numbered. The income is paid by both cheque and cash.	*Internal controls over walled garden outreach income need to be improved to ensure all income from this source is collected and completely and accurately recorded in the cash book.* *Every session should be logged in a bookings list and invoiced using a sequential invoice number and this unique reference number should be recorded with the transaction in the cash book.*	2018/19 follow up - Implemented – a complete and separate excel cashbook is now maintained that contains references to invoices/vouchers. NB See 2019/20 issues
3	Data Protection Law changed significantly on May 25th 2018 due to the 2016 EU Directive General Data Protection Regulation (GDPR) taking effect. GDPR replaces the 1998 Data Protection Act and it will impose new obligations on Data Controllers and Data Processors and provides enhanced rights for individuals. Compliance with GDPR could have resource implications for local councils.	*The impact of GDPR on the council should be identified through review of ICO and NALC guidance and the Data Protection policy, risk assessment and internal controls should be updated accordingly.*	Ongoing implementation

	ISSUE	RECOMMENDATION	FOLLOW UP
2016/17 audit issues			
1	The accounts required adjustment due to the following errors: - Café income recorded gross of VAT in annual return - Prepayment debtors incorrectly included in the bank reconciliation - VAT debtor did not reflect balance on VAT control account - Expense claims incorrectly included in payroll cost in the annual return	*An updated extended trial balance has been provided to the clerk detailing the adjustments.*	Implemented
2	Although staff are formally appointed by letter they do not have signed contracts of employment that contain a comprehensive set of terms and conditions	*The council should secure NALC model contracts of employment and establish signed contracts with all staff*	Implemented
3	The Countrywide grounds maintenance was last tendered in 2008 and the annual contract value is above the threshold for tendering in the Financial Regulations	*The council should periodically retender contracts that are in excess of the threshold in Financial Regulations to ensure value for money is being delivered*	Noted
4	Financial Regulations do not stipulate controls to prevent supplier fraud. For instance, internal controls required to	*Model Financial regulation are available from NALC which reflect best practice requirements for online*	Implemented

	ISSUE	RECOMMENDATION	FOLLOW UP
	verify new supplier bank details or a change in current supplier bank details.	*payments and access controls and verifying supplier bank details. The council should review these, align them to council requirements, and adopt updated Financial Regulations.*	
5	A payment of £13830 made to Road Maintenance Services Ltd (ref 47/10) was not supported by a VAT invoice	*VAT invoices should be secured for all supplies of goods and services as evidence to support the VAT reclaimed*	Implemented