

INTERNAL AUDIT REPORT 2020/21  
GRAPPENHALL and THELWALL PARISH COUNCIL

The internal audit of Grappenhall and Thelwall Parish Council was carried out by undertaking the following tests as specified in the AGAR 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**

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	<b>ISSUE</b>	<b>RECOMMENDATION</b>	<b>FOLLOW UP</b>
1	<p>Internal control objective (Objective M) in the AGAR internal audit certificate requires internal audit to conclude whether the Public Rights Notice during the previous Summer (2019/20 financial year) was compliant with the Regulations.</p> <p>The public notice announcement date is not recorded on the notice, and the incorrect notice form has been used for publication on the council website.</p>	<p><i>The council should ensure compliance with the legal requirements for the Annual Notice of Public Rights.</i></p>	<p>Was not displayed due to Covid19 and working from home with limited IT solutions – This will be completed for this year. (Done)</p>
2	<p>The change 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 did not disclose that £24000 related to a sale of an investment.</p>	<p><i>The year end fixed asset register should show the base cost of investments as at the end of the financial year.</i></p> <p><i>The council should ensure sale proceeds of investments are disclosed correctly in income.</i></p> <p><i>The adjustments required have been provided to the clerk.</i></p>	<p>Awaiting Arnold Standby to confirm sale of investment for £24000.00. The £118,000 was not all interest as first indicated</p>
3	<p>The staff costs disclosure in the draft AGAR accounts included staff expenses.</p>	<p><i>The AGAR accounts should be amended to transfer staff expenses that are not benefits in kind to 'Other payments' from 'Staff Costs'</i></p>	<p>Implemented (This has been rectified and costs moved)</p>

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4	<p>Member authorisations:</p> <ul style="list-style-type: none"> <li>- Only one member signed the bank payment header sheet to authorise voucher reference 33/10.</li> <li>- From September 2020 onwards the monthly payroll payments (bank transfer header sheet) were only authorised by one member</li> </ul>	<p><i>Authorisation of BACS/internet banking and Debit Card payments should show equivalence with the authorisation procedures for cheques, so two members should certify all these payments.</i></p> <p><i>Payroll bank payment sheets should be signed as authorised by two members</i></p>	<p>Implemented</p>
5	<p>There is no evidence that members reviewed petty cash expenditure for the year.</p>	<p><i>Petty cash expenditure should be reported to council.</i></p>	<p>A new Petty Cash Ledger has been introduced for the Walled Gardens and Parish Council Office.</p>
6	<p>There is no statement of earmarked reserves approved by the council as at March 31<sup>st</sup> 2021</p>	<p><i>A statement of earmarked reserves should be approved annually by the council</i></p>	<p>Rectified and implemented</p>
7	<p>Fixed assets</p> <p>There was no reconciliation between 2019/20 and 2020/21 to show the movement in fixed assets in terms of additions, disposals and write offs.</p>	<p><i>The movement in fixed asset values between financial years should be clearly disclosed in the asset register</i></p>	<p>A new Fixed Asset Register to be introduced and current recording not adequate for PC needs.</p>

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<b>2019/20 internal audit</b>			
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.	<i>The petty cash vouchers, authorisations and analysis should be made available for the 2020/21 internal audit</i>	Implemented
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.	<p><i>The year end fixed asset register should show the base cost of investments as at the end of the financial year.</i></p> <p><i>The council should ensure investment purchases are included in expenditure and sale proceeds of investments are included in income.</i></p> <p><i>The adjustments required have been provided to the clerk.</i></p>	See 2020/21 issues
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.	<i>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.</i>	Recommendation Outstanding – if not required then Financial regulations should be amended to reflect this
4	The Financial Regulations state the following:	<i>The council should consider periodically market testing material</i>	Noted

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	<p>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'</p> <p>The grounds maintenance was last tendered/quoted for in 2008.</p>	<p><i>contracts in accordance with the Financial Regulations to ensure value for money is being delivered.</i></p>	
5	<p>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.</p>	<p><i>Out of date unpresented items in the year end bank reconciliation should be written off.</i></p>	Implemented
6	<p>Due to the pandemic lockdown the walled garden outreach income files were not available for internal audit in order to test internal controls.</p>	<p><i>The income files should be made available for the 2020/21 internal audit.</i></p>	Implemented
7	<p>The Financial Regulations authorise the use of a debit card but no transaction limit is established.</p>	<p><i>The Financial Regulations should be updated to include a reasonable transaction limit for the Debit Card.</i></p>	Implemented

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<b>2018/19 internal audit</b>			
1	<p>Investments</p> <p>The base cost of investments has increased but this has not been disclosed in the investments figure for fixed assets.</p> <p>The income included in the accounts for investments is net of purchases of investments.</p>	<p><i>The year end fixed asset register should show the base cost of investments as at the end of the financial year.</i></p> <p><i>The council should ensure investment purchases are included in expenditure and sale proceeds of investments are included in income.</i></p> <p><i>The adjustments required have been provided to the clerk.</i></p>	Recommendation Outstanding
2	<p>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.</p>	<p><i>The adjustments required by external audit should be implemented.</i></p>	Implemented
3	<p>Currently only one member signs to authorise BACS and Debit Card payments (the clerk is the other signatory).</p>	<p><i>Authorisation of BACS and Debit Card payments should show equivalence with the authorisation procedures for cheques, so two members should certify these payments.</i></p>	Implemented

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4	Petty cash expenditure is not reviewed and approved by the chair as complete and accurate.	<i>The chair should review petty cash quarterly and approve the expenditure by signing the petty cash analysis.</i>	See 2019/20 issues
<p><b>IMPORTANT GUIDANCE NOTE</b></p> <p><b>INTERNAL AUDIT CERTIFICATE in the AGAR</b></p> <p>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 <b>previous Summer</b> 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:</p> <ul style="list-style-type: none"> <li>- A copy of the completed 2018/19 Notice of Public Rights and Publication of the Unaudited Annual Governance and Accountability Review</li> <li>- 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</li> </ul> <p>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.</p> <p>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.</p>			
<b>2017/18 internal audit</b>			
1	The year end accounts were incorrect as prepayments had been included within cash and bank balances and an extended trial balance was not	<i>Cash and bank reconciliations should not include prepayments. The cash and bank figure on the draft annual return should be amended</i>	Implemented

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	available to substantiate the balance sheet items. The appropriate amendments were provided to the RFO.	<i>An extended trial balance should be produced at each year end.</i>	Recommendation Outstanding
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.	<p><i>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.</i></p> <p><i>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.</i></p>	<p>2018/19 follow up - Implemented – a complete and separate excel cashbook is now maintained that contains references to invoices/vouchers.</p> <p>NB See 2019/20 issues</p>
3	Data Protection Law changed significantly on May 25 <sup>th</sup> 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.	<i>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.</i>	Ongoing implementation