



Grappenhall and Thelwall Parish Council

Internal Audit Report 2022/23

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 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

The interim internal audit provides evidence to support the annual 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, 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 Limited

	ISSUE	RECOMMENDATION	FOLLOW UP
2022/23 year end internal audit			
1	<p>Investments</p> <p>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:</p> <ul style="list-style-type: none"> - £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 amounts of £101,754 actual investment income and £616,627 sales of investments should have been recorded. 	<p><i>RECURRING RECOMMENDATION</i></p> <p><i>The council must ensure investment sales and purchases are correctly accounted for in the year end accounts</i></p> <p><i>The adjustments required have been provided to the clerk.</i></p>	

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2	<p>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.</p>	<p><i>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.</i></p>	
3	<p>Publication Requirements: The Notice of Conclusion of Audit and Audit Certificate were not published by the deadline of September 30th 2022.</p> <p>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 audit had not been completed by that date.</p>	<p><i>No recommendation as the council could not comply with the 30 September deadline as the external audit had not been completed by that date.</i></p>	
4	<p>Debtors were incorrectly posted as Creditors in the year end extended trial balance.</p>	<p><i>The extended trial balance should always journal Debtors as a Debit to the Balance Sheet.</i></p>	

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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.	
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.	<i>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.</i>	
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.	<i>All transactions should be posted to the cashbook prior to completing the year end bank reconciliation.</i>	
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.	<i>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.</i>	
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	<i>The risk assessment should be updated to include supplier fraud including the adequacy of supplier onboarding controls.</i>	

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	<p>actions include:</p> <ul style="list-style-type: none"> - 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 fraudulent payments. - checking address and financial health details with Companies House - checking samples of online payments to supplier invoices to 		

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	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.	<i>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.</i>	
2	There is no current expenses policy in place covering officers and members.	<i>The council should consider adopting an expenses policy that covers both officers and members.</i>	
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.	<i>All fees and charges should be reviewed annually by full council as required by the Financial Regulations.</i>	
4	Feedback to our interim internal audit questionnaire item regarding Public Contract Regulations indicate no officers had received training in the requirements.	<i>The council need to ensure staff involved in procurement are aware of 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</i>	

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		<i>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).</i>	
5	A review of policies identified that a policy for gifts and hospitality has not been adopted by council.	<i>The council should establish a gifts and hospitality policy covering both members and officers.</i>	
2021/22 year end internal audit			
1	Investments The income included in the accounts for investments of £65688 is net of purchases of investments. Therefore, investment income and expenditure on purchases of investments are both understated by £28145.	<i>The council should ensure investment purchases are included in expenditure and walled garden investment income is grossed up to reflect the actual gross income received from interest and dividends BEFORE purchase of investments.</i> <i>The adjustments required have been provided to the clerk.</i>	Recommendation Outstanding – see 2022/23 year end internal audit
2021/22 interim internal audit			
1	The Financial Regulations contain no minimum threshold in the	<i>The council should align the latest NALC model Financial Regulations to</i>	Implemented

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	<p>procurement section for securing quotations for market testing exercises.</p> <p>The Financial Regulations do not include a minimum threshold for capitalisation for fixed assets with the result that very minor capital expenditure is all being included in the fixed asset register.</p>	<p><i>the councils scope and activity ad include a threshold for capitalisation the asset register in the fixed assets section.</i></p>	
2	<p>As at the date of the interim internal audit visit no petty cash expenditure had been reported to council for approval.</p>	<p><i>Petty cash expenditure should be regularly report to council for approval.</i></p>	Implemented
3	<p>The council has not undertaken a detailed review of the monthly payroll by agreeing a sample of payments to underlying information such as timesheets, expense claims, payslips, and overtime forms. Therefore, as at the date of the interim audit there had been no detailed member review of the payroll for the financial year.</p>	<p><i>Nominated councillors should each quarter select a payroll month and agree the staff payments to the underlying employee information. This review should be evidenced by a dated signature.</i></p>	Implemented
4	<p>In a significant number of cases, the Walled Garden outreach income was not supported by sequential invoices. The income is usually paid by both cheque and cash.</p>	<p><i>Internal controls over walled garden outreach income need to be improved to ensure every session is logged in a bookings list and invoiced using a sequential invoice number and this</i></p>	Current invoicing systems to be superseded by integrated SCRIBE invoicing system in 2023/24.

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		<i>unique reference number should be recorded with the transaction in the cash book.</i>	
2020/21 internal audit			
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>	2021/22 follow up - Implemented
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>Implemented</p> <p>N/A for 2021/22 as no investments were sold.</p>

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3	The staff costs disclosure in the draft AGAR accounts included staff expenses.	<i>The AGAR accounts should be amended to transfer staff expenses that are not benefits in kind to 'Other payments' from 'Staff Costs'</i>	Implemented
4	Member authorisations: <ul style="list-style-type: none"> - Only one member signed the bank payment header sheet to authorise voucher reference 33/10. - From September 2020 onwards the monthly payroll payments (bank transfer header sheet) were only authorised by one member 	<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> <i>Payroll bank payment sheets should be signed as authorised by two members</i>	Implemented
5	There is no evidence that members reviewed petty cash expenditure for the year.	<i>Petty cash expenditure should be reported to council.</i>	2022/23 follow up – implemented Recommendation Outstanding – see 2021/22 issue
6	There is no statement of earmarked reserves approved by the council as at March 31 st 2021.	<i>A statement of earmarked reserves should be approved annually by the council</i>	2022/23 follow up - implemented 2021/22 follow up Recommendation Outstanding

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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>Implemented – fixed asset register format - purchase dates in fixed asset register now included for all relevant assets</p>
2019/20 internal audit			
1	<p>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.</p>	<p><i>The petty cash vouchers, authorisations and analysis should be made available for the 2020/21 internal audit.</i></p>	<p>Implemented</p>
2	<p>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>	<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>	<p>See 2020/21 issues</p>
3	<p>The council uses model Financial Regulations (FRs) which refer in</p>	<p><i>If the Purchase Order section of the model FRs is an accepted requirement</i></p>	<p>2022/23 follow up – Financial Regulations updated to reflect actual</p>

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	section 10.) to a Purchase Order (PO) system. However, no PO system is currently in place.	<i>by council, then the council should establish a sequential Purchase Order system.</i>	ordering protocols in place at the council 2021/22 follow up - Recommendation Outstanding – if not required then Financial Regulations should be amended to reflect this
4	<p>The Financial Regulations (FRs) state the following:</p> <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>	<i>The council should consider periodically market testing material contracts in accordance with the Financial Regulations to ensure value for money is being delivered.</i>	2022/23 follow up – detailed grounds maintenance specification has been established with a view to securing quotations for a market testing exercise. 2021/22 follow up - Recommendation Outstanding
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.	<i>Out of date unpresented items in the year end bank reconciliation should be written off.</i>	Implemented

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6	Due to the pandemic lockdown the walled garden outreach income files were not available for internal audit in order to test internal controls.	<i>The income files should be made available for the 2020/21 internal audit.</i>	Implemented
7	The Financial Regulations authorise the use of a debit card but no transaction limit is established.	<i>The Financial Regulations should be updated to include a reasonable transaction limit for the Debit Card.</i>	Implemented
2018/19 internal audit			
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>	<p>Implemented</p> <p>Recommendation Outstanding – see 2021/22 year end issue</p>
2	The external auditor had requested in 2017/18 that the disclosure of precept and other income in the AGAR annual	<i>The adjustments required by external audit should be implemented.</i>	Implemented

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	return is adjusted for council tax support grant. The 2018/19 draft AGAR annual return did not include these adjustments.		
3	Currently only one member signs to authorise BACS and Debit Card payments (the clerk is the other signatory).	<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>	Implemented
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