JDH Business Services Ltd

**Capenhurst and Ledsham Parish Council**

Internal Audit 2024/25

The internal audit of Capenhurst and Ledhsam 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
* Reviewing 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
* Reviewing public notice and publication requirements

**Conclusion**

On the basis of internal audit work carried out, which was limited to the tests 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 which should be implemented. As part of the internal audit work for the next financial year we will follow up all recommendations included in this action plan.

**JDH Business Services Limited**

|  | **ISSUE** | **RECOMMENDATION** | **FOLLOW UP** |
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| **2024/25 internal audit** | | | |
| 1 | The year end general reserves of £8,498 exceeds the 2025/26 precept of £5,500.  although earmarked reserves are noted in the November 2024 minutes. | *The council should annually, as part of the precept process, review reserves including setting aside amounts earmarked for future projects/schemes. The council should annually disclose the level of reserves that are earmarked.* |  |
| 2 | Internal control objective N in the AGAR internal audit certificate requires us to conclude whether the authority has complied with the publication requirements below for the 2023/24 AGAR and Internal control objective K requires a correct signed and published declaration of exemption.  Internal control objective L in the AGAR internal audit certificate requires us to conclude whether the authority publishes information on a website/webpage, up to date at the time of the internal audit, in accordance with the Transparency code for smaller authorities.  Publication Requirements  Smaller authorities **must** publish various documents on a publicly available website as required by the Accounts and Audit Regulations 2015, the Local Audit (Smaller Authorities) Regulations 2015 and the Transparency Code for Smaller Authorities. These include:   * Certificate of Exemption * Annual Internal Audit Report * Section 1 – Annual Governance Statement * Section 2 – Accounting StatementsAnalysis of variances * Bank reconciliation * Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.   We could not identify all of the above list on the website and the exemption certificate link actually lead to a notice of electors rights. In addition, the exemption certificate in the published AGAR is not signed by the Chair nor the RFO. Therefore, we have concluded the council did not comply for 2023/24 with the:   * Publication requirements for smaller authorities * Transparency Code for smaller authorities * Publishing requirement for a correct signed and dated exemption certificate | *The council must comply with the publication requirements of the Accounts and Audit Regulations 2015, the Local Audit (Smaller Authorities) Regulations 2015 and the Transparency Code for Smaller Authorities.* |  |
| **2023/24 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 2021/22 accounts as the announcement date is the same as the start date for the public notice. | *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.* | **Implemented** |
| 2 | The 2023/24 minutes did not evidence that the council reviewed and approved the annual risk assessment. | *The risk assessment must be reviewed and approved annually by the council and this must be recorded in the council minutes.* | **Implemented** |
| 3 | Internal control objective N in the AGAR internal audit certificate requires us to conclude whether the authority has complied with the publication requirements below for the 2022/23 AGAR.  Internal control objective L in the AGAR internal audit certificate requires us to conclude whether the authority publishes information on a website/webpage, up to date at the time of the internal audit, in accordance with the Transparency code for smaller authorities.  Publication Requirements  Smaller authorities **must** publish various documents on a publicly available website as required by the Accounts and Audit Regulations 2015, the Local Audit (Smaller Authorities) Regulations 2015 and the Transparency Code for Smaller Authorities. These include:   * Certificate of Exemption * Annual Internal Audit Report * Section 1 – Annual Governance Statement * Section 2 – Accounting StatementsAnalysis of variances * Bank reconciliation * Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.   We could not identify the analysis of variances and a balanced bank reconciliation from the above list on the website.  Therefore, we have concluded the council did not comply for 2022/23 with the:   * Publication requirements for smaller authorities * Transparency Code for smaller authorities . | *The council must comply with the publication requirements of the Accounts and Audit Regulations 2015, the Local Audit (Smaller Authorities) Regulations 2015 and the Transparency Code for Smaller Authorities.* | **Recommendation Outstanding** |
| **2022/23 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 2021/22 accounts as the public notice was not published on the council website. | *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.* | **Implemented** |
| 2 | The AGAR accounts page has been completed incorrectly so it does not add up correctly:   * The 2021/22 opening balance figure should be £8238 not £8535 * The 2022/23 opening balance figure should be £8535 not £6819 | *The council should amend the AGAR as noted and ensure the correct addition of 2022/23 figures is included in Box 7 of the AGAR accounts.* | **Implemented** |
| 3 | The Bank Reconciliation provided for internal audit and copied below was incorrect and did not balance:  BANK RECONCILIATION @ March 31st 2023      Balances b/f 8534.91    Receipts 7343.86    Payments 8552.87    Balances c/f 7325.90      Balance per bank statements: 6818.90 | *The council must carry out a complete and accurate year end bank reconciliation to support the figures in the AGAR accounts.*  *The correct bank reconciliation is a s follows:*  *BANK RECONCILIATION @ March 31st 2023*    *Balances b/f 8534.91*    *Receipts 7343.86*    *Payments 9,059.87*    *Balances c/f 6818.90*      *Balance per bank statements: 6818.90* | **Implemented** |
| 4 | The staff costs disclosure in the Annual Return accounts includes the payroll agency fees of £120 . Only actual payroll costs should be included in staff costs as specified in the following Annual Return guidance *‘Staff costs should include expenditure or payments made to and on behalf of all employees. Include salaries and wages, taxable allowances, PAYE and NI (employees and employers), pension contributions and termination costs. Exclude reimbursement of out-of-pocket expenses.*’ | *Staff costs in the Annual Return should not include payroll agents fees.* | **Implemented** |