



Capenhurst and Ledsham Parish Council

Internal Audit 2021/22

JDH BUSINESS SERVICES LTD

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

INTERNAL AUDIT REPORT

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)
- Year end testing on the accuracy and completeness of the 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 not in place**, adequate for the purpose intended and effective. The recommendations reported in the action plan overleaf must be implemented promptly. 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
1	A total of £1148.92 of parish plan funds transferred from the council Nationwide account to the council current account have been incorrectly accounted for as 2021/22 income. The amount should have been adjusted in the AGAR in the 2020/21 comparatives as actual brought forward and carried forward bank funds and added to cash and investments figure in 2020/21. The word 'restated' should have then been recorded next to the 2020/21 comparative figures in the 2021/22 AGAR accounts.	<i>The 2021/22 AGAR and 2021/22 accounts should be amended as noted.</i>	Final 2021/22 AGAR amended by council
2	The value of fixed assets disclosed in the 2021/22 AGAR is £nil, however, an asset register with a list of fixed assets and costs was provided for internal audit.	<i>The total value of the fixed asset register must be disclosed in the fixed assets box in the AGAR</i>	Final 2021/22 AGAR amended by council
3	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 (2020/21 financial year) was compliant with the Regulations. The public notice document was not provided for internal audit and no evidence was provided to demonstrate the form was published in accordance with requirements. Therefore, we have concluded the council	<i>The council must comply with the legal requirements for the Annual Notice of Public Rights.</i>	

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	ISSUE	RECOMMENDATION	FOLLOW UP
	did not comply with the requirements for the Public Rights Notice for 2020/21		
4	Publication Requirements Although the council has published on its website the 2020/21 bank reconciliation, the 2020/21 AGAR, a statement of variances and the annual audit exemption form, it is extremely difficult for a resident to locate as it does not appear under the 'transparency' heading in the website. We only managed to locate it by searching for 'Financial Regulations' which then appears to produce an actual Transparency listing of documents that is not available on the front page of the website.	<i>The council need to improve the accessibility of the website for transparency, financial and governance information as it is currently very difficult to locate this information.</i>	
5	The 2021/22 minutes did not evidence that the council reviewed and approved the annual risk assessment.	<i>The risk assessment must be reviewed and approved annually by the council and this must be recorded in the council minutes.</i>	
6	Payments Testing <ul style="list-style-type: none"> - Only bank transaction payment confirmations were provided to support payments, therefore, no invoices were provided to substantiate any of the expenditure in the year. 	<i>Invoices must be secured and retained for all expenditure and provided for the internal audit.</i>	

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	ISSUE	RECOMMENDATION	FOLLOW UP
	- No approved supplier payments in the minutes record the amount of the payment.	<i>The amount of each payment approved should be recorded in the minutes.</i>	
7	The level of general reserves at the year end is 388% of the precept. Sector guidance is that general reserves should be between 25% and 100% months of the precept.	<i>The council should establish a reasonable level of general reserves with reference to the sector guidance. If reserves are to be earmarked for specific medium term schemes or projects then these should be approved by council.</i>	
8	<p>No budgetary control information was presented to council during the financial year. This is in breach of the Financial Regulations which require that:</p> <p>‘The RFO shall regularly provide the Council with a statement of receipts and payments to date under each head of the budgets, comparing actual expenditure to the appropriate date against that planned as shown in the budget. These statements are to be prepared at least at the end of each financial quarter.’</p>	<i>Regular budgetary control information from the financial ledger must be provided to the council.</i>	
9	The minutes prior to September 2021 were not fit for purpose as resolutions were not recorded and the minutes were not sequentially numbered.	<i>Complete, accurate and sequential minutes should be maintained with clear resolutions recorded.</i>	
10	January 2022 minutes state : ‘.....It was agreed that the clerks wage was to be paid	<i>The clerk is an officer of the council and cannot be paid gross. The council need to</i>	

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	ISSUE	RECOMMENDATION	FOLLOW UP
	gross until a company can be found to do the paperwork,.	<i>secure the services of a payroll agency to administer the payroll and ensure the year end returns for 2021/22 are submitted to HMRC as well as any outstanding RTI submissions.</i>	

2020/21 internal audit

	ISSUE	RECOMMENDATION	FOLLOW UP
AGAR internal control objective A – Appropriate Accounting Records kept throughout financial year			
1	No ongoing cashbook was maintained during 2020/21, therefore, there was no complete and accurate record of the council transactions available for council during the financial year including ongoing bank reconciliations. This is a breach of the requirements of Regulation 4 of the Accounts and Audit Regulations 2015.	<i>The council must comply with Regulation 4 of the Accounts and Audit Regulations 2015 and implement effective procedures to completely, accurately and promptly record all financial transactions, and maintain up to date accounting records throughout the financial year.</i>	Implemented
AGAR internal control objective B – Compliance with Financial Regulations, payments supported by invoices, all expenditure approved and VAT appropriately accounted for			

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	ISSUE	RECOMMENDATION	FOLLOW UP
2	Not all transactions during the year were approved by council in the minutes. In addition, some transactions were not supported by an invoice/voucher.	<i>All payments should be approved in the minutes by council and supporting documentation must be retained for all transactions.</i>	See 2021/22 issues
3	There was no record of the previous detailed VAT 126 reclaim. Therefore, it is not currently possible to identify the starting date for the next VAT reclaim to be submitted. As noted above not all invoices had been retained to support payments made and therefore the VAT cannot be reclaimed on those items of expenditure for which no invoice is held.	<p><i>The council should contact HMRC to secure a copy of the last VAT 126 reclaim made to ensure VAT reclaim time periods do not overlap.</i></p> <p><i>VAT should only be reclaimed for the standard rated expenditure for which the council has retained a VAT invoice.</i></p>	A VAT claim for four years to March 2022 has been prepared.
AGAR internal control objective C – Adequate Risk Assessment			
4	A comprehensive risk assessment was not reviewed updated and approved in the financial year.	<i>A comprehensive risk assessment should be established and then reviewed, updated and approved each financial year.</i>	Recommendation Outstanding
AGAR internal control objective D – Precept request resulted from adequate budgetary process, regular budgetary control and appropriate levels of reserves held			
5	No budget was provided to support the precept request to the principal council. In addition, the March 2 nd 2021 minutes do not properly record the precept request as they simply state for the ‘council tax’	<i>A detailed budget should be set to support the precept request, including brought forward and carried forward reserves. The amount of precept the council resolves to request should be stated as a monetary amount in the council minutes.</i>	See 21/22 issues re budgetary control also

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	ISSUE	RECOMMENDATION	FOLLOW UP
	heading that '2021/22 has been agreed. Overall a 4.99% increase.'		
6	<p>No budgetary control information was presented to council during the financial year. This is in breach of the Financial Regulations which require that:</p> <p>'The RFO shall regularly provide the Council with a statement of receipts and payments to date under each head of the budgets, comparing actual expenditure to the appropriate date against that planned as shown in the budget. These statements are to be prepared at least at the end of each financial quarter.'</p>	<i>Regular budgetary control information from the financial ledger must be provided to the council.</i>	See 21/22 issues
AGAR internal control objective E – Expected income fully received, correctly priced, recorded and promptly banked and VAT accounted for			
	See above issues with respect to the precept request and the absence of a VAT reclaim form.		Vat reclaim has been compiled as per issue 3.) above follow up
AGAR internal control objective F - Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.			
	Not applicable – no petty cash system in place at the council		
AGAR internal control objective G – Wages and salaries and members allowances paid in accordance with council approvals, and PAYE and NIC requirements properly applied			

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	ISSUE	RECOMMENDATION	FOLLOW UP
7	Not all payroll payments were approved in the council minutes.	<i>All payroll payments should be approved in the council minutes</i>	Recommendation Outstanding
8	Limited information from the payroll agent was available to substantiate the payroll payments in the year including amounts due to HMRC. No year end payroll forms were provided so we are unable to conclude whether the council complied with all monthly and year end HMRC payroll requirements.	<p><i>The council should contact the previous payroll agent and secure all the payroll documentation relating to 2020/21 to ensure PAYE and NIC requirements were properly applied and that all monthly and year end forms were submitted to HMRC as required.</i></p> <p><i>In future, all payroll documentation should be retained by the council.</i></p>	Previous p60 provided with 2021/22 books and records
AGAR internal control objective H – Asset and investment registers complete and accurate and properly maintained			
9	No fixed asset register was provided for internal audit. Therefore we have not been provided with any evidence as to whether the council historically owned any fixed assets.	<i>The council should carry out a review to determine whether any fixed assets are owned and if so these should be included in a fixed asset register and reported in the AGAR accounts.</i>	See 2021/22 issues
AGAR internal control objective I – Periodic and year end bank reconciliations were properly carried out			
10	No bank reconciliations for any bank accounts were completed and reported to councillors during the financial year.	<i>The council must ensure that complete and accurate bank reconciliations for all bank</i>	Implemented

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	ISSUE	RECOMMENDATION	FOLLOW UP
		<i>accounts are carried out regularly and reported to council.</i>	
11	The council have confirmed that there were monies held in a Nationwide Building Society account. However, these balances were not included in the accounts provided to us for the prior financial year 2019/20 and no Nationwide account statement has been provided to verify any balances. The council are currently investigating this issue with the Nationwide building society.	<i>The council should keep us informed as the internal auditor of the results of the investigation into the Nationwide building society monies and ensure the accounts are amended to reflect the outcome of this investigation into the balances held at the building society.</i>	Implemented – the balance in the Nationwide BS account was transferred Feb 17th 2022.
AGAR internal control objective J – Accounting statements were prepared on correct accounting basis, agreed to cash book, and were supported by an adequate audit trail			
12	The council did not maintain a cashbook for the financial year and therefore no accounts had been prepared or summary accounts to include in the AGAR annual return for publishing on the council website.	<i>The council must complete annual accounts and publish these in summary form in the AGAR annual return on the council website</i>	Implemented
AGAR internal control objectives K and L			
K. If the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt.			

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	L. 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. Not applicable as gross income/expenditure exceeded £25000.		
13	No evidence was provided for objectives K. and L. above and as at the date of the internal audit the council did not have a functional website.	<i>The council must comply with the requirements of the AGAR annual return including submitting an exemption certificate to external audit on a timely basis and publishing all requirements as per the transparency code for smaller authorities.</i>	Recommendation Outstanding
AGAR internal control objective M - The authority, during the previous year (2019-20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations			
14	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. No evidence was provided to us that the council had complied with this requirement and the council website was not functional as at the date of the internal audit.	<i>The council must ensure the Annual Notice of Public Rights is published on the council website in accordance with the Regulations.</i>	Recommendation Outstanding
AGAR internal control objective N - The authority has complied with the publication requirements for the previous year's 2019/20 AGAR			

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15	Publication Requirements There is no evidence due to the lack of a council website that any of the website publications for 2019/20 were complied with.	<i>We have concluded in the AGAR internal audit certificate that the council did not comply with the publication requirements for the 2019/20 AGAR audit as required by the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. The council must comply with the publishing requirements as stipulated on page one of the AGAR.</i>	Recommendation Outstanding
AGAR internal control objective O – The council met its responsibilities as sole trustee			
Not applicable			