

**INTERNAL AUDIT REPORT
GREAT BUDWORTH PARISH COUNCIL
2020/21**

The internal audit of Great Budworth Parish Council was carried out by undertaking the following tests as specified on the 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

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

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	ISSUE	RECOMMENDATION	FOLLOW UP
1	<p>The council Financial Regulations require the following with respect to medium term financial planning :</p> <p><i>3.1. Each committee shall review its three year forecast of revenue and capital receipts and payments.</i></p> <p><i>3.3. The council shall consider annual budget proposals in relation to the council's three year forecast of revenue and capital receipts and payments</i></p> <p>However, there is currently no three year rolling revenue and capital financial plan in place.</p>	<p><i>The council should either establish a rolling three year financial plan for revenue and capital as required by the current Financial Regulations (FRs) or update FRs to reflect the current annual budget procedure.</i></p>	
2	<p>The risk assessment does not address the risks of supplier (procurement) fraud.</p>	<p><i>The risk assessment should be updated to include supplier (procurement) fraud including the adequacy of supplier onboarding controls.</i></p>	
2019/20 internal audit			
1	<p>Box 8 in the AGAR annual return is incorrect as unrepresented cheques of £576 have not been deducted from the bank balances. Box 8 should equal Box 7 which is £24482.</p>	<p><i>The AGAR annual return should be amended as noted.</i></p>	<p>Implemented</p>

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	ISSUE	RECOMMENDATION	FOLLOW UP
2	No VAT reclaim was received in financial year	<i>VAT should be reclaimed on a timely basis and at least annually</i>	Implemented
3	<p>The updated model Financial Regulations refer in section 10.) to a Purchase Order (PO) system (which would also clearly evidence the authority to spend). However, no PO system is currently in place.</p> <p>Section 4.) of the Financial Regulations (FRs) for Authority to Spend require a Chair and the Clerk to certify expenditure up to £500 and a duly delegated committee of the council for items over £500 and the council for items over £5000. However, it is not clear from our internal audit sample testing that the Authority to Spend requirements are applied to all expenditure.</p>	<i>If the Purchase Order section of the FRs is an accepted requirement by council, then the council should establish a sequential Purchase Order system as required by the updated model Financial Regulations and ensure Purchase Orders for expenditure up to £500 are signed by a Chair and clerk, and POs for expenditure in excess of £500 include the minute reference on the PO evidencing the committee/council authority to spend.</i>	Revised procedure implemented
4	No asset register equalling the amount disclosed in the AGAR annual return was provided for internal audit and for the second year in succession no deposit account bank statement was provided with the initial information for internal audit.	<i>Key records should be provided for the internal audit</i>	Recommendation outstanding as no up to date statement available for the deposit account.
5	The cashbook spreadsheet contains an internal difference between the payments analysis and the 1920 budget sheet of £232.20	<i>The cash book spreadsheet should be reviewed and the £232.20 difference resolved</i>	Implemented

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2018/19 internal audit			
1	An unrepresented cheque from 2017/18 has been incorrectly treated in the accounts. The brought forward balances have been adjusted by £41 so they now differ by this amount from the carried forward balances in 2017/18.	<i>The brought forward balances (box 1) for 2018/19 should be corrected to £9815 and the unrepresented cheques should be written back into the 2018/19 accounts by including it in the 'Other Income' Box.</i>	See 2019/20 issues
2	No evidence was provided for the Reserve Account balance of £2.13	<i>All year end bank statements should be provided for internal audit</i>	See 2019/20 issues
3	The minutes for 2018/19 do not record the council updating and approving the risk assessment document	<i>The Risk assessment should be reviewed, updated, and approved annually by council</i>	Implemented
4	The Pensions Regulator issued a fixed penalty notice of £400 against the council in 2018/19 due to non-compliance with auto enrolment requirements	<i>The council need to ensure the requirements for pensions auto enrolment are complied with</i>	Implemented
5	Fixed assets are recorded as £676850, an increase of £260417 over the 2017/18 value of £416433. However, no new assets were purchased in 2018/19 and no assets were disposed of. Therefore, the fixed assets figure in 2018.19 should be the same as the 2017/18 figure.	<i>The Practitioners' Guide requires that assets should be valued at purchase cost or an insurance proxy if that isn't known (that doesn't change over time), therefore, the only movement in fixed assets each year should be for additions and disposals and all additions</i>	Implemented

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		<i>should be at purchase price.</i>	
	<p>IMPORTANT GUIDANCE NOTE</p> <p>INTERNAL AUDIT CERTIFICATE in the AGAR</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 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:</p> <ul style="list-style-type: none"> - 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 <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>		
2017/18 internal audit			
1	The annual return shows the precept as £9678. This is incorrect as it includes the council tax support grant of £287.	<i>The annual return should be amended to show the following: Box 2 Precept £9391 Box 3 Total other receipts £3580</i>	Implemented

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2	Staff costs on the annual return includes council expenditure refunded to the clerk of £156.	<i>The annual return should be amended to show the following: Box 4 Staff costs £3569 Box 6 All other payments £7198</i>	Implemented
3	We have not seen a contract of employment for the Clerk.	<i>The Council must ensure that the Clerk has a contract of employment.</i>	Implemented
	<p>Guidance note 2018</p> <p>Data Protection Law will change significantly on May 25th 2018 due to the 2016 EU Directive General Data Protection Regulation (GDPR) taking effect.</p> <p>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.</p>	<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>	