

INTERNAL AUDIT REPORT
LOSTOCK GRALAM PARISH COUNCIL
2021/22

The internal audit of Lostock Gralam Parish Council was carried out by undertaking the following tests as specified in the AGAR Annual Return for Local Councils in England and Wales:

- 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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ACTION PLAN

	ISSUE	RECOMMENDATION	FOLLOW UP
1	<p>The AGAR accounts did not cast correctly to the total of £22536 included in the AGAR as the balance carried forward. The AGAR cast to £22211 resulting in an imbalance of £325.</p> <p>We reviewed the quarterly cash book receipts and payments and identified that the difference was because ‘other receipts’ are misstated in the AGAR. The council need to change the AGAR accounts and record £68103 instead of £67778 in the AGAR,</p>	<p><i>The AGAR should be amended as noted before submission to the external auditor.</i></p> <p><i>Year end procedures should require that the AGAR accounts are reconciled to the cashbook prime of record to ensure the AGAR accounts are disclosed correctly.</i></p>	
2	<p>The fixed asset register does not record for each asset how that asset is valued.</p>	<p><i>The fixed asset register should record against each asset the method of valuation eg.)cost.</i></p>	
2020/21 internal audit			
1	<p>The deposit account statement covering the year-end balance was not provided for internal audit. The latest statement available was January 4th, 2021.</p>	<p><i>Year end bank statements should be provided for all bank accounts to evidence the bank reconciliation.</i></p>	<p>Currently being implemented through online banking.</p>

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2	The risk assessment does not address the risks of supplier (procurement) fraud.	<i>The risk assessment should be updated to include supplier (procurement) fraud including the adequacy of supplier onboarding controls.</i>	Implemented
2019/20 internal audit			
1	Although an annual budget is set, and quarterly accounts are produced, minutes to not evidence the receipt and review of regular budgetary control information.	<i>Minutes should evidence that council receive and review regular reports of progress against budget.</i>	Implemented
2	<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 less than £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 between £500 and £5000 include the minute reference on the PO evidencing the committee authority to spend.</i>	Implemented

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3	<p>Sample testing of expenditure identified the following issues:</p> <ul style="list-style-type: none"> - The council received the supply of a public bench and picnic benches for £603 and £2000 respectively. However, although a VAT number as stated on the receipt, no VAT invoice has been provided and therefore the council has not reclaimed VAT. - Cheque 300598 is for the purchase of a Litter Bin. However, we could not locate the bin as an addition to the Fixed Asset Register 	<p><i>The council should ask Cheshire West and Chester why a VAT invoice has not been provided</i></p> <p><i>The council should add the Litter Bin to fixed assets if the item is owned by the council</i></p>	<p>No issues identified in 2020/21.</p> <p>Not applicable as bin had been vandalised and was written off.</p>
2018/19 internal audit			
1	<p>Council administration costs such as postage, telephone charges, a donation received for a training course, travel costs not in excess of 45p per mile, have all been included in Staff Costs in the AGAR accounts. Only payroll costs such as net pay, employers NI, employers pension contributions, and benefits in kind should</p>	<p>The Governance Guide for Smaller Councils states in section 2.15 that ‘...the staff costs cell includes all the costs incurred by the authority in relation to the employment of its staff. It includes employment expenses which are benefits (for example mileage and travel expenses).....’</p> <p>The Guide is clear in that the expense must be a Benefit (ie a Benefit in Kind) which is a disclosable item on a P11d. For instance, mileage expenses are a benefit that is disclosable on a P11d only to the extent that they are in excess of the</p>	Implemented

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	be included in Staff Costs.	<p>45p tax neutral rate permitted by HMRC. Therefore, only the mileage rate in excess of 45p per mile paid by a council is a disclosable benefit.</p> <p>The council should review the practice of disclosing administration costs in staff costs in the annual return as it is neither consistent with the Governance Guide or the treatment applied by the majority of other councils,</p>	