



Pontesbury Parish Council

Internal Audit 2022/23

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 Pontesbury 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

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 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. 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

ACTION PLAN

	ISSUE	RECOMMENDATION	FOLLOW UP
2022/23 year end internal audit			
1	<p>The council has disclosed that fidelity cover is currently £250,000, however, fidelity insurance for 2022/23 should have aimed to cover the maximum projected cash and bank balances which is estimated as the previous year end cash and bank balances of £228,419 plus the next precept instalment of £179,424, which is an estimated maximum projected balances of £407,843.</p> <p>Financial Regulations require the following:</p> <p><i>15.5. All appropriate members and employees of the council shall be included in a suitable form of security or fidelity guarantee insurance which shall cover the maximum risk exposure as determined [annually] by the council, or duly delegated committee.</i></p>	<p><i>As part of risk assessment procedures, the council should annually estimate maximum projected cash and bank balances as part of annual risk assessment and set the level of fidelity insurance accordingly as required by s15.5 of the Financial Regulations</i></p> <p><i>The council need to review the current level of fidelity insurance as it does not cover maximum projected cash and bank balances.</i></p>	

INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
2022/23 interim internal audit			
1	An office is being leased to the Police & Crime Commissioner, however, a signed lease has not been established yet.	<i>A signed lease must be in place before all leases commence.</i>	
2	Invoices are not issued for adverts and the supporting documentation for this form of income is the order form. For other forms of transactional income, the supporting documentation is uploaded to SCRIBE with the transaction to ensure there is a complete audit trail within the council accounting software.	<i>The order forms for all adverts should be uploaded to SCRIBE to be stored with the associated transactions as supporting documentation.</i>	
3	Sample testing of income identified that there is a discretionary rate applied to some hires, however, there is no formal delegated authority approved by council for room hire concessions. Financial Regulations require that all fees and charges should be reviewed annually by the council following a report by the clerk.	<i>All fees and hire charges should be approved annually by council as required by the Financial Regulation. This review should also include a concessions policy and associated delegations for authorising discounts for hire fees..</i>	

INTERNAL AUDIT REPORT

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2021/22 internal audit			
1	<p>Current rules require authorities where the gross receipts or payments for the year (whichever is the higher) has exceeded the threshold of £200,000 for a period of three continuous years, to report their financial details on an income and expenditure basis, from the third year onwards.</p> <p>2021/22 is the second year where this has occurred and the budgeted expenditure for 2022/23 is in excess of £200,000.</p>	<p><i>If receipts or payments exceeds £200,000 in 2022/23, the accounts should be prepared on an income and expenditure basis. The 2021/22 accounts should also be restated on the same basis.</i></p>	<p>Income and expenditure accounts are being implemented for 2022/23 with previous years being restated on a consistent basis. This is being carried out with support from SCRIBE, the accounting software provider.</p>
2	<p>The Council had newsletter advert receipts totalling £5149 in 2021/22 and are currently not registered for VAT.</p> <p><i>According to HMRC VAT Notice 749: Local authorities are required to register for VAT if they make any taxable supplies, whatever the value of those supplies is. But for ease of administration HMRC's practice is to only enforce this where it's anticipated that output tax will reach £1,000 a year.</i></p>	<p><i>The Council must continue to monitor the level of newsletter advert receipts and ensure they meet HMRC requirements.</i></p>	<p>Noted</p>

INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
2020/21 internal audit			
1	<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>	Implemented
2	<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>	Outstanding