

**INTERNAL AUDIT REPORT
HENBURY PARISH COUNCIL
2021/22**

The internal audit of Henbury Parish Council was 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
- 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.

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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| 1 | The fidelity insurance of £25000 does not cover maximum projected cash and bank balances as the year end balances plus the next precept instalment equates to circa £33,500. | <i>The council should review the adequacy of the level of fidelity cover as part of the annual risk assessment.</i> | |
| 2 | <p>Staff Costs</p> <ul style="list-style-type: none"> - Evidence that the employee has a signed contract of employment was not provided - Staff costs are not recorded in a separate column in the cashbook which would improve the audit trail. - The total staff costs we identified in the cashbook equated to £3,224. and the AGAR staff costs were disclosed as £3,269. Therefore, there is unreconciled difference of £45 between the AGAR and the cashbook staff costs. | <p><i>Evidence that there is a signed contract of employment in place should be provided for the 2022/23 internal audit</i></p> <p><i>Staff costs should be recorded in a separate column in the cash book so that the total can be easily agreed to the staff costs disclosed in the AGAR staff costs. The council should review the difference between staff costs in the cashbook and the amount disclosed in the AGAR and make adjustments if there is an error in disclosure.</i></p> | |
| 3 | The fixed assets addition of 4 x planters purchased in the financial year for £1040 has been incorrectly disclosed at a £1000 value in the asset register. | <i>The asset register should be adjusted to reflect the correct purchase price of the planters.</i> | |
| 4 | We were unable to evidence that the | <i>Information should be retained to evidence</i> | |

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| | <p>following online payments were authorised by two councillors:</p> <ul style="list-style-type: none"> - James Hassell 14/02/2022 £1,040.00 - Millennium Green Trust £1,000 14/03/2022 | <p><i>that payments are being authorised by two councillors.</i></p> | |
| 5 | <p>The council did not comply with Regulation 15 of the Account and Audit Regulations 2015 as it failed to make proper provision for the exercise of public rights in Summer 2021 for the 2020/21 accounts. The date of the notice was the same date as the date of commencement of the inspection period. The date of publishing the notice must be at least one day earlier than the date of commencement of the inspection period.</p> <p>In addition, we could not locate on the website that all items of expenditure above £100 had been published as required by the Transparency Code</p> | <p><i>The council must ensure that it makes proper provision for the exercise of public rights for every financial year.</i></p> <p><i>The council should ensure information is published annually in compliance with the Transparency Code.</i></p> | |
| 6 | <p>Recurring Issue - The minutes do not record the receipt and review of regular budgetary control information.</p> | <p><i>The minutes should record the review of regular budgetary control information by council</i></p> | |

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| 2020/21 internal audit | | | |
| 1 | <p>There was no published notice on the website for the exercise of public rights as required by the Audit and Accounts Regulations.</p> <p>No evidence was retained, such as a dated website screenshot, of the compliance with the publication requirements for the 2019/20 AGAR. The website also does not demonstrate compliance with the requirements of the Transparency Code.</p> | <p><i>The council must comply with the requirements for publishing the notice for the exercise of public rights, the publication requirements for the AGAR, and the Transparency Code. The internal audit certificate in the AGAR has been qualified accordingly</i></p> | |
| 2 | <p>The 2019/20 internal audit report contained a number of significant issues and recommendations. However, there is no evidence our report was presented to council and considered at a council meeting. In addition, review of the council website identified that the internal audit certificate published is not the certificate we issued in 2019/20.</p> | <p><i>The internal audit report is a report for council and must be presented to council to ensure the issues and recommendations are implemented. The only internal audit certificate that can be published on the council website is the certificate that we sign and provide to council, therefore, the current 2019/20 internal audit certificate published on the website must be removed and replaced by the actual certificate we provided.</i></p> | <p>Evidence that the report was put to council, min 21/45.</p> |
| 3 | <p>Recurring Issue - The minutes do not</p> | <p><i>The minutes should record the review of</i></p> | <p>Recommendation Outstanding</p> |

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| | record the receipt and review of regular budgetary control information. | <i>regular budgetary control information by council</i> | | | | | |
| 4 | Until the council meeting where the new clerk commenced their role, no individual cheques were listed in minutes to evidence approval, and there was no audit trail from the total payments approved in the minutes to a schedule of payments signed by the Chair. | <i>The council should continue to apply the new internal control implemented by the current clerk whereby individual cheques are listed as approved by council in the minutes.</i> | Implemented | | | | |
| 5 | 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> | Recommendation Outstanding | | | | |
| 2019/20 internal audit | | | | | | | |
| 1 | The bank reconciliation presented for internal audit was incorrect as it used the balance on the bank statement as at March 5 th , 2020 instead of the year end March 31 st balance. | <p><i>The year end balance as at March 31st should always be used for the year end bank reconciliation</i></p> <p><i>The year end bank reconciliation should be corrected to the following:</i></p> <p style="text-align: center;">£</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td>Cash Book</td> <td></td> </tr> <tr> <td>Balance b/f</td> <td style="text-align: right;">6031.08</td> </tr> </table> | Cash Book | | Balance b/f | 6031.08 | Implemented |
| Cash Book | | | | | | | |
| Balance b/f | 6031.08 | | | | | | |

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|---------------------------------|--|--|-----------|----------------|--------------|-----------------|-------------|----------------|--------------------------|--|-------------|--------|-------------|--|-------------|--|---------|----------------|--|----------------|---------------------------------|--|-----|---|-----|--------|-----|-------|-----|--------|-----|---------------|--|----------------|--|
| | | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Receipts</td> <td style="text-align: right;">14938.03</td> </tr> <tr> <td>Payments</td> <td style="text-align: right;"><u>15022.70</u></td> </tr> <tr> <td>Balance c/f</td> <td style="text-align: right;"><u>5946.41</u></td> </tr> <tr> <td colspan="2"> Bank Balances</td> </tr> <tr> <td>Current A/c</td> <td style="text-align: right;">7134.9</td> </tr> <tr> <td><u>Less</u></td> <td></td> </tr> <tr> <td>unpresented</td> <td></td> </tr> <tr> <td>cheques</td> <td style="text-align: right;"><u>1188.49</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>5946.41</u></td> </tr> <tr> <td colspan="2"> Unpresented cheques:</td> </tr> <tr> <td style="text-align: center;">No.</td> <td style="text-align: center;">£</td> </tr> <tr> <td style="text-align: center;">893</td> <td style="text-align: right;">334.01</td> </tr> <tr> <td style="text-align: center;">894</td> <td style="text-align: right;">32.00</td> </tr> <tr> <td style="text-align: center;">895</td> <td style="text-align: right;">722.48</td> </tr> <tr> <td style="text-align: center;">896</td> <td style="text-align: right;"><u>100.00</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>1188.49</u></td> </tr> </table> | Receipts | 14938.03 | Payments | <u>15022.70</u> | Balance c/f | <u>5946.41</u> | Bank Balances | | Current A/c | 7134.9 | <u>Less</u> | | unpresented | | cheques | <u>1188.49</u> | | <u>5946.41</u> | Unpresented cheques: | | No. | £ | 893 | 334.01 | 894 | 32.00 | 895 | 722.48 | 896 | <u>100.00</u> | | <u>1188.49</u> | |
| Receipts | 14938.03 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Payments | <u>15022.70</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Balance c/f | <u>5946.41</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Bank Balances | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Current A/c | 7134.9 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Less</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| unpresented | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| cheques | <u>1188.49</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <u>5946.41</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Unpresented cheques: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| No. | £ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 893 | 334.01 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 894 | 32.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 895 | 722.48 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 896 | <u>100.00</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <u>1188.49</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | <p>The accounts provided in the AGAR annual return were incorrect. Other receipts had actually been recorded as a negative value of -£3962 and the precept value had been overstated by £5000. No explanation was provided as to how Other Receipts of the council could possibly equate to minus £3962.</p> | <p><i>The AGAR accounts must agree to the cash book and year end bank reconciliation. The AGAR for 2019/20 should be amended to the following correct figures:</i></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;"><u>2019/20</u></td> </tr> <tr> <td>balances b/f</td> <td style="text-align: right;">6032</td> </tr> <tr> <td>precept</td> <td style="text-align: right;">13900</td> </tr> </table> | | <u>2019/20</u> | balances b/f | 6032 | precept | 13900 | Implemented | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <u>2019/20</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| balances b/f | 6032 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| precept | 13900 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| | | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">other receipts</td> <td style="text-align: right;">1038</td> </tr> <tr> <td>staff costs</td> <td style="text-align: right;">3598</td> </tr> <tr> <td>loan</td> <td style="text-align: right;">0</td> </tr> <tr> <td>other payments</td> <td style="text-align: right;">11425</td> </tr> <tr> <td>balances c/f</td> <td style="text-align: right;">5947</td> </tr> <tr> <td>cash & investments</td> <td style="text-align: right;">5947</td> </tr> </table> | other receipts | 1038 | staff costs | 3598 | loan | 0 | other payments | 11425 | balances c/f | 5947 | cash & investments | 5947 | |
| other receipts | 1038 | | | | | | | | | | | | | | |
| staff costs | 3598 | | | | | | | | | | | | | | |
| loan | 0 | | | | | | | | | | | | | | |
| other payments | 11425 | | | | | | | | | | | | | | |
| balances c/f | 5947 | | | | | | | | | | | | | | |
| cash & investments | 5947 | | | | | | | | | | | | | | |
| 3 | <p>Budgeting and budgetary control:</p> <ul style="list-style-type: none"> - The budget set for the financial year does not take into account of 'an amount that the council estimates will be appropriate to meet future estimated expenditure' (ie to hold in reserves). This is a requirement of the Local Government Finance Act 1992. - The minutes do not record the receipt and review of regular budgetary control information | <p><i>The annual budget to support the precept should take account of brought forward and carried forward reserves.</i></p> <p><i>The minutes should record the review of regular budgetary control information by council</i></p> | See 2020/21 issues | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | |

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| 2018/19 internal audit | | | |
| 1 | A cabinet is recorded as an addition to the fixed assets in the year at a value of £570. However, the invoice for the cabinet shows a cost net of VAT of £475. | <i>Council should review the additions to fixed assets and ensure the actual purchase cost, net of VAT, has been included.</i> | Noted |