

Annual Internal Audit Report 2020/21

KETTLESHULME PARISH COUNCIL

www.KettleShulme.org

During the financial year ended 31 March 2021, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2020/21 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Yes	No*	Not covered**
	A. Appropriate accounting records have been properly kept throughout the financial year.	✓	
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.		✓	see internal audit reports.
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.		N/A	no petty cash held
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic bank account reconciliations were properly carried out during the year.	✓		
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		
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. (If the authority had a limited assurance review of its 2019/20 AGAR tick "not covered")			✓ N/A
L. If the authority has an annual turnover not exceeding £25,000, it 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.			✓ N/A
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 (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).	✓		
N. The authority has complied with the publication requirements for 2019/20 AGAR (see AGAR Page 1 Guidance Notes).		✓	see internal audit reports
O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.			Not applicable ✓

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

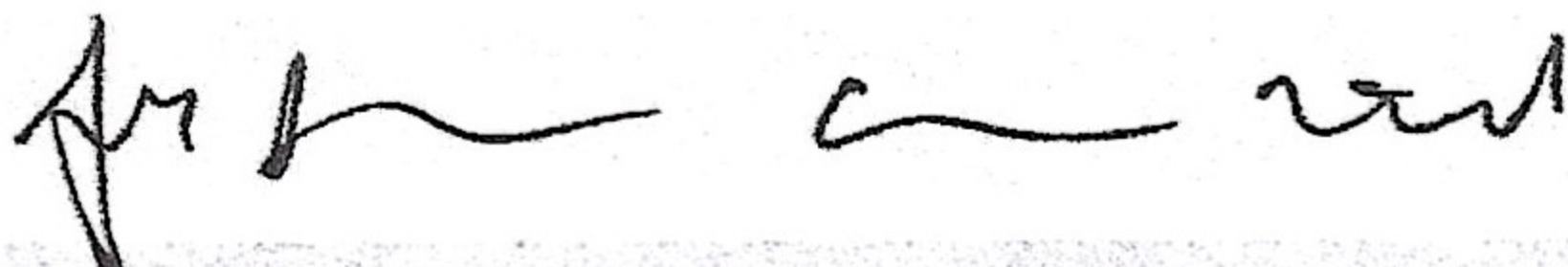
Date(s) internal audit undertaken

26/05/2021

Name of person who carried out the internal audit

JDH BUSINESS SERVICES LTD

Signature of person who carried out the internal audit



Date

27/05/2021

*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned; or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).

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2020/21**

The internal audit of Kettleshulme 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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	ISSUE	RECOMMENDATION	FOLLOW UP
1	A total of £39.88 of ‘unpresented cheques’ included within the bank reconciliation represent two payments that have actually cleared the bank account but had incorrectly been included in both the 2018/19 and the 2019/20 cash book.	<i>The bank reconciliation and accounts need to be amended for the duplicated payments that have been previously posted to the cashbook by removing the unpresented cheques from the bank reconciliation and deducting them from payments in the 2020/21 cash book as ‘duplicated payments’. The AGAR accounts then need to be updated to reflect this adjustment.</i>	
2	Staff costs disclosed in the AGAR accounts are incorrect as they include payroll agency and staff training costs.	<i>The council need to amend the AGAR accounts to remove payroll agency and staff training costs from ‘Staff Costs’ and add these items to ‘Other Payments’.</i>	
3	<p>Publication Requirements The Notice of Conclusion of Audit and Audit Certificate were not published by the deadline of November 30th 2020. The notice was finally published on December 2nd, 2020.</p> <p>Therefore, 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</p>	<i>The council must comply with the publication requirements of the Accounts and Audit Regulations 2015</i>	

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	by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.		
4	<p>The council pays the majority of payments by internet banking. However, the internal control document which is attached to each payment which requires two member authorisation signatures has not been signed for any of the payments made. Therefore, the payments are in breach of sections 6.9/6.10 of the council Financial Regulations. The signatures are important as they ensure internet banking payments are equivalent to cheque payments in that two member signatories are provided before payment.</p>	<p><i>The council must comply with the Financial Regulations and all internet payments should be supported by an authorisation sheet signed by two member signatories.</i></p>	
5	<p>The 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</i></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>	

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	ISSUE	RECOMMENDATION	FOLLOW UP
	<p><i>and capital receipts and payments</i></p> <p>However, there is currently no three year rolling revenue and capital financial plan in place.</p>		