

INTERNAL AUDIT REPORT FOR LITTLE ECCLESTON WITH KIRKLAND PARISH COUNCIL

FINANCIAL YEAR: 2020/21

AGAR certificate reference	Internal audit action for expected controls	Findings	Recommendation
<p>A - Appropriate accounting records have been kept throughout the year</p>	<p>Ensure the correct roll forward of the prior year cashbook balances to the new financial year</p> <p>Check a sample of financial transactions in cashbooks to bank statements, etc: the sample size dependent on the size of the authority and nature of accounting records maintained</p>	<p>The correct figure has been used (£17969.48)</p> <p>There is an audit trail for most transactions. A number of receipts from Wyre Lottery are not recorded in the minutes and, where they are recorded, there is no clarification on which month the payment relates to.</p> <p>There are a number of cheque numbers missing from the minutes. Some of these cheques were voided but should still be shown in the minutes as voided to provide a clear audit trail.</p> <p>A number of reimbursements were made to councillors. A number of them were accompanied by a reclaim form and the receipts but a number had no reclaim form and the audit trail was therefore unclear. Where councillors pay for items for which they will claim reimbursement they should not mix up personal purchases and purchases on behalf of the parish council in the same receipt.</p> <p>A number of payments are shown in the minutes but the wrong cheque number is used.</p> <p>Whilst staff payments are kept separately there should be a reference in the invoice file to show the cheque number and "staff costs".</p>	<p>Improve the recording of receipts from Wyre Lottery</p> <p>Ensure all cheque numbers are recorded in the minutes, even if voided</p> <p>No reimbursement should be made to a councillor unless a claim form and the receipt is provided. Councillors should not mix personal and parish council purchases on the same receipt</p> <p>Check that the correct cheque numbers relate to the correct payee.</p> <p>Reference staff costs cheques in the invoice file</p>

<p>I - Periodic bank reconciliations were properly carried out during the year</p>	<p>Ensure that bank reconciliations are prepared routinely, are subject to independent scrutiny and sign-off by members</p> <p>Verify the accuracy of the year-end bank reconciliation detail and ensure accurate disclosure of the combined cash and bank balances in the AGAR, Section 2, Box 8.</p> <p>Where the authority has bank balances in excess of £100,000 it has an appropriate investment strategy.</p> <p>Is the cash book maintained and up to date?</p>	<p>A monthly bank reconciliation is carried out and it is balanced against bank statements. The bank reconciliation is presented to each meeting and agreed by members.</p> <p>The figures in the year-end bank reconciliation and those in Box 8 are accurate</p> <p>Bank balances are below £100,000</p> <p>Yes</p>	
<p>B. The authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.</p>	<p>Review the procedures in place for acquisition of formal tenders and quotes, ensuring they are in line with the SOs and FRs which should be based on the latest version.</p> <p>Ensure that consistent values are in place for the acquisition of formal tenders between SOs and FRs (frequently different limits are recorded in the two documents)</p> <p>Review the procedures for receipt of invoices, agreement of invoice detail and confirmation of goods /services delivery and approval for payment: ideally, a suitably designed certification stamp should be in place providing for</p>	<p>Procedures are specified in Standing Orders and Financial Regulations which are based on the latest model versions</p> <p>The figures are consistent</p> <p>The Clerk is responsible for checking that the invoice specifies accurately the goods/services ordered and that the goods/services have been satisfactorily delivered before submitting the invoices for approval by members by listing them on the agenda. Two authorised signatories also initial each invoice after</p>	

	<p>evidencing of these checks and payment authorisation</p> <p>Check that there is effective segregation between the writing of cheques or the setting up of online payments, and physical release of payments</p> <p>Check that VAT reclaims are prepared and submitted in a timely manner in line with the underlying records and in accordance with current HMRC requirements</p> <p>Where debit / credit cards are in use, establish the total monthly and individual transaction limits and ensure appropriate controls over physical security and usage of the cards are in place</p>	<p>checking that the invoice and the cheque amount tally</p> <p>Cheques are signed by two authorised signatories once the payment has been approved at the meeting and so minuted</p> <p>A VAT reclaim is prepared and submitted at the end of the financial year which is appropriate for the level of expenditure and VAT claimed. It is submitted electronically in line with HMRC requirements. However, the wrong reference was used resulting in the wrong amount being received and this resulted in a repayment to HMRC. The correct payment was received subsequently</p> <p>There are no debit or credit cards in use</p>	<p>Double check the reference when submitting the VAT reclaim</p>
<p>C. The authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</p>	<p>Ensure that authorities have prepared, and formally adopted, at least once annually, an appropriate and comprehensive register of assessed risks, both regular and ad hoc</p> <p>Ensure that appropriate levels of insurance cover are in place for land, buildings, public, employers' and hirers' (where applicable) liability, fidelity / employees (including councillors) liability, business interruption and cyber security</p>	<p>A risk management plan and risk register is drawn up and reviewed in March each year and this was approved at 9 March 2021 meeting (min 1247 refers)</p> <p>The insurance policy contains appropriate levels of cover except for business interruption and cyber security which are not covered</p>	<p>Consider adding business interruption and cyber security cover to the insurance policy</p>

	<p>Ensure that appropriate arrangements are in place for monitoring play areas, open spaces and sports pitches: such reviews should be undertaken by appropriately qualified external inspectors or, if by officers or members, that they have received the appropriate training and accreditation</p>	<p>There are no play areas, open spaces or sports pitches for which the parish council is responsible</p>	
<p>D. The Precept or rates requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored; and reserves are appropriate.</p>	<p>Ensure that the full Authority, not a Committee, has considered, approved and adopted the annual precept in accordance with the required parent Authority timetable</p> <p>Ensure that budget reports are prepared and submitted to Authority / Committees periodically during the year with appropriate commentary on any significant variances</p> <p>Review the budget performance either during the year or at the financial year-end seeking explanations for any significant or unanticipated variances</p> <p>Ensure that the Authority has considered the establishment of specific earmarked reserves and, ideally, reviews them annually as part of the budget assessment process</p> <p>Ensure that the precept in the accounts matches the submission form to the relevant authority and the public record of precepted amounts</p>	<p>The parish council considered, approved and adopted the annual precept at its meeting on 12 January 2021 (minute 1239 refers) and met the timetable set by Wyre Council</p> <p>Quarterly cumulative budget reports are submitted to meetings of the parish council. The reason for any overspend variance is explained (and minuted) but there are no explanations for any underspends</p> <p>Budget performance is reviewed regularly through the cumulative budget report</p> <p>The parish council has a contingency fund for expenditure not planned for as part of the budget process and this is reviewed as part of the budget process. There are no earmarked reserves</p> <p>The amounts match</p>	<p>Explain all variances</p> <p>Consider, as part of the budget process, whether any earmarked reserves are required</p>

<p>E. Expected income was fully received based on correct prices, properly recorded and promptly banked; and VAT appropriately accounted for</p>	<p>Review "Aged debtor" listings to ensure appropriate follow up action is in place</p> <p>Allotments: ensure that appropriate signed tenancy agreements exist, that an appropriate register of tenants is maintained identifying, that debtors are monitored.</p> <p>Burials: ensure that a formal burial register is maintained that it is up-to-date and that a sample of interments and memorials are appropriately evidenced, that fees have been charged at the correct approved rate and been recovered within a reasonable time:</p> <p>Hall hire: ensure that an effective diary system for bookings is in place identifying the hirer, hire times and ideally cross- referenced to invoices raised</p> <p>Leases: ensure that leases are reviewed in a timely manner in accordance with the terms of the lease and rents similarly reviewed appropriately at the due time</p> <p>Other variable income streams: ensure that appropriate control procedures and documentation are in existence to provide a clear audit trail through to invoicing and recovery of all such income</p>	<p>There are no "aged debtors"</p> <p>There are no allotments</p> <p>There are no burials</p> <p>There is no hall</p> <p>There are no leases</p> <p>Most income is known in advance. The parish council does receive funding from the Wyre Lottery and the amounts vary each month depending on how many people have bought lottery tickets and chosen Churchtown in Bloom as their nominated community group. The amounts are notified to the organiser of Churchtown in Bloom and not the parish council into whose bank account the funding is paid. Copies of these emails are not in the receipts file, although a copy of the bank</p>	<p>The audit trail could be improved by including the monthly notification emails in the receipts file and this can then be cross checked against minutes and bank statements</p> <p>When the parish council bank is to be used as a nominated account the permission of the parish</p>
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	<p>Where amounts are receivable on set dates during the year, ensure that an appropriate control record is maintained duly identifying the date(s) on which income is due and actually received / banked</p>	<p>statement showing the payment into the account are</p> <p>There are no amounts receivable on set dates</p>	<p>council should be sought and agreement minuted</p>
<p>F. Petty Cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for</p>	<p>A number of Authorities are now running down and closing their petty cash accounts and using debit / credit cards for ad hoc purchases. Consequently, a "Not covered" response is frequently required in this area.</p> <p>Review the systems in place for controlling any petty cash and also cash floats (used for bar, catering, etc)</p> <p>Check a sample of transactions during the financial year to ensure appropriate supporting documentation is held</p> <p>Review the existence of evidenced periodic independent verification of the petty cash and any other cash floats held</p> <p>Ensure that VAT is identified wherever incurred and appropriate</p> <p>Physically check the petty cash and other cash floats held</p> <p>Where bar or catering facilities are in place, ensure that appropriate cashing-up procedures are in place reconciling</p>	<p>The Parish Council does not operate on a petty cash basis</p>	

	the physical cash takings to the till "Z" total readings		
G. Salaries to employees and allowances to members were paid in accordance with the authority's approvals, and PAYE and NI requirements were properly applied.	<p>Ensure that, for all staff, a formal employment contract is in place together with a confirmatory letter setting out any changes to the contract</p> <p>Ensure that appropriate procedures are in place for the payment of members allowances and deduction of any tax liability</p> <p>Ensure that, for a sample of staff salaries, gross pay due is calculated in accordance with the approved spinal point on the NJC scale or hourly rate, if off-scale, and also with the contracted hours</p> <p>Ensure that appropriate tax codes are being applied to each employee</p> <p>Where free or paid for software is used, ensure that it is up to date.</p> <p>For the test sample of employees, ensure that tax is calculated appropriately</p> <p>Check the correct treatment of Pension contributions</p> <p>For NI, ensure that the correct deduction and employer's contributions are applied: NB. The employers allowance is not</p>	<p>These are in place</p> <p>There are no members' allowances</p> <p>Payroll is carried out by professional accountants. The payroll provider is notified, following approval by Council, when any change to pay rates or hours of work are made and the appropriate salary adjustment is made</p> <p>Tax codes are received directly by the payroll provider and the correct tax code is applied</p> <p>The payroll provider's software is updated on a regular basis</p> <p>The payroll provider applies the tax code to ensure that tax is calculated appropriately</p> <p>Pension contributions are calculated by the payroll provider in accordance with the instructions of the pension provider.</p> <p>The payroll provider ensures that the correct deduction and employer's contributions are applied</p>	

	<p>available to councils but may be used by other authorities</p> <p>Ensure that the correct employers' pension percentage contribution is being applied</p> <p>Ensure that for the test sample, the correct net pay is paid to the employee with tax, NI and pension contributions correctly paid to the respective agencies.</p>	<p>The payroll provider ensures that the correct employer's pension contribution is applied in line with the instructions of the pension provider</p> <p>The payroll provider ensures that the correct net pay is paid and identifies the amounts due to the respective agencies (HMRC and Lancashire Pension Service) and the payments are made after approval by Council.</p> <p>There is a clear audit trail from decisions of the Council, their application by the payroll provider and payment approvals for staff and those agencies to which money is due</p>	
<p>H. Asset and investment registers were complete and accurate and properly maintained.</p> <p>This section / assurance should be extended to include loans to or by the authority</p>	<p>Tangible Fixed Assets Ensure that the Authority is maintaining a formal asset register and updating it routinely to record new assets at historic cost price, net of VAT and removing any disposed of/no longer serviceable assets Physically verifying the existence and condition of high value, high risk assets may be appropriate</p> <p>Ideally, the register should identify for each asset the purchase cost and, if practicable, the replacement / insured cost, the latter being updated annually and used to assist in forward planning for asset replacement</p>	<p>An asset register is maintained and updated routinely in the appropriate manner. It is reviewed annually (minute 1247 9 March 2021 refers).</p> <p>There are no high value or high risk assets</p> <p>The register does identify both original and insurance values although the insurance value is shown as a collective figure for all assets</p>	<p>Ensure the asset register shows a replacement value for each asset and update it annually</p>

	<p>Additions and disposals records should allow tracking from the prior year to the current</p> <p>Ensure that the asset value to be reported in the AGAR at Section 2, Box 9 equates to the prior year reported value, adjusted for the nominal value of any new acquisitions and / or disposals</p> <p>Compare the asset register with the insurance schedule to ensure that all assets as recorded are appropriately insured or “self-insured” by the Authority</p> <p>Fixed asset investments Ensure that all long-term investments (i.e., those for more than 12 month terms) are covered by the “Investment Strategy” and reported as Assets in the AGAR at Section 2, Box 9.</p> <p>Borrowing and Lending Ensure that the authority has sought and obtained appropriate DMO approval for all loans acquired</p> <p>Ensure that the authority has accounted for the loan appropriately (i.e., recorded the full value of the loan. Any arrangement fee should be regarded as an admin expense) in the year of receipt</p> <p>Ensure that the combined principal loan repayment and interest for the year is correctly recorded in the AGAR at Section 2 Box 5</p>	<p>The asset register does not show any disposals or acquisitions within the financial year</p> <p>The reported asset value tallies with the prior year reported value. No adjustment was required as no assets were either acquired or disposed of</p> <p>There is sufficient cover for all the assets</p> <p>There are no long term investments</p> <p>There are no loans</p> <p>See above</p> <p>See above</p>	
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<p>J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cashbook, supported by an adequate audit trail from underlying records and, where appropriate, debtors and creditors were properly recorded.</p>	<p>Whilst IAs are not required to verify the accuracy of detail to be disclosed in the AGAR, this assertion, together with the expectation of most Authorities, effectively requires IAs to ensure that the financial detail reported at Section 2 of the AGAR reflects the detail in the accounting records maintained for the financial year.</p> <p>Consequently, IAs should ensure that, where annual turnover exceeds £200,000, appropriate records are maintained throughout the year on an Income and Expenditure basis to facilitate budget reporting in that vein</p> <p>Ensure that appropriate accounting arrangements are in place to account for debtors and creditors during the year and at the financial year-end</p>	<p>The correct accounting basis (receipts and payments) was used</p> <p>Annual turnover does not exceed £200,000</p> <p>Appropriate arrangements are in place</p>	
<p>K. If the authority certified itself as exempt from a limited assurance</p>	<p>IAs should ensure that, all relevant criteria are met (receipts and payments each totalled less than £25,000) the correct exemption certificate was</p>	<p>All relevant criteria were met. Receipts and payments each totalled less than £25,000; the correct exemption certificate was prepared and minuted (Min 1185 12 May 2020 refers); it has</p>	

review in the prior year, it met the exemption criteria and correctly declared itself	prepared and minuted in accordance with the statutory submission deadline, that it has been published, together with all required information on the Authority's website and noticeboard	been published on the website together with all required information	
L. The authority publishes information on a website / web page, and complies with the relevant Transparency Code.	This test applies only to those councils covered by the £25,000 External Audit exemption IAs should review the Authority's website ensuring that all required documentation is published in accordance with the Transparency Code.	All required information is published on the website. Whilst the agenda is published there are no meeting papers on the website	Publish any meeting papers that are circulated to councillors on the website with the agenda
M. The authority has, during the previous year, correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations.	IAs should acquire / examine a copy of the required "Public Notice" ensuring that it clearly identifies the statutory 30 working day period when the Authority's records are available for public inspection IAs may also check whether councils have minuted the relevant dates at the same time as approving the AGAR	The deadline of "on or before 1 September" was met with the 30 day period beginning on 1 June and ending on 17 July 2020 The relevant dates were not minuted	Minute these dates in future
N. The authority complied with the publication requirements for the prior year AGAR.	IAs should ensure that the statutory disclosure / publication requirements in relation to the prior year's AGAR have been met as detailed on the front page of the current year's AGAR.	All required documents were published but the exercise of public rights notice was in a separate location to all the other published information	Publish this notice with the other published documents
O. Trust funds (including charitable) - the Council has met its responsibilities as a trustee	Confirm that all charities of which the council is a Trustee are up to date with CC filing requirements that the council is the sole trustee on the Charity Commission register that the council is acting in accordance with the Trust deed	The Parish Council is not a trustee	

	that the Charity meetings and accounts recorded separately from those of the council review the level and activity of the charity and where a risk based approach suggests such, review the Independent Examiners report		
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Jan Finch
Internal Auditor

22 April 2021