

**INTERNAL AUDIT REPORT
COMBERBACH PARISH COUNCIL
2020/21**

The internal audit of Comberbach Parish Council was carried out by undertaking the following tests as specified on the 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, 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	The March 31 st bank account balance of £6946.79 has not been used for the year end current account bank reconciliation.	<i>The March 31st bank statement balance should always be used in the year end bank reconciliation.</i>	Noted. Santander issued the formal bank statement dated 30th March 2021, which was used for the reconciliation. There were some cheques cashed on 31st March, a supplementary reconciliation could have been prepared based on an online account print using the balance as at 31st March. Note that Santander do not offer the option of a formal statement at a particular date, and that use of an online balance in the past has been raised as an issue.
2	The current risk assessment does not address the risks of supplier fraud. The supplier fraud risks can be managed via appropriately robust policies and procedures. Examples of prevention actions include: - training for staff to alert them to the potential risks of providing sensitive company information, by phone or other means, especially contract and account information. - establish a rigorous change of supplier details procedure - where a supplier has	<i>The risk assessment should be updated to include supplier fraud including the adequacy of supplier onboarding controls.</i>	To be implemented at next Risk Assessment review.

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	purported to have changed their bank details always call the supplier to check the veracity of a request, using details in your system, rather than those on any associated letter or email. A person should be authorised to approve a supplier bank account change after having reviewed the process undertaken to verify the supplier details change - periodic review of supplier accounts should also be undertaken to remove any dormant accounts. This reduces the likelihood of any old supplier information being used to secure fraudulent payments. - checking address and financial health details with Companies House - checking samples of online payments to supplier invoices to ensure the payment has been made to the supplier bank account adequacy of council insurance cover (NB most standard local council policies do not cover supplier fraud)		
2019/20 internal audit			

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1	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. 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 the council for items over £5000. However, it is not clear from our internal audit sample testing that the Authority to Spend requirements of the model Financial Regulations are applied to all expenditure.	<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 in excess of £500 include the minute reference on the PO evidencing the committee/council authority to spend.</i> <i>The council should review the updated NALC model FRs and determine which sections are appropriate to the scope and activity of the council.</i>	Implemented
2	There is a new internal control objective (Objective L) in the AGAR internal audit certificate that requires internal audit to conclude on whether the Public Rights Notice during the previous Summer (2018/19 financial year) was compliant with the Regulations. The published notice could not be located on the council website and a copy was not	<i>The council should publish the Notice of Public Rights on the council website and retain the actual notice as evidence to be provided for internal audit.</i>	Implemented

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	provided with the information for internal audit. However, a minute reference was provided that referred to the dates of inspection and the fact the notice had been published on the council noticeboards.		
3	GUIDANCE NOTE The council has included staff expenses (mileage) in the staff costs category in the AGAR annual return accounts. The updated Practitioners Guide is now clear that staff expenses which are not benefits in kind should not be included in Staff Costs in the AGAR annual return.	<i>If the council is adopting the latest Practitioners Guide the staff costs figure should be amended to exclude mileage expenses, and the prior year comparative figure restated with 'RESTATED' written in the relevant box.</i>	Noted
2018/19 internal audit			
1	A cash book that includes totals of all receipts and all payments should be provided for internal audit. Just providing a list of transactions is not sufficient as we need to be able to agree total receipts and payments to the bank reconciliation and the year end accounts.	<i>A cash book with totals for receipts, and payments, should be provided for internal audit in future.</i>	Implemented
2	No formal statement from the bank	<i>The bank should be requested to provide a</i>	The bank has not provided a year end

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	showing the year end balance of the savings account in the bank reconciliation was provided. A basic print of balances from the online access was provided.	<i>formal statement of year end balances for each year end</i>	statement, however, a print from the online access has been provided to substantiate the 31/3/2020 balance.
3	Risk Assessment The minutes do not record a review, update and approval of the risk assessment in 2018/19. The risk assessment records the level of fidelity cover as £7000 on the last page. The current level of fidelity cover is actually £150000	<i>Risk assessment should be completed and approved every financial year.</i> <i>The risk assessment should be updated annually with the latest insurance information</i>	Implemented
4	The fixed asset value recorded in the asset register is £27589, however, £27633 is recorded in the AGAR annual return.	<i>The final fixed asset value as at 31/3/19 should be shown on the 2018/19 AGAR annual return.</i>	Implemented

IMPORTANT GUIDANCE NOTE

INTERNAL AUDIT CERTIFICATE in the AGAR

There is a new internal control objective (Objective L) in the 2018/19 internal audit certificate that requires internal audit to conclude on whether the Public Rights Notice during the **previous Summer** was compliant with the Regulations. This is pre-filled for 2018/19 but in order to test this and conclude YES or NO for the 2019/20 internal audit we would need to receive with the 2019/20 books and records:

- A copy of the completed 2018/19 Notice of Public Rights and Publication of the Unaudited Annual Governance and Accountability Review

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	- A dated photograph showing the first day of the Notice of Public Rights on the noticeboard and/or a dated computer screenshot showing the first date of the Notice of Public Rights on the website for 2018/19 Our approach to this new requirement will be to conclude NO if we have not received the above evidence and explain on the AGAR that we received insufficient evidence to be able to conclude YES; we would also conclude NO if the dates advertised were not compliant with the Regulations. This will be a new ongoing requirement for internal audit, as well as verifying whether certain smaller councils meet the exemption criteria from an external audit. Therefore, for the 2019/20 internal audits there will be additional time charged at a fixed fee of £9 + VAT per local council to complete the new requirements.		
	2017/18 internal audit		
1	Box 8 on the Annual Return is incorrect. It should be amended to £43846, ie the reconciled value of cash and bank which also agrees to Box 7.	<i>The annual return should be amended before submission to the external auditor</i>	Implemented
2	Data Protection Law will change significantly on May 25th 2018 due to the 2016 EU Directive General Data Protection Regulation (GDPR) taking effect. GDPR replaces the 1998 Data Protection Act and it will impose new obligations on Data Controllers and Data Processors and provides enhanced rights for individuals. Compliance with GDPR could have	<i>The impact of GDPR on the council should be identified through review of ICO and NALC guidance and the Data Protection policy, risk assessment and internal controls should be updated accordingly.</i> <i>As a data controller the council needs to register with the ICO if it has not already done so. A GDPR compliant data protection policy needs to be adopted and an appropriate document retention policy.</i>	Ongoing implementation

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	resource implications for local councils. We were unable to identify the annual payment to the ICO in a review of the cash book.		
2016/17 audit issues			
1	We appreciate there have been a number of changes with respect to the RFO and clerk positions in the financial year. However, whenever a new RFO and/or clerk is appointed minutes do not record the scale point applicable, nor do minutes record annual increments if they apply.	<i>Minutes should record the scale point upon appointment of an employee and thereafter the % pay rise or increase in scale point annually</i>	Implemented
2	The construction of the storage unit resulted in a number of significant payments. We could not identify in the minutes or in the books provided for audit that three quotations (with a minimum of two quotations) were secured. This process applies for all contracts in excess of £2500 as stipulated in the Financial Regulations.	<i>The council should ensure that minutes record the process followed for contracts in excess of £2500, and that Financial regulations are strictly adhered to for all contracts in excess of the £2500 contract threshold</i>	Additional evidence provided for tender process.
3	The accounts section of the Annual Return	<i>In future, the Annual Return accounts</i>	Implemented

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	had not been completed. We assume the figures to be included are those included in the analysis provided to us with the books and records for audit.	<i>section should be completed before submission for internal audit.</i>	