# Annual Internal Audit Report 2021/22

POULTON AND PULFORD PARISH COUNCIL

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**During** the financial year ended 31 March 2022, 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 2021/22 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. | ✓ | * EXCEPT FOR ISSUE 2 IN INTERNAL AUDIT REPORT | |
| **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 |
| **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 2020/21, it met the exemption criteria and correctly declared itself exempt. *(If the authority had a limited assurance review of its 2020/21 AGAR tick "not covered")* | | | ✓ |
| **L.** The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements | ✓ | | |
| **M.** The authority, during the previous year (2020-21) 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 2020/21 AGAR *(see AGAR Page 1 Guidance Notes).* | ✓ | * EXCEPT FOR ISSUE 1 IN INTERNAL AUDIT REPORT | |

| **O.** **(For local councils only)** Trust funds (including charitable) – The council met its responsibilities as a trustee. | Yes | No | 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

15/06/2022

Name of person who carried out the internal audit

JDH BUSINESS SERVICES LTD

Signature of person who carried out the internal audit JDH BusinessServices Ltd Date 15/06/2022

*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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# POULTON & PULFORD PARISH COUNCIL – 2021/22

The internal audit of Poulton & Pulford Parish Council was carried out by undertaking the following tests as specified by the Audit Commission on Section 4 of the 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 issues 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 | We have not seen evidence that the 2020/21 notice of conclusion of audit was published on the Council's website as required by the 2020/21 AGAR (the Council were subject to a limited assurance review in 2020/21).<br><br>We note that the other information required by the 2020/21 AGAR was published on the website. | *When the Council is subject to a limited assurance review, the Notice of conclusion of audit must be published on the website before 30th September and evidence such as a dated screenshot should be retained.*<br><br>*The Council are claiming exemption in 2021/22* | |
| 2 | Testing of a sample of payments identified that a number of payments are authorised by two cheque signatories after payment. | *The Council should ensure they have adequate internal controls in place over online payments.*<br><br>*The Council should ensure that payments are approved by two signatories or an equivalent control (e.g. emailed approval) prior to payment.*<br><br>*Other ways the Council can ensure there is two signature authoriation is to use a specialist bank account that requires two signature online authorisation in order to release a payment.* | |

| Follow up of 2020/2021 internal audit recommendations | | | |
|---|---|---|---|
| 1 | The risk assessment does not address the risks of supplier (procurement) fraud. | *The risk assessment should be updated to include supplier (procurement) fraud including the adequacy of supplier onboarding controls.* | Implemented |
| 2 | Total other payments is incorrect on the annual return and does not agree to the supporting accounts.<br>The balance carried forward of £18,242 is correct. | *The annual return should be amended as follows:*<br>*All other payment = £22,809* | Implemented |
| 3 | The standing orders of the Council state the following:<br>'Any proposed contract for the supply of goods, materials, services and the execution of works with an estimated value in excess of £1000 shall be procured on the basis of competitive quotes'.<br><br>For the following contracts, we have seen no evidence of alternative quotes being obtained before the contract was awarded:<br>Village Hall Heating system £5146<br>Village Hall Lighting £2405<br>Planters £1200 | *The Council should ensure they award contracts as per their standing orders and are able to demonstrate that value for money has been achieved.* | Implemented |

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| **Follow up of 2019/2020 internal audit recommendations** | | | |
|---|---|---|---|
| 1 | The general reserves of the Council at £23,660 are in excess of the sector guidance of 12 months precept.<br>The Council are considering a number of projects but have not quantified the amounts being held. | *The Council should identify reserves being held for specific projects and specify these as ear-marked.* | *Implemented* |