

INTERNAL AUDIT REPORT – 2018/19
CHORLEY PARISH COUNCIL

The internal audit of Chorley Parish Council was carried out by undertaking the following tests as specified in 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 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.


J D H Business Services Ltd

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	ISSUE	RECOMMENDATION	FOLLOW UP
1	<p>The reserves analysis indicates that 100% of the council reserves are earmarked for the Street Lighting and CPC Projects, leaving a general reserve of nil.</p> <p>Sector guidance is that general reserves should be between 3 and 12 months of the precept.</p>	<p><i>The council should establish a reasonable level of general reserves with reference to the sector guidance</i></p>	
<p>IMPORTANT GUIDANCE NOTE</p> <p>INTERNAL AUDIT CERTIFICATE in the AGAR</p> <p>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:</p> <ul style="list-style-type: none"> - A copy of the completed 2018/19 Notice of Public Rights and Publication of the Unaudited Annual Governance and Accountability Review - 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 <p>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.</p> <p>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.</p>			

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2017/18 audit			
1	The minutes for 2017/18 do not record a review and update of a risk assessment document. The risk assessment on file is very basic and does not cover all the internal control and other risks relevant to the council.	<i>The council should complete a comprehensive risk assessment and review, update, and approve this document annually and record this approval in the minutes.</i>	Implemented
2016/17 audit			
1	The Financial Regulations provided for audit also had 'Standing Orders' written on them. These Financial Regulations are not a substitute for Standing Orders, which need to be in place	<i>The council should secure NALC model Standing Orders, align them to the scope of the council, and adopt Standing Orders</i>	Implemented at April 2018 meeting
2	The budget provided in support of the precept request took full account of projected income and expenditure, however, there was no account of brought forward and carried forward reserves. The Local Government Finance Act 1992 sets out the requirements that the council must follow when setting the precept.	<i>The levels of brought forward and carried forward reserves need to be considered when setting the precept and evidenced in the precept budget calculations</i>	Implemented

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3	From 2016/17 onwards we are also reviewing compliance with the Transparency Code for Smaller Authorities. We have reviewed the information published on the website and the council is currently complying with the Code requirements.		
2015/16 audit			
1	Carried forward reserves are 139% of annual expenditure. No earmarked reserves are identified in the supporting notes to the accounts. Sector guidance notes that general reserves should be between 3 months and 12 months annual expenditure	<i>Council should review the level of reserves and where elements relates to sums set aside for community improvement schemes, earmarked reserves should be established. The remaining general reserves should then be reviewed for reasonableness with reference to the sector guidance</i>	The excess reserves are maintained to cover potential street lighting costs
2	The following documents were not provided for audit review: <ul style="list-style-type: none">• Standing Orders• Full Insurance Policy• Contract of employments	<i>Please provide these documents for review for the next audit year</i>	Implemented except for Standing Orders. See 2016.17 issues 2017/18 follow up implemented April 2018
3	The bank reconciliation provided for audit used the bank balance as at 05/10/15	<i>The bank should be required at the end of each financial year to provide bank statements on a timely basis so the council can evidence its year end balances.</i> <i>Please ensure the bank reconciliation provided to external audit reconciles the balances as at 31/3/15.</i>	Implemented