

INTERNAL AUDIT REPORT 2020/21 CHORLEY PARISH COUNCIL

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

J D H Business Services Ltd

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| | ISSUE | RECOMMENDATION | FOLLOW UP |
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| 1 | <p>Internal control objective (Objective M) in the AGAR internal audit certificate requires internal audit to conclude whether the Public Rights Notice during the previous Summer (2019/20 financial year) was compliant with the Regulations.</p> <p>The public notice was announced on July 7th , 2020. However, the notice must be announced to the public at least one day earlier than the commencement date of the notice period. Therefore, we have concluded the council did not comply with the requirements for the Public Rights Notice for 2019/20.</p> | <p><i>The council should ensure compliance with the legal requirements for the Annual Notice of Public Rights.</i></p> | |
| 2 | <p>The risk assessment does not address the risks of supplier (procurement) fraud.</p> | <p><i>The risk assessment should be updated to include supplier (procurement) fraud including the adequacy of supplier onboarding controls.</i></p> | |
| 3 | <p>The council 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>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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| | <p><i>3.3. The council shall consider annual budget proposals in relation to the council's three year forecast of revenue and capital receipts and payments</i></p> <p>However, there is currently no three year rolling revenue and capital financial plan in place.</p> | | |
| 2019/20 internal audit | | | |
| 1 | <p>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.</p> <p>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 that the Authority to</p> | <p><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></p> | Recommendation Outstanding |

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| | Spend requirements are applied to all expenditure via signed Purchasing Orders. | | |
| 2018/19 internal audit | | | |
| 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> | <i>The council should establish a reasonable level of general reserves with reference to the sector guidance</i> | Implemented |
| <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</p> | | | |

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| <p>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> | | | |
| 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. | <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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| | The Local Government Finance Act 1992 sets out the requirements that the council must follow when setting the precept. | | |
| 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. | | |