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Ketley Parish Council

Internal Audit 2021/22

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JDH BUSINESS SERVICES LTD

Registered to carry on audit work by the Institute of Chartered Accountants in England and Wales

INTERNAL AUDIT REPORT

The internal audit of Ketley Parish Council is 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
- Reviewing 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
- Reviewing public notice and publication requirements

The interim internal audit provides evidence to support the annual internal audit conclusion in the AGAR Annual Return for local councils.

Conclusion

On the basis of internal audit work carried out, which was limited to the tests above, in our view the council's system of internal controls is in place, adequate for the purpose intended and effective, except for 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

	ISSUE	RECOMMENDATION	FOLLOW UP
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 (2020/21 financial year) was compliant with the Regulations.</p> <p>The period for the exercise of public rights had to include the first 10 working days in July but the notice period did not commence until September 16th 2021.</p>	<p><i>The council must comply with the requirements of the Accounts and Audit Regulations 2015 with respect to the notice for the exercise of public rights.</i></p>	
2	<p>Publication Requirements:</p> <p>The Notice of Conclusion of Audit and Audit Certificate were not published by the deadline of September 30th 2021 as the external audit was not completed by that date. In addition, the 2020/21 AGAR was not published by the required date</p> <p>Therefore, we have concluded in the AGAR internal audit certificate that the council did not comply with the publication requirements for the 2020/21 AGAR audit as required by the Accounts and Audit Regulations 2015.</p>	<p><i>The council must comply with the publication requirements of the Accounts and Audit Regulations 2015.</i></p>	

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	ISSUE	RECOMMENDATION	FOLLOW UP
3	The final quarter VAT reclaim information provided was a manual spreadsheet rather than the SCRIBE VAT 126 standard download. The SCRIBE accounting system is integrated such that complete and accurate VAT 126 forms should be produced upon accurate input of the actual expenditure transactions. Using a separate spreadsheet from SCRIBE introduces another layer of risk in terms of potential errors in transposing information to the spreadsheet.	<i>The Council must utilise the integrated SCRIBE accounting system to produce VAT 126 reclaims as these will be directly produced from the prime record of expenditure transactions that have been input into the system.</i>	
4	No evidence was identified that VAT on petty cash transactions is recorded and reclaimed, and that petty cash expenditure for the year is reported to council for review. The petty cash at the year end was not cashed up and reviewed by a councillor (or a separate employee to the finance officer) and certified as agreeing to the ledger record for petty cash.	<i>The council need to improve internal controls over petty cash and ensure VAT is separately recorded and reclaimed, all expenditure is reported to council, and the year end petty cash balance in the tin is cashed up and verified by a councillor (or a separate employee to the finance officer) by comparing to the petty cash balance in the SCRIBE ledger.</i>	
5	The NS&I statement to support the year end bank reconciliation was dated end December 2021.	<i>Year end bank statements must be secured for all bank accounts to ensure that all transactions have been input into the SCRIBE ledger and accounts for the financial year.</i>	

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	ISSUE	RECOMMENDATION	FOLLOW UP
2021/22 interim internal audit			
1	<p>RECURRING ISSUE</p> <p>No bank reconciliations for any bank accounts were completed and reported to councillors during the financial year up to the date of the interim internal audit.</p> <p>Section 2.2. for the Financial Regulations require that <i>'at the end of each quarter, and at each financial year end, a member other than the Chairman of the Council or Chairman of the Finance Committee shall be called upon by the RFO to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the council or Finance Committee.'</i></p>	<p><i>The council must ensure that complete and accurate bank reconciliations for all bank accounts are carried out monthly and reported to council. The Financial Regulations relating to member review of reconciliations must be complied with.</i></p>	
2	<p>RECURRING ISSUE</p> <p>No budgetary control information from the SCRIBE ledger was presented to council during the financial year, as the ledger had</p>	<p><i>Regular budgetary control information from the financial ledger must be provided to the council.</i></p>	

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	ISSUE	RECOMMENDATION	FOLLOW UP
	<p>not been populated with transactions on an ongoing basis. This is in breach of the Financial Regulations which require that:</p> <p>‘The RFO shall regularly provide the Council with a statement of receipts and payments to date under each head of the budgets, comparing actual expenditure to the appropriate date against that planned as shown in the budget. These statements are to be prepared at least at the end of each financial quarter.’</p>		
3	<p>PETTY CASH</p> <p>Petty cash transactions had not been input into the Scribe ledger as at the date of the interim internal audit and reconciled to the petty cash records.</p>	<p><i>Systems of internal control over petty cash should be improved as follows:</i></p> <ul style="list-style-type: none"> - <i>petty cash vouchers should be secured for all payments and each voucher should be allocated a sequential reference number</i> - <i>all petty cash transactions should be recorded completely and accurately with their unique reference number in the SCRIBE ledger</i> - <i>petty cash should be cashed up and agreed to the SCRIBE ledger monthly</i> - <i>petty cash expenditure and the petty cash reconciliation should be reported to council regularly</i> 	<p>NB petty cash had been updated into the Scribe LEDGER FOR THE YEAR END ACCOUNTS.</p>

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	ISSUE	RECOMMENDATION	FOLLOW UP
4	<p>We noted from a review of invoice records that there are dispensations in place for hires, however, the council have not delegated authority to the hall hire manager to provide discounts in minuted resolution.</p>	<p><i>The council should review the council fees and charges annually and authorise via a minuted resolution the level of dispensations or discounts that can be provided by the hall hire manager.</i></p>	
5	<p>Income Testing</p> <p>Sample testing identified the following:</p> <ul style="list-style-type: none"> - Invoice 577 - the pricing does not agree to the standard price list and the discounts applied is not consistent - One NHS invoice sampled indicates a price of £8.50 per hour but the price list indicates NHS hire should be £13 per hour - Duplicate invoice numbers are being used, for instance invoice 0624 had been issued to two different customers. - There is no standard system of quarterly analysis of aged debtors as there is no integrated hall hire sales system, although we did identify evidence of regular credit control. 	<p><i>The issues we have identified regarding invoicing, pricing and the lack of an aged debtors listing could be resolved by implementing the Scribe online booking system and ensuring standardised prices are input into that system for accurate invoicing using unique sequential invoice references.</i></p>	

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	ISSUE	RECOMMENDATION	FOLLOW UP
	The locum clerk has identified that the council should move to using the online Scribe booking system which would then integrate into the ledger and sales invoice system.		
2020/21 internal audit action plan			
AGAR internal control objective A – Appropriate Accounting Records kept throughout financial year			
1	During 2020/21 the SCRIBE ledger, was not maintained on an ongoing basis. Therefore, there was no complete and accurate record of the council transactions available for council during the financial year including ongoing bank reconciliations. This is a breach of the requirements of Regulation 4 of the Accounts and Audit Regulations 2015.	<i>The council must comply with Regulation 4 of the Accounts and Audit Regulations 2015 and implement effective procedures to completely, accurately and promptly record all financial transactions, and maintain up to date accounting records throughout the financial year.</i>	2021/22 follow up - as at date of the interim internal audit visit the ledger was completed up to December 2021, however, no bank reconciliations had been completed and reported to council.
AGAR internal control objective B – Compliance with Financial Regulations, payments supported by invoices, all expenditure approved and VAT appropriately accounted for			
2	RECURRING ISSUE The clerk makes payments via COOP online banking with no councillor checks to verify the supplier bank accounts to which payments have been made.	<i>The council should apply member checks to online banking transactions during the financial year as follows:</i> - <i>To provide assurance that the correct suppliers have actually</i>	Implemented - member checks commenced 24/1/22 and covered four random months

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	ISSUE	RECOMMENDATION	FOLLOW UP
		<p><i>been paid the amounts the council has approved, each month the Chair of Finance should select a small sample of payments from the actioned online payments and agree the online payment bank details to the bank account details of the supplier on the invoice</i></p> <ul style="list-style-type: none"> - <i>Supplier fraud prevention controls</i> - <i>The Chair of Finance should check bank details for the first payment to a supplier to a signed confirmation letter from the supplier. The same procedure should apply where a supplier has purported to have changed bank accounts (particularly if the request is via email).</i> <p><i>The above member checks should be evidenced by a signature.</i></p>	
3	<p>There was no signed agreement for the maintenance contract extension for one year that covered the 2020/21 period.</p>	<p><i>Signed contracts should be established for all significant contracts. The contract duration should be recorded in each contract. All contracts should be subject to the procurement requirements of the council Financial Regulations.</i></p>	<p>Issue no longer relevant as principal council carry out these contracts</p>

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	ISSUE	RECOMMENDATION	FOLLOW UP
4	All expenditure items paid by direct debit have not been reported to Councillors for authorisation as recurring payments as required by the FRs.	<i>Direct debits must be authorised according to the requirements of the Financial Regulations</i>	Recommendation Outstanding
AGAR internal control objective C – Adequate Risk Assessment			
5	<p>RECURRING ISSUE</p> <p>A comprehensive risk assessment was not reviewed updated and approved in the financial year.</p>	<i>A comprehensive risk assessment should be established and then reviewed, updated and approved each financial year.</i>	2021/22 follow up – implemented
6	<p>RECURRING ISSUE</p> <p>There is no evidence that action has been taken to ensure compliance with the Data Protection Act 2018, for instance:</p> <ul style="list-style-type: none"> - There is no evidence any form of detailed personal data audit and security review has been carried out for the council and sole trustee charities 	<p><i>The council should urgently carry out a personal data audit and establish the required policies and procedures to help ensure compliance with the DPA 2018. The council is currently in breach of its own Standing Orders which require the following procedures/policies:</i></p> <p><i>21. RESPONSIBILITIES UNDER DATA PROTECTION LEGISLATION (Below is not an exclusive list). See also standing order 11:-</i></p> <p><i>a The Council may appoint a Data Protection Officer.</i></p>	2021/22 follow up - The council has appointed Telford and Wrekin Council to provide data protection compliance services and support. It is expected that the outstanding compliance issues will be addressed in the 2022/23 financial year.

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	ISSUE	RECOMMENDATION	FOLLOW UP
	<ul style="list-style-type: none"> - we could not identify an adopted internal privacy notice - the data protection policy published on the council website relates to the DPA 1998 and has not been updated to reflect the DPA 2018 - there is no evidence that Subject Access Request and Data Breach procedures compliant with the DPA 2018 had been adopted - there is no evidence signed data processing/sharing agreements have been established with relevant third parties - there is no evidence Privacy Impact Assessments have been applied or even understood 	<p><i>b The Council shall have policies and procedures in place to respond to an individual exercising statutory rights concerning his personal data.</i></p> <p><i>c The Council shall have a written policy in place for responding to and managing a personal data breach.</i></p> <p><i>d The Council shall keep a record of all personal data breaches comprising the facts relating to the personal data breach, its effects and the remedial action taken.</i></p> <p><i>e The Council shall ensure that information communicated in its privacy notice(s) is in an easily accessible and available form and kept up to date.</i></p> <p><i>(NB this item has been implemented)</i></p> <p><i>f The Council shall maintain a written record of its processing activities.</i></p>	
7	<p>The level of fidelity insurance of £150,000 is significantly less than maximum projected cash and bank reserves of £272k, calculated as year-end cash and bank (£179k) plus the precept instalment (£93k).</p>	<p><i>The council must review the adequacy of the level of fidelity insurance each financial year as part of the risk assessment process. The current level of fidelity insurance cover is lower than maximum projected cash and bank balances and should be reviewed.</i></p>	<p>Implemented – fidelity insurance is now £300,000</p>

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	ISSUE	RECOMMENDATION	FOLLOW UP
8	<p>The absence of a risk assessment means there are no risk mitigation measures in place to address the risks of supplier fraud. Most standard local council policies do not cover supplier fraud. The supplier fraud risks can be managed via appropriately robust policies and procedures. Examples of prevention actions include:</p> <ul style="list-style-type: none"> - 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 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 	<p><i>Risk assessment should include an assessment of supplier fraud including the adequacy of supplier onboarding control, and the implementation of appropriate risk mitigation measures</i></p>	<p>2021/22 follow up – implemented</p>

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	ISSUE	RECOMMENDATION	FOLLOW UP
	<p>being used to secure fraudulent payments.</p> <ul style="list-style-type: none"> - 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 		
AGAR internal control objective D – Precept request resulted from adequate budgetary process, regular budgetary control and appropriate levels of reserves held			
9	<p>RECURRING ISSUE</p> <p>General reserves are in excess of 100% of the precept and there no earmarked reserves for medium term community project/schemes or potential asset transfers. Sector guidance is that general reserves should be maintained at a level between 25% and 100% of the precept.</p>	<p><i>The council should review the level of reserves annually with reference to sector guidance as part of budget setting and set aside funds for medium term schemes and projects as earmarked reserves.</i></p>	Implemented
10	<p>No budgetary control information from the SCRIBE ledger was presented to council during the financial year, as the ledger had not been populated with transactions on an ongoing basis. This is in breach of the Financial Regulations which require that:</p>	<p><i>Regular budgetary control information from the financial ledger must be provided to the council.</i></p>	Recommendation Outstanding

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	ISSUE	RECOMMENDATION	FOLLOW UP
	‘The RFO shall regularly provide the Council with a statement of receipts and payments to date under each head of the budgets, comparing actual expenditure to the appropriate date against that planned as shown in the budget. These statements are to be prepared at least at the end of each financial quarter.’		
AGAR internal control objective E – Expected income fully received, correctly priced, recorded and promptly banked and VAT accounted for			
11	Scribe income transaction 72 related to room hire for £312.00. However, the supporting invoice was stated as £299.00. We were informed that the difference related to payment for an extra booking but no further evidence has been provided.	<i>A complete and accurate audit trail should be retained for income transactions, including instances where additional bookings are added to initial booking(s) for a customer.</i>	See 2021/22 issues
AGAR internal control objective F - Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.			
12	No petty cash book was maintained during the financial year to enable reconciliation with SCRIBE petty cash transactions. It should be noted that there were only 4 petty cash transactions in the year due to the impact of the pandemic on council activity.	<i>Internal controls must include a reconciliation of an up to date petty cash book to the ledger.</i>	Recommendation Outstanding – as at the date of the 2021/22 interim internal audit petty cash transactions had not been input into the SCRIBE ledger and reconciled.

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	ISSUE	RECOMMENDATION	FOLLOW UP
AGAR internal control objective G – Wages and salaries and members allowances paid in accordance with council approvals, and PAYE and NIC requirements properly applied			
13	Payroll payments were not subject to pre-authorization by two councillors prior to payment during 2020/21 due to the pandemic.	<i>All payroll payments should be authorised according to the Financial Regulations prior to payment.</i>	Implementation in progress
14	<p>RECURRING ISSUES</p> <p>In 2019/20 we reported separately to council regarding a number of internal control weaknesses, some of which are still outstanding. For instance, there are no detailed pre-authorization payroll checks carried out by councillors and there is no periodic system of checking the accuracy of payroll to source documentation.</p>	<p><i>All outstanding recommendations from the 2019/20 payroll review should be implemented.</i></p> <p><i>As part of the in-year checks of finance, members should:</i></p> <ul style="list-style-type: none"> - <i>Review payroll totals and individual payments before authorisation</i> - <i>Periodically check the monthly payroll analysis to source documents including timesheets and contracts of employment</i> <p><i>All payroll payments must be authorised in advance by two councillor signatories as required by the Financial Regulations.</i></p>	Implemented in 2021/22. Member checks of payroll were implemented in the fourth quarter of 2021/22
15	No expenses policy or register of expense allowances existed during 2020/21	<i>An expenses policy should be adopted by council.</i>	Recommendation Outstanding

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	ISSUE	RECOMMENDATION	FOLLOW UP
	<p>financial year. Therefore, there was no definition of the types of expenses that could be claimed, the rates that could be claimed for different categories of expense such as mileage, a standardised expenses claim form, requirements for receipts including VAT invoices, or an approval process.</p>		
AGAR internal control objective H – Asset and investment registers complete and accurate and properly maintained			
16	<p>The current format of the asset register does not support the effective management and disclosure of fixed assets :</p> <ul style="list-style-type: none"> - The addition date and disposal date of assets is not recorded so it is not possible to identify which financial year they relate to. This in turn could impact on the ability of the council to disclose the correct value for specific financial years in the AGAR accounts. - Assets are grouped so it is not possible to identify individual additions and disposals of assets. 	<p><i>The format of the asset register should be improved to separately identify assets, their values, and their date of purchase and disposal.</i></p>	<p>Recommendation Outstanding</p>

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	ISSUE	RECOMMENDATION	FOLLOW UP
	<ul style="list-style-type: none"> - Due to the grouping of assets it is not possible to identify the individual values of assets. 		
AGAR internal control objective I – Periodic and year end bank reconciliations were properly carried out			
17	<p>No bank reconciliations for any bank accounts were completed and reported to councillors during the financial year. The year end bank reconciliation provided with the AGAR did not agree to the year end reconciled bank balances in the SCRIBE accounting system.</p> <p>Section 2.2. for the Financial Regulations require that <i>'at the end of each quarter, and at each financial year end, a member other than the Chairman of the Council or Chairman of the Finance Committee shall be called upon by the RFO to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the council or Finance Committee.'</i></p>	<p><i>The council must ensure that complete and accurate bank reconciliations for all bank accounts are carried out monthly and at the year end and reported to council. The Financial Regulations relating to member review of reconciliations must be complied with.</i></p>	<p>Recommendation outstanding as at date of 2021/22 interim internal audit visit</p>

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	ISSUE	RECOMMENDATION	FOLLOW UP
18	Not all bank accounts have been transferred out of the name of the previous clerk	<i>The council should ensure previous employees and councillors are removed from the administration of all bank accounts.</i>	Implementation in progress
AGAR internal control objective J – Accounting statements were prepared on correct accounting basis, agreed to cash book, and were supported by an adequate audit trail			
19	<p>RECURRING ISSUE</p> <p>The council has to report its accounts on an Income and Expenditure basis in the AGAR annual return. However, no debtors or creditors apart from VAT have been recorded in the year-end SCRIBE balance sheet and accounts for either of 2019/20 or 2020/21. Although the locum clerk had carried out a review to identify debtors and creditors for 2020/21 these have not been incorporated into the SCRIBE accounting system.</p> <p>Therefore, the year end accounts included in the AGAR are based on a spreadsheet rather than SCRIBE, however, no extended trial balance has been provided to evidence this has been completed correctly. In any event, the SCRIBE reconciled cash and bank balances do not agree to the bank reconciliations reported with the AGAR.</p>	<p><i>The council must introduce procedures to completely and accurately identify all debtors, prepayments, receipts in advance, creditors and accruals for inclusion in the SCRIBE accounting system and the year end accounts.</i></p> <p><i>The council must prepare income and expenditure accounts using the prime book of record which is the SCRIBE accounting system.</i></p>	Implemented

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	ISSUE	RECOMMENDATION	FOLLOW UP
	<p>The council has no year end procedures in place to identify all the information needed to accurately identify all creditors and debtors. For instance, there is no cut-off process applied at the March 31st year end to identify all debtors for hall/room hires which had not yet been received. There is no sales ledger within the current version of SCRIBE.</p>		
AGAR internal control objectives K and L			
Not applicable as gross income/expenditure exceeded £25000.			
AGAR internal control objective M - The authority, during the previous year (2019-20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations			
20	<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 period for the exercise of public rights had to commence on or before 1 September 2020. The council notice period extended from September 1st to October</p>	<p><i>The council should ensure the Annual Notice of Public Rights is published on the council website.</i></p>	Recommendation Outstanding

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	ISSUE	RECOMMENDATION	FOLLOW UP
	12 th which allowed the required 30 day notice period, however the notice was only published on the council notice board and not on the council website.		
AGAR internal control objective N - The authority has complied with the publication requirements for 2019/20 AGAR			
21	<p>Publication Requirements</p> <p>There is no evidence on the council website that any of the website publications for 2019/20 were complied with.</p>	<p><i>We have concluded in the AGAR internal audit certificate that the council did not comply with the publication requirements for the 2019/20 AGAR audit as required by the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. The council must comply with the publishing requirements as stipulated on page one of the AGAR.</i></p>	Recommendation Outstanding
AGAR internal control objective O – The council met its responsibilities as sole trustee			
Not applicable to Ketley Parish Council			

2019/20 internal audit follow up

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	ISSUE	RECOMMENDATION	FOLLOW UP
1	A comprehensive risk assessment was not reviewed updated and approved in the financial year.	<i>A comprehensive risk assessment should be established and then reviewed, updated and approved each financial year.</i>	2020/21 follow up - Recommendation Outstanding 2021/22 follow up – Implemented
2	<p>Data protection risks:</p> <p>There is no evidence that any action has been taken to ensure compliance with the GDPR and to address data protection risks, for instance:</p> <ul style="list-style-type: none"> - No evidence that personal data held has been mapped and security reviewed - We could not identify an internal privacy notice for staff and role holders - No GDPR compliant data protection policy was adopted - No evidence that Subject Access Request and Data Breach procedures compliant with the GDPR had been adopted - No evidence data processing/sharing agreements have been established with relevant third parties 	<i>The council need to urgently carry out a GDPR data audit and establish the required policies and procedures to help ensure compliance.</i>	2020/21 follow up - Recommendation Outstanding 2021/22 follow up - The council has appointed Telford and Wrekin Council to provide data protection compliance services and support. It is expected that the outstanding compliance issues will be addressed in the 2022/23 financial year.

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	ISSUE	RECOMMENDATION	FOLLOW UP
	<ul style="list-style-type: none"> - No evidence a document retention policy has been adopted 		
3	There is no evidence of any budgetary control reporting and monitoring during the financial year. The production of accurate budgetary control information to council also relies on the SCRIBE system being updated with transactions on a timely basis.	<i>Regular budgetary control reporting needs to be implemented promptly by the council using the budgetary control reports available from the SCRIBE system. The SCRIBE system should be updated with transactions on a timely basis.</i>	Recommendation Outstanding
4	The clerk makes payments via COOP online banking with no councillor checks to verify the supplier bank accounts to which payments have been made.	<p><i>The council should apply member checks to online banking transactions during the financial year as follows:</i></p> <ul style="list-style-type: none"> - <i>To provide assurance that the correct suppliers have actually been paid the amounts the council has approved, each month the Chair of Finance should select a small sample of payments from the actioned online payments and agree the online payment bank details to the bank account details of the supplier on the invoice</i> - <i>Supplier fraud prevention controls</i> <ul style="list-style-type: none"> - <i>The Chair of Finance should check bank details for the first payment to a supplier to a signed</i> 	<p>2020/21 follow up – recommendation outstanding</p> <p>2021/22 follow up - Implemented fourth quarter of 2021/22</p>

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	ISSUE	RECOMMENDATION	FOLLOW UP
		<p><i>confirmation letter from the supplier. The same procedure should apply where a supplier has purported to have changed bank accounts (particularly if the request is via email).</i></p> <p><i>The above member checks should be evidenced by a signature.</i></p>	
5	<p>The contract for grounds maintenance has been awarded with no tender process. The procurement regulations in the Financial Regulations require a tender process for all contracts in excess of £25000.</p>	<p><i>The council must comply with the procurement regulations of the adopted Financial Regulations.</i></p>	<p>Recommendation Outstanding, however, this contract may fall under Telford and Wrekin council in future.</p> <p>2021/22 follow up – contract now delivered by the principal council.</p>
6	<p>The lease for the tenancy of the infant school expired at the end of October 2019.</p>	<p><i>The council should urgently establish a new lease with the tenant of the infant school building. Leases should be negotiated well in advance of their cessation date so that a new lease is in place on the required date.</i></p>	<p>Implemented</p>
7	<p>General reserves are in excess of 100% of the precept and there no earmarked reserves for medium term community project/schemes or potential asset transfers.</p>	<p><i>The council should review the level of reserves annually with reference to sector guidance as part of budget setting and set aside funds for medium term schemes and projects as earmarked reserves.</i></p>	<p>Implemented</p>

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	ISSUE	RECOMMENDATION	FOLLOW UP
	Sector guidance is that general reserves should be maintained at a level between 25% and 100% of the precept.		
8	<p>VAT issues:</p> <ul style="list-style-type: none"> - The council owns a hall which provides primarily exempt supplies of hall/room hire. However, no partial exemption calculations are completed annually to evidence that the input VAT incurred that related to exempt supplies is less than the £7500 threshold. If the council exceed the £7500 input tax threshold then the general rule is that no input VAT that relates to exempt supplies for that financial year can be reclaimed. This is important as significant expenditure of circa £30k is being planned for the ‘classroom’ in 2020/21 - The council pays VAT on the rent of the infants school from the principal council, however, the building is let by the parish council for £6600 as a VAT exempt supply. The council has not sought VAT guidance on whether it can reclaim 	<p><i>The council should secure the input of a specialist Local Government VAT adviser to review VAT issues at the council and to complete the partial exemption calculation for 2020/21.</i></p>	<p>Recommendation Outstanding</p>

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	ISSUE	RECOMMENDATION	FOLLOW UP
	<p>the VAT on the rent paid when it is not occupying the property itself, and instead is subletting the property. In addition, the council is reviewing whether the building could be subject to a future asset transfer which would create more VAT exempt rents and therefore input VAT that could impact of the £7500 partial exemption threshold.</p>		
9	<p>Income testing:</p> <p>Sample testing of hall/room hire identified examples of concessionary rates that were being charged that were not part of the council approved list of rates. There is no current delegation to officers that permits concessions to be provided.</p>	<p><i>The council should approve all concessionary rates charged.</i></p>	Recommendation Outstanding
10	<p>The council has to report its accounts on an Income and Expenditure basis in the AGAR annual return. However, no debtors or creditors apart from VAT have been recorded in the year-end balance sheet and accounts for either of 2018/19 or 2019/20. Therefore, the year end accounts for both years are incorrect as there are no debtors for room/hall hire, no prepayments, no trade creditors, no accruals, and no</p>	<p><i>The council must introduce year end procedures to completely and accurately identify all debtors, prepayments, receipts in advance, creditors and accruals for inclusion in the accounts.</i></p> <p><i>The council should consider securing an upgraded version of SCRIBE with a sales ledger.</i></p>	Implemented

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	ISSUE	RECOMMENDATION	FOLLOW UP
	<p>receipts/deposits in advance for items such as wedding receptions. Review of the accounting records identified that there were items that needed to be included in all of the above balance sheet categories in 2019/20.</p> <p>The council has no year end procedures in place to identify all the information needed to complete all the balance sheet categories listed above. For instance, there is no cut-off process applied at the March 31st year end to identify all debtors for hall/room hires which had not yet been received. There is no sales ledger within the current version of SCRIBE.</p>		
11	<p>PETTY CASH</p> <p>The analysis of petty cash from the SCRIBE ledger did not agree to the actual Balance Sheet balance for petty cash. The SCRIBE analysis provided for internal audit did not record the petty cash transactions during the financial year. In addition, there is no audit trail maintained of petty cash transactions to actual vouchers.</p>	<p><i>Systems of internal control over petty cash should be improved as follows:</i></p> <ul style="list-style-type: none"> - <i>petty cash vouchers should be secured for all payments and each voucher should be allocated a sequential reference number</i> - <i>all petty cash transactions should be recorded completely and accurately with their unique reference number in the SCRIBE ledger</i> 	<p>2020/21 follow up - Partially implemented – petty cash has been posted into the SCRIBE system but no petty cash book was maintained. It should be noted that due to the pandemic use of petty cash was limited to a minor number of transactions in the year.</p> <p>2021/22 follow up – recommendation outstanding as no petty cash transactions had been posted to the ledger and reconciled as at the date of the interim internal audit</p>

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	ISSUE	RECOMMENDATION	FOLLOW UP
		<ul style="list-style-type: none"> - <i>petty cash should be cashed up and agreed to the SCRIBE ledger monthly</i> - <i>petty cash expenditure and the petty cash reconciliation should be reported to council regularly</i> 	
12	<p>FIXED ASSETS</p> <ul style="list-style-type: none"> - The value for fixed assets in the AGAR annual return is unchanged over the prior year. However, our payments testing identified that assets had been purchased, for example, the induction loop, and the alarm system upgrade. - The fixed asset register has not been cross checked to the insurance policy to ensure all fixed assets are appropriately insured. 	<p><i>Capital expenditure in 2019/20 should be reviewed to identify all additions which should be included in the fixed asset register. Items disposed of and obsolete items should be removed from the register at carrying value.</i></p> <p><i>The fixed asset register should be compared to the asset list in the insurance policy to ensure all assets are included in the policy and appropriately insured.</i></p>	Implemented
13	<p>BANK RECONCILIATION</p> <p>Although a year end bank reconciliation has been carried out using the SCRIBE accounting software, no regular reconciliations were carried out during the</p>	<p><i>Complete and accurate bank reconciliations should be prepared and presented to council monthly for approval during the financial year.</i></p>	Recommendation Outstanding

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	ISSUE	RECOMMENDATION	FOLLOW UP
	financial year and reported to council for approval.		
14	PAYROLL A separate report for 2019/20 was provided to council which identified recommendations for improvement and follow up of this action plan was reported to the council for the 2020/21 financial year.		