

# INTERNAL AUDIT REPORT 2021-22

## Diddlebury Parish Council

### 1 INTRODUCTION

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As the Council's Internal Auditor I have independently carried out an examination of areas which meet the internal control objectives as listed on the Annual Governance and Accounts Return (AGAR); best practices as outlined in the JPAG Practitioners Guide 2021 for the year ended 31<sup>st</sup> March 2022.

The audit has been carried out using a risk assessment basis approach and examines the Council's compliance with its relevant procedures and controls in operation through a review of the evidence of these controls and selected detailed sampling. The Annual Internal Audit Report on the AGAR; was then completed.

### 2 OVERALL

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**The standard of administration and system of internal controls relating to the audit areas examined throughout the financial year were considered to be of a high standard and meet the needs of the Council and practices as recommended in The Practitioners' Guide 2021. The Council will be exempt from externally audit once again as neither annual receipts nor payments exceed £25,000.**

It was noted that new HSBC charges have been introduced for cheque processing; I would suggest that an alternative bank is sought or online banking is considered. It should also be noted that back dated salary arrears are owed to the Clerk as NALC issued the revised agreed rates for 21/22 in early March 2022. The Clerk is fully aware of both of these issues and has raised her own concerns about her dealings with the VAT office and making a VAT claim. The Clerk has until 2023/24 in which to reclaim VAT relating to 20/21 and I trust she will persist in her efforts to follow up the matter.

A sample review of Council meeting minutes confirmed that the Council was quorate when it met and that council decisions were clearly recorded.

I would like to thank the Clerk for presenting her well organised records which have assisted the internal audit process. Should you or members of the Council have any queries with this report please do not hesitate to get in touch.

Regards,

*SD Hackett*

SDH Accounting & Audit Services

Tel 01743 719012

Date: 12/05/22

### 3 INTERNAL AUDIT DETAILED FINDINGS – DIDDLEBURY PARISH COUNCIL 2021/22

Key Control Objective	Findings	The key control objective has been achieved?
A. Appropriate accounting records have been properly kept throughout the financial year.	The primary accounts record examined 1-4-21 to 31-3-22; (i.e. manual cash book) was recast and found to be accurate and provided a full audit trail to source documents and council minutes. The opening balance was agreed to the previous year's AGAR closing bank balance. Detailed testing of a sample of transactions per the final accounts confirmed its accuracy. (See B & E & I below.)	<b>Yes</b>
B. Council complied with its financial regulations, payments were supported by invoices/vouchers, all expenditure was approved and VAT was appropriately accounted for.	A sample of 24 payments were agreed between the accounts and Council minutes and source documentation. A further 6 approved payments were selected from the minutes and agreed to the accounts and bank statements. Each payment bore evidence of having been checked by 2 councillors. VAT was found to be appropriately accounted for within the accounts and financial regulations complied with. Council cheque stubs provide evidence of two councillors' initials. VAT was found to be appropriately accounted for within the payment ledger.	<b>Yes</b>
C. Council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	A framework of policies and procedures have been adopted by the Council and are readily available on the Council's website; these mitigate against significant risks to achieving its objectives. These policies include: Standing Orders, Financial Regulations and a Risk Assessment Schedule, which were reviewed and adopted in April '21. A New Code of Conduct, Complaints Procedure and revised Standing Orders were adopted in Nov '21. Council assets are insured and are regularly inspected to determine maintenance requirements.	<b>Yes</b>
D. The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored by the Council; and reserves were appropriate.	The Clerk/RFO regularly presents financial progress report at council meetings and any deviations from expected costs; this is deemed satisfactory given the low volume of transactions.  Budget Setting 2022/23 – The Clerk/RFO presented a budget projection report and forecasted year end position for 21/22. The proposed budgeted spend for 22/23 totaling £8,655. This was agreed by Council and it was resolved that a precept of £8,655 be sought at the Council's Jan'22 meeting. As new HSBC	<b>Yes</b>

	<p>charges have been introduced for cheque processing; I would therefore suggest that an alternative bank is sought or online banking is considered.</p> <p>Reserves – The yearend balance of £15.934 is reasonable as it contains ring fenced reserves relating to Neighbourhood Fund; EMF and a car park project.</p>	
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked.	<p>A precept receipt of £8,666 was agreed to the supporting SC remittance and the bank statement. The precept was also agreed to previous year's Council's decision and MHCLG Precept Data.</p> <p>A Neighbourhood Fund grant of £5,524 was also agreed to a supporting SC remittance.</p>	<b>Yes</b>
F. Petty Cash has been properly accounted for.	None held as confirmed by the Clerk/RFO and accounts.	<b>Yes</b>
G. Payroll – Salaries to employees and allowances to members were paid in accordance with the authority's approvals and PAYE & NI requirements properly applied.	<p>All pay calculations are processed via an external payroll processing service. 12 monthly salary slips/payments were checked and found to be accurate and in agreement with the Clerk's contract and Council decisions.</p> <p>Tax and NI deductions having been appropriately deducted.</p> <p><b>Please note back dated arrears are due as NALC issued the revised rates for 21/22 in early March 2022.</b></p> <p>No allowances were noted as having been paid directly to members. The Chairman has however claimed expenses relating to materials bought and used when repairing council assets and to reimburse printing costs relating to council business.</p>	<b>Yes</b>
H. Asset and investment registers were accurate and properly maintained.	<p>The Fixed Asset Register was found to be accurate £6,639; having been adjusted to include a replacement printer.</p> <p>No investment register is required.</p>	<b>Yes.</b>
I Periodic Bank Reconciliations were properly carried out during the year	<p>Evidence was sighted in minutes of monthly bank reconciliations having being carried out and presented to Council. Corresponding bank statements have been evidenced as checked and approved by a Councillor.</p> <p>The yearend bank reconciliation was also re-performed by the auditor and found to be correct.</p>	<b>Yes</b>

J Accounting statements prepared during the year were prepared on the correct accounting basis, agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	The AGAR Accounting Statement for the year 21/22 has been prepared accurately on a receipts and payments basis, agrees with the Receipts & Payments ledgers; and the yearend bank reconciliation. Sample testing (above) supports that the audit trail to underlying records is adequate.	<b>Yes</b>
K The Council appropriately certified itself as exempt from a limited assurance review by external audit in <b>2020/21</b> .	Yes, the Council appropriately certified itself as exempt from a limited assurance review by external audit as neither receipts nor payments for the year exceeded £25,000.  Council minutes (27/5/21) supports this; the exemption certificate was found on the website. (Website examined 5/4/22.)	<b>Yes</b>
L. Council publishes information on a free website/webpage up to date at the time of the internal audit, in accordance with Transparency Code requirements.	The Council's free website was found to be informative, up to date and meets many transparency requirements; councillors contact details are also present on the website. (Examined 5/4/22.)	<b>Yes</b>
M Council correctly provided the proper opportunity for the exercise of public rights in accordance with Accounts and Audit Regulations.	The Notice for the Exercise of Public Rights was published on the Council's website on 10/6/21 (Notice period 14/6- 16/7/21); along with the pages of the AGAR and Elector's Rights guidance. (Examined 5/4/22.)	<b>Yes</b>
N. The Council has complied with the publication requirements for the <b>20/21</b> AGAR	The <b>20/21</b> AGAR and all associated yearend paperwork were found on the Council's website. (Examined 5/4/22)	<b>Yes</b>
O. Trust funds – the Council has met its responsibilities as a trustee.	The Clerk/RFO confirmed that the Council is not the sole trustee of such a fund.	<b>Not Applicable.</b>