

INTERNAL AUDIT REPORT
CHOLMONDELEY and CHORLEY PARISH COUNCIL
2021/22

The internal audit was carried out by undertaking the following tests 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.

JDH Business Services Limited

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ACTION PLAN

	ISSUE	RECOMMENDATION	FOLLOW UP
1	<p>We previously reported that a VAT reclaim form had been completed for the period 01/04/2018 to 31/03/2020, although this had not been received as at 18 June 2021. No VAT was received in 2021/22 and another VAT reclaim was included in the file for internal audit for the period 01/07/2019 to 31/03/2022. Therefore, the VAT from 01/04/2018 to 30/06/2019 has not been reclaimed and in fact it does not appear that the VAT reclaim provided for internal audit to review in 2020/21 was submitted as the current claim form duplicates a significant element of the previous reclaim form</p>	<p><i>VAT claims must be completed on a timely basis and actually submitted to HMRC as four year time limits for reclaim apply.</i></p>	
2	<p>The council had not published any documentation relating to 2020/21 required by the Transparency Code and the Accounts and Audit Regulations 2015, as there was not tab on the website for 2020/21 information, only for 2019/20 and 2021/22.</p>	<p><i>The council must comply with the Transparency Code and the publication requirements of the Account and Audit Regulations 2015, including those for publishing the notice of electors rights of inspection on the council website on the announcement day of the notice.</i></p>	

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2020/21 internal audit			
1	<p>Recurring Recommendation</p> <p>General reserves are in excess of 200% of the precept and no earmarked reserves are disclosed. 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 general reserves with reference to sector guidance.</i></p>	<p>Recommendation outstanding, although precept has been reduced and some funds are held in reserve from Groundworks.</p>
2	<p>The council had not published the following as required by the Transparency Code:</p> <ul style="list-style-type: none"> • All items of expenditure above £100 <p>In addition, the council had not published on a publicly available website (as required by the Accounts and Audit Regulations 2015), the following items:</p> <ul style="list-style-type: none"> • Signed Certificate of Exemption • Analysis of variances • Bank reconciliation 	<p><i>The council must comply with the Transparency Code and the publication requirements of the Account and Audit regulations 2015.</i></p>	<p>Recommendation Outstanding – see 2021/22 issues</p>
2019/20 internal audit			

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1	The council did not comply with Regulation 15 of the Account and Audit Regulations 2015 as it failed to make proper provision for the exercise of public rights in Summer 2019 for the 2018/19 accounts as the approval date of the accounts in the AGAR annual return was after the start date of the period for the exercise of public rights.	<i>The council must ensure that it makes proper provision for the exercise of public rights for every financial year</i>	Implemented
2	No further issues identified in 2019/20 internal audit. However, see 2018/19 issues below that are still outstanding and 2017/18 issue three regarding lack of clerk employment contract	<i>Internal audit recommendations should be implemented on a timely basis.</i>	Partially implemented
2018/19 internal audit			
1	Reserves are in excess of 200% of the precept and no earmarked reserves are disclosed.	<i>The council should monitor the level of reserves from year to year and ensure that excessive reserves are not carried forward.</i>	No response to this internal audit issue in the council minutes. Recommendation Outstanding
2	Fixed assets are disclosed as unchanged from the prior year. However, testing identified the purchase of a defibrillator cabinet in the financial year.	<i>If the council owns the cabinet it should be added to the fixed asset register and the corrected figure included in the AGAR annual return</i>	Recommendation Outstanding 2020/21 follow up – An updated fixed asset register has been produced

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3	No VAT was reclaimed or received in the financial year.	<i>VAT reclaims should be made on a timely basis.</i>	Implemented – a VAT reclaim has been completed for the period 01/04/2018 to 31/03/2020, although this had not been received as at 18 June 2021.
2017/18 internal audit			
1	We were unable to identify the annual audited accounts and Annual Governance Statement on the council website	<i>The council should ensure the published information on the website meets the requirements of the Transparency Code</i>	Implemented
2	Data Protection Law will change significantly on May 25 th 2018 due to the 2016 EU Directive General Data Protection Regulation (GDPR) taking effect. GDPR replaces the 1998 Data Protection Act and it will impose new obligations on Data Controllers and Data Processors and provides enhanced rights for individuals. Compliance with GDPR could have resource implications for local councils.	<i>The impact of GDPR on the council should be identified through review of ICO and NALC guidance and the Data Protection policy, risk assessment and internal controls should be updated accordingly</i>	Ongoing implementation
3	There is no formal contract of employment in place for the clerk	<i>All employees should have a signed contract of employment in place. The council should secure the NALC model contract of employment and align it the scope of work at the council.</i>	2018/19 follow up – not provided for internal audit therefore we conclude the recommendation is outstanding. 2019/20 follow up - recommendation outstanding

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