



Bayston Hill Parish Council

Internal Audit 2021/22

JDH BUSINESS SERVICES LTD

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

INTERNAL AUDIT REPORT BAYSTON HILL PARISH COUNCIL

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

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 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

	ISSUE	RECOMMENDATION	FOLLOW UP
1	<p>The General Fund balance is disclosed in the Balance Sheet as £25,409 with Earmarked reserves of £387108.75. This level of General Funds is 14.5% of the precept which is below the minimum recommended level of 25% of the precept.</p> <p>We were provided with a detailed spreadsheet analysis of earmarked funds but these did not agree to the total earmarked fund disclosed in the Balance Sheet of £387108.75.</p>	<p><i>The council should review the level of earmarked reserves (EMR) disclosed in SCRIBE and in the EMR spreadsheet and ensure adjustments are made so the ledger agrees to supporting approved EMR records. The council should ensure that the General Fund/Reserve levels are at least 25% of the precept as recommended by sector guidance.</i></p>	<p><i>This can be reviewed as part of our planning day in July.</i></p> <p><i>Human error – Clerk did not input Precept Reserve of £123, 158.65 in to the manually created breakdown.</i></p>
2	<p>The fourth quarter VAT claim of £3034.05 did not agree to the Balance Sheet year end VAT debtor of £3028.87.</p>	<p><i>The difference between the Balance Sheet VAT debtor and the outstanding fourth quarter VAT claim should be reviewed to identify whether there has been an under/over claim of VAT.</i></p> <p><i>Year end procedures should include an agreement of the outstanding VAT claim(s) to the balance sheet VAT debtor and any differences investigated.</i></p>	<p><i>There was a discrepancy in Q1 of the year.</i></p> <p><i>We now submit our VAT claims electronically so there is less room for error.</i></p> <p><i>Errors are more likely to occur when changes are made in Scribe after the quarter end and submissions have been made to HMRC.</i></p>

**INTERNAL AUDIT REPORT
BAYSTON HILL PARISH COUNCIL**

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2021/22 interim internal audit			
1	<p>The Financial regulations require the following with respect to budgetary control:</p> <p>4.8. 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 and shall show explanations of material variances. For this purpose “material” shall be in excess of £100 or 15% of the budget.</p> <p>The budgetary control information that is presented to the council is sourced from the SCRIBE ledger and the report shows the annual budget and the spend/income to date. However, the information does not contain projected spend/income to date so it does not allow council to review whether there is actual under or over spend compared to the budgeted spend/income to date. There are no written explanations provided to council of material</p>	<p><i>The accounting software provider should be consulted to ensure the software can produce a budgetary control report that includes budgeted spend or income to date compared to actual spend or income to date and project outturn.</i></p> <p><i>Written explanations for material variances from budget as defined in the Financial Regulations should be provided with all budgetary control reports presented to council.</i></p>	<p>Response: Training for adding forecasting information to Scribe reporting has taken place 16th February, 2022. Implementation and year-end reporting will reflect in coming weeks.</p> <p>Response: The quarterly review of expenditure against budget undertaken by the Council has included an oral explanation of variances by the Locum Clerk. A written report, in accordance with Financial Regulations, will be published to properly comply.</p>

**INTERNAL AUDIT REPORT
BAYSTON HILL PARISH COUNCIL**

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	variances as defined in section 4.8 of the FRs.		
2	<p>The Highline contract ended in 2020 but was rolled over due to the pandemic situation at the time. We have seen no evidence of a written contract for this supply or evidence in the minutes that the council authorised the extension of the contract. Financial Regulations state the following:</p> <p>11 h) When it is to enter into a contract of less than £25,000 in value for the supply of goods or materials or for the execution of works or specialist services other than such goods, materials, works or specialist services as are excepted as set out in paragraph (a) the Clerk or RFO shall obtain 3 quotations (priced descriptions of the proposed supply); where the value is below £3,000 and above £100 the Clerk or RFO shall strive to obtain 3 estimates. Otherwise, Regulation 10.3 above shall apply.</p>	<p><i>The council should ensure compliance with the procurement requirements of the Financial Regulations. All contract extensions must be authorised by council and recorded in the minutes.</i></p>	<p>Response: There is a record of an email exchange with Highline Electrical on 30th September 2021 where it was acknowledged that the 3 year period expired on 6th June 2020. It was agreed that billing under the original terms would remain until a review to take place in June 2022. A copy of the terms has been supplied to JDH Business Services on 12th January 2022. This matter will be brought to Council to agree on the contract extension and a timetable for new quotations for this contract and two others.</p>
3	<p>VAT</p> <p>1.) We were informed that the council may undertake a sports hall project in the medium /long</p>	<p><i>Before undertaking a sports hall project the council should secure written advice from a public sector VAT consultant to ensure they</i></p>	<p>Response: This recommendation is noted.</p>

**INTERNAL AUDIT REPORT
BAYSTON HILL PARISH COUNCIL**

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4	<p>The fees and charges schedule is dated 2016 and we could see no evidence in the minutes that the council fees and charges have been formally reviewed annually as required by the Financial Regulations:</p> <p>9.3. The council will review all fees and charges at least annually, following a report of the Clerk.</p>	<p><i>The council schedule of fees and charges should be reviewed annually and the minutes should provide a record of this review.</i></p>	<p>Response: At the Finance Committee meeting on 18th January 2021 - Minute ref: F35.20/21, we did touch on the fact our Hire Charges were to be reviewed. Members resolved to increase by 5% on an annual basis. This item will be brought to March Full Council.</p> <p>Update: Approved change from April 1st 2022.</p>
5	<p>Transfers between the Unity current and deposit accounts were not authorised by council which is a breach of section 8.8 of the Financial Regulations:</p> <p><i>8.8. Payments in respect of short term or long term investments, including transfers between bank accounts held in the same bank, or branch, shall be made in accordance with Regulation 5 (Authorisation of payments) and Regulation 6 (Instructions for payments).</i></p>	<p><i>Bank transfers from the current account to any other deposit or other short term or long term investment account must comply with the authorisation requirements of the Financial Regulations, including transfers to CCLA public sector deposits..</i></p>	<p>Response: In both instances, 22.3.21 and 8.4.21 - £1000.00 one way and back, the usual "Authorisation to make transactions through Internet Banking" was completed and signed by two councillors. This conforms to the Financial Regulations. In discussion at the time of the IA visit, mention of the set up with Unity Trust Bank was made, whereby inter account transfers are dual entry rather than tri entry. No money is being paid away but Unity Trust set up will be amended to require tri entry – RFO and 2 members.</p>