



Bayston Hill Parish Council

Internal Audit 2021/22

Interim Report

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 audits provide 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 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 variances as defined in section 4.8 of the FRs.</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>	

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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>	
3	<p>VAT</p> <p>1.) We were informed that the council may undertake a sports hall project in the medium /long term. Therefore, the council and staff will need to understand the implications of the VAT partial</p>	<p><i>Before undertaking a sports hall project the council should secure written advice from a public sector VAT consultant to ensure they are clear from the outset as to whether any VAT incurred on the project is wholly or partially irrecoverable.</i></p>	

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	<p>exemption rules for local councils and secure specialist VAT guidance before undertaking any significant contract of this type, as there is a risk for premises that provide VAT exempt services that the VAT incurred in construction may be partially or wholly irrecoverable.</p> <p>2.) Our invoice sampling for community hall room hire identified that VAT is sometimes charged in the invoice by bookings staff. The council has not opted to tax these supplies so they are VAT exempt i.e. no VAT should be charged for the supply of these services. The clerk had identified the errors and corrected them within the SCRIBE system but the invoices to the customers still contained a VAT charge which means they are incorrect.</p>	<p><i>Staff should receive training in which council services are standard rated, non-business or exempt from VAT.</i></p>	
4	<p>The fees and charges schedule is dated 2016 and we could see no evidence in the minutes that the</p>	<p><i>The council schedule of fees and charges should be reviewed annually and the</i></p>	

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	<p>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>minutes should provide a record of this review.</i></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>	