JDH Business Services Ltd

Macclesfield Town Council

Internal Audit 2021/22

Interim Report

The internal audit of Macclesfield Town Council is carried out by undertaking the following tests as specified in the AGAR Annual Return for Local Councils in England:

1. Checking that books of account have been properly kept throughout the year
2. 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
3. Reviewing the Council’s risk assessment and ensuring that adequate arrangements are in place to manage all identified risks
4. 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
5. 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
6. Reviewing petty cash records to ensure payments are supported by receipts, expenditure is approved and VAT is correctly accounted for
7. Checking that salaries to employees have been paid in accordance with Council approvals and that PAYE and NI requirements have been properly applied
8. Checking the accuracy of the asset and investments registers
9. Testing the accuracy and timeliness of periodic and year-end bank account reconciliation(s)
10. 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 larger 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.

**J D H Business Services Ltd**

 **ACTION PLAN**

|  | **ISSUE** | **RECOMMENDATION** | **FOLLOW UP** |
| --- | --- | --- | --- |
| 1 | The current risk assessment does not include the risks and mitigation actions relating to the potential asset/service transfers to the council from the unitary authority.  | *The risk assessment for 2021/22 should identify the risks and mitigation actions relating to the transfer of assets/services from the unitary authority.* | ***Updated in Jan 2022 to go to Council March 2022 for approval.*** |
| 2 | A duplicate payment was made during the year for laptops totalling £998 as the amount was paid based on the purchase order rather than on receipt of the invoice. | *Supplier payments should only be made upon receipt of a valid invoice.* | ***Noted and implemented*** |
| 3 | The council is party to a number of contracts and SLAs with varying lengths and conditions. | *The council should establish a contracts register which should be regularly reviewed to identify those contracts/SLAs where the upcoming end date signifies that a tender or quotation process is required, or whether a decision is needed regarding an extension which is provided for in the contract terms.* | ***Clerk and Admin and Governance Manager to implement Jan 2022*** |
| ***2020/21 year end internal audit*** |
| 1 | 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.The public notice was announced on June 29th , 2020. However, the notice must be announced to the public at least one day earlier than the commencement date of the notice period. Therefore, we have concluded the council did not comply with the requirements for the Public Rights Notice for 2019/20. | *The council should ensure compliance with the legal requirements for the Annual Notice of Public Rights.* | ***To be followed up at 2021/22 year end internal audit*** |
| 2 | The risk assessment does not address the risks of supplier (procurement) fraud. | *The risk assessment should be updated to include supplier (procurement) fraud including the adequacy of supplier onboarding controls.* | ***To be followed up at 2021/22 year end internal audit*** |
| 3 | Budget underspends for the Mayor’s Charity contributions and Royal British Legion donations had been incorrectly included in year end accruals in the council balance sheet. The draft accounts were subsequently amended to remove these items from supplier accruals. | *Year end procedures should be improved to ensure budget underspends are not included in year-end supplier accruals* | ***To be followed up at 2021/22 year end internal audit*** |
| **2020/21 interim internal audit** |
| 1 | The CAB SLA expired on March 31st 2020, and no new signed SLA was established for 2020/21, although council approved the funding to continue in 2020/21.  | *The council should ensure a signed SLA covering all periods of funding is in place with CAB that defines the inputs, outputs and outcomes the council required from the agreement.* | ***To be followed up at 2021/22 year end internal audit*** |
| 2 | Review of the allotments charging spreadsheet identified the following:1. There is no formula in the column for total area of the plot. Thus means there is no accuracy check for the calculations built into the spreadsheet.
2. Plot 15 dimensions are recorded as 21m x14.2m which does not equal the area used in the spreadsheet of 178m2 (actual total area is 298.2m2).
 | *The allotments charging spreadsheet should not contain any manual calculations as formulae should be used wherever there is a calculation (eg plot area).**The council should review the calculations and dimensions for Plot 15 to ensure the price charged is accurate* | ***Implemented*** |
| 3 | There are a significant number of out of date cheques recorded as reconciling items in the November 2020 cumulative bank reconciliation:Cheque numbers 1413, 1429, 1438, 1450, 1460, 1467. | *Where cheques are out of date they should be cancelled, written out of the bank reconciliation, and where appropriate, reissued to the third party.* | ***Implemented*** |
| ***2019/20 year end internal audit*** |
| 1 | There is no budget for interest receivable even though this is now a significant source of income. | *A budget should be set for all known sources of income for the financial year* | ***Implemented*** |
| ***2019/20 interim internal audit*** |
| 1 | The updated Financial Regulations (FRs) refer to a Purchase Order (PO) system (which would also clearly evidence the authority to spend). However, no PO system is currently in place.  | *The council should establish a sequential Purchase Order system as required by the updated Financial Regulations (FRs) and ensure Purchase Orders are signed according to the Authority to Spend requirements of the FRs.* | ***Implemented*** |
| 2 | The supplier costs for the payroll bureau have been incorrectly recorded in the payroll budget. | *Supplier costs should be allocated to a non-staff salaries expense code.* | ***Implemented*** |
| 3 | The email sent to the payroll bureau that notifies the processor of payroll changes does not contain evidence the payroll changes were authorised by council. | *A copy of the council minute that authorised pay changes for staff should be attached to the email sent to the payroll processor to notify payroll changes.* | ***To be implemented for next payroll change notification*** |
| 4 | Emails to the payroll bureau containing staff information are not encrypted. | *Emails to the payroll bureau containing sensitive personal data should be encrypted.* | ***Implemented*** |
| 5 | The VAT number of suppliers for material contracts are not verified begore entering into the contract. | *A VAT fraud prevention check should involve verification of the VAT number and address details of a new major supplier before entering into a material contract.* | ***Implemented*** |
| ***2018/19 year end internal audit*** |
| 1 | Details of public land and buildings owned have not been published on the website | *The website should contain all the information recommended by the Transparency Code* | ***Implemented*** |
| **IMPORTANT GUIDANCE NOTE****INTERNAL AUDIT CERTIFICATE in the AGAR**There is a new internal control objective (Objective L) in the 2018/19 internal audit certificate that requires internal audit to conclude on whether the Public Rights Notice during the **previous Summer** was compliant with the Regulations. This is pre-filled for 2018/19 but in order to test this and conclude YES or NO for the 2019/20 internal audit we would need to receive with the 2019/20 books and records:* A copy of the completed 2018/19 Notice of Public Rights and Publication of the Unaudited Annual Governance and Accountability Review
* A dated photograph showing the first day of the Notice of Public Rights on the noticeboard and/or a dated computer screenshot showing the first date of the Notice of Public Rights on the website for 2018/19

Our approach to this new requirement will be to conclude NO if we have not received the above evidence and explain on the AGAR that we received insufficient evidence to be able to conclude YES; we would also conclude NO if the dates advertised were not compliant with the Regulations.This will be a new ongoing requirement for internal audit, as well as verifying whether certain smaller councils meet the exemption criteria from an external audit. Therefore, for the 2019/20 internal audits there will be additional time charged at a fixed fee of £9 + VAT per local council to complete the new requirements. |
| ***2018/19 interim audit*** |
| 1 | There was no confirmation of receipt for the £7500 payment to Macclesfield Barnaby Festival on 25/05/2018.  | *Confirmation of receipt should be secured for all significant grants and donations* | ***Implemented*** |
| 2 | The Silk Working Groups terms of reference does not state that the group cannot make decisions.  | *The Terms of Reference for the working group should stipulate that they cannot make decisions, cannot commit the council to expenditure, and are advisory only.* | ***Implemented*** |