



# Church Stretton Town Council

Internal Audit 2021/22

## **INTERNAL AUDIT REPORT**

The internal audit of Church Stretton Town Council is carried out by undertaking the following tests as specified 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
- Checking that salaries to employees have been paid in accordance with Council approvals and that PAYE and NI requirements have been properly applied
- Reviewing the asset and investments registers
- Testing the accuracy and timeliness of bank account reconciliations.
- Reviewing whether accounting statements prepared during the year, and the year-end financial statements, 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.
- Checking that during the previous year, the council correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations
- Reviewing whether the council has complied with the publication requirements for the prior year AGAR.
- Reviewing whether the council met its responsibilities as a trustee of the sole trustee charitable trusts

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, except for the recommendations included 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.

## **INTERNAL AUDIT REPORT**

With respect to the AGAR internal audit certificate, due to the issues noted in the 2020/21 follow up of expenditure internal controls that related to the first half of the year, the ongoing absence of a review of contracts to ensure they have been market tested in accordance with Financial Regulations requirements, further evidence of duplicated payment in 2021/22, and evidence of non-compliance with Financial Regulations (eg no system in place whereby two members authorised online payments in advance in first half of year, and the absence of quarterly budgetary control and bank reconciliations in first half of the year), we have stated 'NO' to the internal control objective *'This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.'* We also stated in the AGAR certificate that the control objectives M and N had not been met for the publication requirements and notice of period for the exercise of public rights.

**JDH Business Services Limited**

	ISSUE	RECOMMENDATION	FOLLOW UP
<b>2021/22 Year End Internal Audit</b>			
1	The Visit Shropshire creditor of £3000 in the Balance Sheet actually relates to 2022/23 membership fees and therefore should not be included in expenditure/creditors for 2021/22.	<i>Year end procedures should include a review of the creditors and accruals to ensure the items relate to the correct financial year.</i>	
2	<p>We reported in 2019/20 that the Fixed Asset Register was incomplete as, for instance, the allotments were not recorded and the Russells meadow was recorded at £3.5m in the asset register but the adjoining land which belong to a sole trustee charity of the council is valued at £1. The council have carried out a review of the asset register, including physical verification and matching with the insurance schedule. This has resulted in a number of disposals and additions to the register. The Finance Committee will in 2022/23 under delegated powers review the valuations of individual assets and develop a fixed asset policy.</p> <p>However, we still could not identify the council allotments in the updated fixed</p>	<p><i>The council allotments need to be recorded in the council fixed asset register.</i></p> <p><i>A review of the value of the Russell's Meadow should be a priority for the Finance Committee as the value represents over 78% on the entire council fixed asset value.</i></p>	

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
	asset register and the valuation of the Russell's meadow still stands at £3.5million which is over 78% of the total value of fixed assets recorded in the council register.		
3	<p>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 (2020/21 financial year) was compliant with the Regulations.</p> <p>The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 require that the accounting records must be made available for inspection by the public during a period of 30 working days set by the smaller authority and including the first 10 working days of July. As the 2020/21 public notice period commenced on August 19<sup>th</sup>, the notice was not compliant.</p>	<i>The council must ensure evidence is retained to demonstrate compliance with the legal requirements for publishing of the Annual Notice of Public Rights.</i>	
4	<p><b>Publication Requirements</b></p> <p>The Notice of Conclusion of Audit and Audit Certificate were not published by the deadline of September 30<sup>th</sup> 2021 as the</p>	<i>We have concluded in the AGAR internal audit certificate that the council did not comply with the publication requirements for the 2020/21 AGAR audit as required by the Accounts and Audit Regulations 2015.</i>	

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
	external audit was not completed by that date.	<i>However, there is no recommendation as the delay was due to the fact the external auditor had not actually completed their audit by the deadline for publishing the notice.</i>	
5	<p>Budgetary control information was not provided to council in the first seven months of 2021/22.</p> <p>Financial Regulations require that '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.'</p>	<i>Regular budgetary control information from the financial ledger must be provided to the council throughout the financial year and in accordance with Financial Regulations</i>	
<b>2021/22 First Interim Internal Audit</b>			
1	<p><b>RECURRING ISSUE</b></p> <p>The refund dated 05/11/2021 from Prince Personnel for £1,142.66 related to a duplicate payment made. This is the third financial year in succession that duplicate payments to providers have been identified. We were informed this</p>	<i>The council must improve internal controls to prevent duplicate payments.</i>	

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
	particular duplicate payment occurred because two individuals were processing payments,		
2	Sample testing of income identified that manual sequencing of invoices occurred in the early part of the financial year manual invoicing and sequences in the early part of the financial year as well as using the unique sequence for invoices within Rialtas.	<i>All income invoicing should be carried out through the Rialtas system to ensure each invoice has a unique reference number and is integrated into financial sales ledger</i>	
3	The statement of fees for the cemetery is dated April 2018 and the Scale of Fees report covering all other fees is dated for 2018/19.	<i>The council should carry out a review of fees and charges and ensure they reflect the current cost of chargeable services provided.</i>	
4	<p>Payment sample testing:</p> <p>No invoice/voucher could be located for the payment of £158.40 on 19/10/2021 to a councillor for a purchase.</p>	<p><i>Invoices/vouchers should be retained for all purchases.</i></p> <p><i>The council should ensure that it complies with section 10.4. of the Financial Regulations that require that a member may not issue an official order or make any contract on behalf of the council.</i></p>	
<b>2020/21 Internal Audit</b>			

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
<b>AGAR internal control objective A – Appropriate Accounting Records kept throughout financial year</b>			
1	The prime book of record for the council accounts, the RBS ledger, was not maintained during the financial year. Therefore, there was no complete and accurate record of the council transactions available for council at any point during the financial year. This is a breach of the requirements of Regulation 4 of the Accounts and Audit Regulations 2015.	<i>The council must comply with Regulation 4 of the Accounts and Audit Regulations 2015 and implement effective procedures to completely, accurately and promptly record all financial transactions, and maintain up to date accounting records throughout the financial year, together with all necessary supporting information.</i>	<b>Implemented</b>
<b>AGAR internal control objective B – Compliance with Financial Regulations, payments supported by invoices, all expenditure approved and VAT appropriately accounted for</b>			
2	<p>RECURRING ISSUE</p> <p>We reported in 2019/20 that the Financial Regulations had not recently been updated to reflect the current scope and activity of the council, and that the Standing Orders had not been updated since 2011.</p>	<i>The council should review and approve the Financial Regulations and Standing Orders annually, and where updated model versions are available, adopt these after they have been aligned to the council scope and activity.</i>	<b>Implemented</b>
3	In 2019/20 we highlighted multiple issues with regard to VAT at the council and sole trustee charities. In response, a detailed report has been compiled by the VAT consultant, and a liability is recorded in the Balance Sheet of £12000. We were informed that another £32000 is to held in	<i>The council should urgently progress the results of the VAT consultant review and remit any monies due to HMRC for VAT in respect of previous years.</i>	<b>Implemented</b>

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
	<p>reserves to meet potential further liabilities in respect of previous years.</p> <p>However, no VAT that has been calculated as due by the VAT consultant in respect of previous years has actually been remitted to HMRC as yet, even though the consultant report was accepted by council in February 2021.</p>		
4	<p>There is no evidence that any monthly payment schedules were presented to, and approved by, council during the financial year. Review of the minutes identified that monthly payments schedules were not provided to members.</p>	<p><i>Expenditure should be reported monthly to each council meeting for approval. The minutes should record the total of the payments that were approved to ensure there is an adequate audit trail to the schedule of payments. The Chair should initial the schedule of monthly payments to evidence that this was the list approved by council which should be retained on file as evidence.</i></p>	<p><b>Implemented for November 2<sup>nd</sup> 2021 council meeting where payments for months one to six were presented to council after a period in which staff were processing transactions to bring the Rialtas ledger up to date. NB We would expect payments to now be reported to every meeting on a timely basis as the ledger is now up to date.</b></p>
5	<p>Due the absence of a prime book of record for the entire financial year, all four quarterly VAT returns submitted to HMRC for the financial year were estimates of both VAT inputs and outputs. VAT notice 700/21 requires organisations to maintain records that are complete and up to date, such that the correct amount of VAT can be calculated quarterly.</p>	<p><i>The authority must have robust arrangements in place for delivering its responsibilities with regard to VAT.</i></p> <p><i>The ledger must be maintained on an ongoing basis with a complete and accurate record of transactions to enable accurate VAT reclaims to be submitted to HMRC every quarter.</i></p>	<p><b>Implemented</b></p>

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
	The cumulative difference between VAT quarterly estimates submitted to HMRC during the financial year, and the actual amount due, is disclosed as £1,448 in a VAT suspense account in the Balance Sheet. However, this does not balance with the actual difference between each quarters estimated VAT and each quarters claim per the updated ledger, which totals £1307.33, so there is an unreconciled difference of £141.01.	<i>The council needs to identify the unreconciled VAT difference of £141.01 and ensure any required corrections are made.</i>	
6	The copies of the VAT returns provided for internal audit indicate that three of the four quarters VAT returns (which were estimates) were remitted after the final deadline to HMRC.	<i>Quarterly VAT returns must be submitted to HMRC within the applicable deadlines.</i>	<b>Implemented</b>
7	A fraud was perpetrated during the year through the NatWest bank account via an Amazon Prime account using the council debit card details. As this account is not used for payments it should have been identified immediately, however, the fraud was not identified until the year end. We understand staff were not initially aware that a debit card was linked to this bank account. questioning why it had arrived. A debit card has been received that is valid	<i>The council should further investigate this fraud and ensure procedures and internal controls to prevent and detect fraud are substantially improved. This must include far more regular review of bank statements, and identifying exactly which accounts have debit and credit cards associated with them, and enhancing regulations covering debit and credit cards in the Financial Regulations.</i>	<b>Although the debit card has been cancelled we are informed there is no further progress on investigating this fraud.</b>

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
	<p>from March 2021 to March 2025 and is currently locked in the council safe. The Amazon accounts used by staff have been viewed by the RFO and no orders matched the payments from the NatWest bank account.</p> <p>We understand that investigation of the fraud by the RFO identified that Amazon had already frozen the account due to fraudulent activity and NatWest have confirmed they will refund the amount and re-charge Amazon.</p> <p>There is still the issue as to the location of the debit card that had been used to perpetrate the fraud (dated March 2017 to March 2021).</p>	<p><i>The debit card dated March 2017 to March 2021 must be cancelled.</i></p>	
8	<p><b>RECURRING ISSUE</b></p> <p>Financial Regulations require authorised signatories of two members for each payment whether paid online or by cheque. However, there is no system in place whereby two members authorised online payments in advance. Therefore, the council is not complying with the authorisation requirements of the FRs.</p>	<p><i>All payments must be authorised in advance by two councillor signatories as required by the Financial Regulations. The most effective authorisation control over online banking is for two councillors to directly log in to the council bank account to authorise payments, however, where the bank online system does not provide this functionality, compensating internal controls should be implemented such as emailed authorisations.</i></p>	<p><b>This internal control was not in place for the first half of the 2021/22 financial year. The internal control has been implemented from October 2021 onwards.</b></p>

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
9	As reported in 2019/20, the contract for street lighting maintenance is in excess of the quotations threshold in the Financial Regulations. We requested the contract but were informed that neither the council, nor the contractor, has a copy of the contract in order to establish the end date of the contract which has been running for a significant number of years.	<p><i>Signed contracts should be established for all significant contracts. The contract duration should be recorded in each contract.</i></p> <p><i>All contracts should be subject to the procurement requirements of the council Financial Regulations.</i></p>	<b>Recommendation Outstanding</b>
10	The council is party to a number of contracts with varying lengths and conditions.	<i>The council should establish a contracts register which should be regularly reviewed to identify those contracts 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.</i>	<b>Recommendation Outstanding</b>
11	The Financial Regulations stipulate that only the clerk and RFO can use the Debit card, however, the debit card is also used by another officer.	<i>The council should comply with the Financial Regulations governing the use of the debit card.</i>	<b>Implemented – Financial Regulations have been updated including a £500 transaction limit for Debit Cards.</b>
12	RECURRING ISSUE - A duplicate payment to Shropshire County Council occurred because a Direct Debit was already in place to pay for the supply. The payment has been set off against further	<i>This is the second year in succession a significant duplicate payment has been made to Shropshire Council. The council must improve internal controls to prevent duplicate payments.</i>	<b>Recommendation Outstanding – we have identified evidence of duplicate payment in 2021/22.</b>

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
	supplies from the same provider and the balance due is included in the balance sheet at the year end.		
<b>AGAR internal control objective C – Adequate Risk Assessment</b>			
13	<p><b>RECURRING ISSUE</b></p> <p>The council did not review, update and approve a risk assessment during the financial year. Key risks such as compliance with the Data Protection Act 2018 are still not being identified and addressed (see below).</p>	<p><i>A risk assessment should be established covering the scope of the council operations, governance and finances. The risk assessment should be reviewed, updated and approved by council each financial year.</i></p>	<b>Implemented</b>
14	<p><b>RECURRING ISSUE</b></p> <p>There is no evidence that action has been taken to ensure compliance with the Data Protection Act 2018, for instance:</p> <ul style="list-style-type: none"> <li>- There is no evidence any form of detailed personal data audit and security review has been carried out for the council and sole trustee charities</li> <li>- we could not identify an adopted external and internal privacy notice</li> </ul>	<p><i>The council should urgently carry out a personal data audit and establish the required policies and procedures to help ensure compliance with the DPA 2018</i></p>	<b>Personal data audit completed and further implementation of DPA 2018 requirements ongoing.</b>

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
	<ul style="list-style-type: none"> <li>- the data protection policy published on the council website relates to the DPA 1998 and has not been updated to reflect the DPA 2018</li> <li>- there is no evidence that Subject Access Request and Data Breach procedures compliant with the DPA 2018 had been adopted</li> <li>- there is no evidence signed data processing/sharing agreements have been established with relevant third parties</li> <li>- there is no evidence Privacy Impact Assessments have been applied or even understood</li> </ul>		
15	<p>The absence of a risk assessment means there are no risk mitigation measures in place to address the risks of supplier fraud. Most standard local council policies do not cover supplier fraud. The supplier fraud risks can be managed via appropriately robust policies and procedures. Examples of prevention actions include:</p>	<p><i>Risk assessment should include an assessment of supplier fraud including the adequacy of supplier onboarding control, and the implementation of appropriate risk mitigation measures</i></p>	<b>Implemented</b>

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
	<ul style="list-style-type: none"> <li>- training for staff to alert them to the potential risks of providing sensitive company information, by phone or other means, especially contract and account information.</li> <li>- establish a rigorous change of supplier details procedure - where a supplier has purported to have changed their bank details always call the supplier to check the veracity of a request, using details in your system, rather than those on any associated letter or email. A person should be authorised to approve a supplier bank account change after having reviewed the process undertaken to verify the supplier details change</li> <li>- periodic review of supplier accounts should also be undertaken to remove any dormant accounts. This reduces the likelihood of any old supplier information being used to secure fraudulent payments.</li> <li>- checking address and financial health details with Companies House</li> <li>- checking samples of online payments to supplier invoices to ensure the payment has been made to the supplier bank account</li> </ul>		
<b>AGAR internal control objective D – Precept request resulted from adequate budgetary process, regular budgetary control and appropriate levels of reserves held</b>			

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
16	<p>No budgetary control information from the RBS ledger were presented to council during the financial year, as the RBS ledger had not been populated with any transactions. This is in breach of the Financial Regulations which require that:</p> <p>‘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.’</p>	<p><i>Regular budgetary control information from the financial ledger must be provided to the council.</i></p>	<p><b>This internal control was not in place for the first 7 months of the financial year. Financial regulations require budgetary control information to be presented to council at least quarterly. This internal control was implemented for the November 2<sup>nd</sup> 2021 council meeting.</b></p>
17	<p>Year end general reserves are disclosed as £115849 which is 28% of the precept level of £408202. This level of general reserves is close to the minimum level recommended by sector guidance that general reserves should be between 25% and 100% of net operating expenditure (ie the precept).</p>	<p><i>The council should ensure sufficient general reserves are maintained from year to year, with reference to sector guidance,</i></p>	<p><b>Implemented</b></p>
18	<p>We have not been provided with evidence that a detailed budget for 2021/22 was provided to council in the agenda pack for the relevant meetings before the precept was set. We have been provided with an</p>	<p><i>The council must comply with the requirements of the Financial Regulations with regard to the timetable for determining the annual precept. Comprehensive budgetary management</i></p>	<p><b>Implemented</b></p>

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
	<p>excel spreadsheet containing the 2021/22 budget developed by the RFO.</p> <p>Financial Regulations, section 3.2 require that <i>'the RFO must each year, by no later than October prepare the "first look" at detailed estimates of all receipts and payments including the use of reserves and all sources of funding for the following financial year in the form of a budget to be considered by the Finance committee.'</i></p> <p>The first mention of the potential budget and precept for 2021/22 was in the November 2020 AFGP meeting.</p> <p>The December 2020 minutes state that <i>'Councillors agreed that addressing the staffing and administration costs was high on the agenda for the Council. Councillors noted that further work was required to determine the full costs and to address Councillor concerns that adequacy of funding issues had been addressed. These, together with the other financial items, need to be finalised for agreement at the next meeting.'</i></p> <p>There is no evidence in the minutes of the next council meeting in January 2021 that any detailed costing and budgeting</p>	<p><i>information must be provided to councillors during the budget setting process to ensure they are fully informed when making the decision as to the level of precept that should be set.</i></p>	

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
	exercise was undertaken and discussed by councillors relating to the issues referred to in the December 2020 minutes, prior to the final agreement of the precept for 2021/22 in that meeting.		
<b>AGAR internal control objective E – Expected income fully received, correctly priced, recorded and promptly banked and VAT accounted for</b>			
19	<p><b>RECURRING ISSUE</b></p> <p>The fees and charges levied by the council are not agreed by the council annually, as required by the Financial Regulations, section 5.1, <i>‘The council will review all fees and charges at least annually, following a joint report of the Clerk and RFO’</i>.</p> <p>A review of fees and charges was undertaken at a meeting of the AF&amp;GP Committee on 2nd March 2021, however, these minutes are still draft and have not been approved by council. We have not been provided with evidence that the AF&amp;GP committee has the delegated authority via its Terms of Reference to approve the annual fees and charges.</p>	<p><i>The council should formally agree all fees and charges in advance of the next financial year and each year thereafter.</i></p>	<b>Recommendation Outstanding</b>

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
20	The council has no central record of sources of income charges. For instance, the previous clerk maintained a file called Annual Tasks which has only recently been discovered which contains fees for items such as Long Mynd Adventure Camp grounds maintenance, the Allotments Association and Good Neighbours' works.	<i>The council need to carry out a review to identify all sources of council income, as some fees are levied as one-offs or annually, to ensure all income is invoiced and included in the schedule of fees and charges.</i>	<b>Recommendation Outstanding</b>
<b>AGAR internal control objective F - Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.</b>			
21	Petty cash does not agree to the ledger. The petty cash book year-end total of £149.96 does not agree to the RBS ledger petty cash of £148.18.	<i>Internal controls must include a reconciliation of the petty cash book to the ledger.</i>	<b>Implemented</b>
22	Petty cash expenditure was not reported to council during the financial year. The petty cash book has not been reviewed by the Chair and signed at the year end	<i>All petty expenditure should be reported to council. The Chair should review the petty cash book and evidence the review with a signature at the year end.</i>	<b>Implemented</b>
23	A wages advance of £250 was paid from petty cash in the year. Financial Regulations require petty cash to be used for the purpose of defraying operational and other expenses only.	<i>The petty cash float should not be used for the payment of wages.</i>	<b>Implemented</b>

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
<b>AGAR internal control objective G – Wages and salaries and members allowances paid in accordance with council approvals, and PAYE and NIC requirements properly applied</b>			
24	<p>Pension contributions rates:</p> <ul style="list-style-type: none"> <li>- Shropshire County Council notified the council that employer pension payments should have increased from 21.4% to 21.5% in 2020/21, but this change was not processed correctly</li> <li>- Historical employee pension contributions for one employee were incorrect, the officer had been paying 6.5% (the full time employee rate) but the rate applicable due to part time working should have been 5.8%. we understand this error relates to the period from 2016 onwards.</li> </ul>	<p><i>We are informed the errors in processing pension contributions have now been corrected but the council should carry out a review for employee and employer pension contributions to ensure this is the case.</i></p> <p><i>Internal controls need to be introduced to ensure there is a internal check by an officer other than the individual processing pension contribution rates that the rates applied are correct.</i></p>	<b>Implemented</b>
25	We could identify no evidence that council authorised the recruitment of a new grounds staff employee in 2020/21.	<i>No changes should be made to the number of officers employed without the prior consent of the council.</i>	<b>Implemented</b>
26	<p>RECURRING ISSUE</p> <p>We reported in 2019/20 that the locum clerk does not have a contract of</p>	<i>A contract for the new council employee in 2020/21 should be established as soon as possible.</i>	<b>Implemented</b>

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
	employment. This has now been addressed. However, we identified that a new grounds staff employee recruited from an agency in 2020/21 does not have a contract of employment.		
27	<p><b>RECURRING ISSUE</b></p> <p>In 2019/20 we reported that there are no detailed pre-authorisation payroll checks carried out by councillors. There is no periodic system of checking the accuracy of payroll to source documentation. This issue has not been addressed. In addition, payroll payments to staff are made without the authorisation of two councillor signatories, which is a requirement of the Financial Regulations.</p>	<p><i>As part of the in-year checks of finance, members should:</i></p> <ul style="list-style-type: none"> <li>- <i>Review payroll totals and individual payments before authorisation</i></li> <li>- <i>Periodically check the monthly payroll analysis to source documents including timesheets and contracts of employment</i></li> </ul> <p><i>All payroll payments must be authorised in advance by two councillor signatories as required by the Financial Regulations.</i></p>	<b>Implemented in May 2022</b>
28	No expenses policy or register of expense allowances existed during 2020/21 financial year. Therefore, there was no definition of the types of expenses that could be claimed, the rates that could be claimed for different categories of expense such as mileage, a standardised expenses	<i>An expenses policy should be adopted by council.</i>	<b>Implemented</b>

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
	claim form, requirements for receipts including VAT invoices, or an approval process.		
<b>AGAR internal control objective H – Asset and investment registers complete and accurate and properly maintained</b>			
29	There has been no review of capital expenditure in the 2020/21 ledger to populate any additions into the register. Section 14.6 of the Financial Regulations requires that an appropriate and accurate Register of Assets and Investments is kept up to date, and that the continued existence of tangible assets shown in the Register shall be verified at least annually, possibly in conjunction with a health and safety inspection of assets.	<i>The council must comply with the Financial Regulations governing the management of fixed assets</i>	<b>Recommendation Outstanding</b>  <i>2021/22 follow up – implemented</i>
30	The fixed asset listing remains unchanged from the 2019/20 version and there is no evidence the fixed asset register has been reviewed to identify whether: <ul style="list-style-type: none"> <li>- all assets physically exist</li> <li>- write offs are needed for obsolescence,</li> <li>- assets have been matched with the insurance schedule to ensure all assets are appropriately insured</li> </ul>	<i>The management of the fixed asset register should be improved and clear identification information must be recorded for all fixed assets. A comprehensive exercise is needed to validate the completeness and accuracy of the register, including verifying the following:</i> <ul style="list-style-type: none"> <li>- <i>all recorded assets physically exist</i></li> <li>- <i>whether write offs are needed for obsolescence</i></li> </ul>	<b>See 2021/22 fixed asset issue</b>

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
	We reported in 2019/20 that the Fixed Asset Register is incomplete as the allotments are not recorded. The Russells meadow is recorded at £3.5m in the asset register but the adjoining land which belong to a sole trustee charity of the council is valued at £1.	- <i>assets have been matched with the insurance schedule to ensure all assets are appropriately insured</i>	
<b>AGAR internal control objective I – Periodic and year end bank reconciliations were properly carried out</b>			
31	<p>No bank reconciliations for any bank accounts were completed and reported to councillors during the financial year as no prime book of record had been maintained.</p> <p>Section 2.2. for the Financial Regulations require that <i>‘at the end of each quarter, and at each financial year end, a member other than the Chairman of the Council or Chairman of the Finance Committee shall be called upon by the RFO to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the council or Finance Committee.’</i></p>	<i>The council must ensure that bank reconciliations for all bank accounts are carried out monthly and reported to council. The Financial Regulations relating to member review of reconciliations must be complied with.</i>	Due to the intensive process of bringing the Rialtas ledger up to date for the first half of the financial year, bank reconciliations were not completed on a timely basis with, for instance, the April 2021 bank reconciliation completed in August 2021. The bank reconciliations for each of the first six months were subsequently reported to council at the November 2 <sup>nd</sup> meeting.

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
	Therefore, none of the internal controls required by the Financial Regulations for bank reconciliations were in place during the financial year.		
32	Section 1.14 of the Financial Regulations require the council to determine and keep under annual review the bank mandate for all council bank accounts. However, we noted during the review of bank statements that the NatWest account is still in the name of the previous clerk.	<i>The council should ensure previous employees and councillors are removed from the administration of all bank accounts.</i>	<b>Council resolved in May 2022 to close this bank account.</b>
<b>AGAR internal control objective J – Accounting statements were prepared on correct accounting basis, agreed to cash book, and were supported by an adequate audit trail</b>			
33	Review of the year end accounts submitted for internal audit identified that there as an imbalance in the RBS ledger of £19,724 as £402,971 is disclosed in the RBS Annual Return output as closing balances but £422,695 is disclosed in the ledger Balance Sheet as closing balances.	<p><i>The council must ensure that urgent work is carried out to balance the 2020/21 accounts within the RBS ledger and to ensure the £19,724 imbalance is resolved. Year end procedures must include a 'sense check' of all the year-end output from the RBS ledger to ensure the accounts balance and there are no anomalies.</i></p> <p><i>(NB We were informed on July 27<sup>th</sup> 2021 that the imbalance in the accounts noted above have now been resolved with support from the RBS accounting software provider.)</i></p>	<b>Implemented</b>

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
34	<p>As the RBS ledger was not populated with income and expenditure transactions during the financial year, no periodic management accounts were provided to council.</p> <p>The year end draft accounts provided for internal audit contained the incorrect opening balances. The opening balances per the RBS ledger were stated as £443650, however, the closing balances that were certified in 2019/20 were £443350, a difference of £300, This was reported to the RFO and the difference, which related to an unrepresented cheque for the NatWest bank account, has now been corrected in the RBS ledger.</p> <p>We note that the 2019/20 final AGAR was completed incorrectly from the RBS ledger as highlighted by external audit.</p>	<p><i>Management reports must be provided to council regularly during the financial year demonstrating the financial position of the council including the levels of general and earmarked reserves.</i></p> <p><i>Year end procedures must include a check to ensure that opening balances have been brought forward correctly and agree to the prior year certificated closing balances.</i></p> <p><i>Year end procedures should include a check by a person other than the RFO that the final annual return accounts from RBS have been populated into the AGAR accounts correctly.</i></p>	<b>Implemented</b>
<b>AGAR internal control objectives K and L</b>			
Not applicable as gross income/expenditure exceeded £25000.			

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
<b>AGAR internal control objective M - The authority, during the previous year (2019-20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations</b>			
35	<p>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.</p> <p>The period for the exercise of public rights had to commence on or before 1 September 2020. However, the actual period for the exercise of public rights commenced on October 5<sup>th</sup>.</p> <p>Therefore, we have concluded the council did not comply with the requirements for the Public Rights Notice for 2019/20.</p>	<p><i>The council should ensure compliance with the legal requirements for the Annual Notice of Public Rights.</i></p>	See 2021/22 issues
<b>AGAR internal control objective N - The authority has complied with the publication requirements for 2019/20 AGAR</b>			
36	<p><b>Publication Requirements</b></p> <p>The Notice of Conclusion of Audit and Audit Certificate were not published by the deadline of November 30<sup>th</sup> 2020 as the</p>	<p><i>We have concluded in the AGAR internal audit certificate that the council did not comply with the publication requirements for the 2019/20 AGAR audit as required by the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit</i></p>	See 2021/22 issues

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
	external audit was not completed by that date.	<i>(Coronavirus) (Amendment) Regulations 2020. However, there is no recommendation as the delay was due to the fact the external auditor had not actually completed their audit by November 30<sup>th</sup> 2020.</i>	
<b>AGAR internal control objective O – The council met its responsibilities as sole trustee</b>			
37	<p>The council is sole trustee to three charities. No accounts for the charities have been provided for independent examination for 2019/20 and extension to the filing deadline has been secured due to the impact of the pandemic.</p> <p>The 2020/21 accounts were not maintained on the RBS ledger, the prime book of record for the charities, during the 2020/21 financial year. Therefore, no accurate management accounts reports, bank reconciliations, and budgetary controls information based on the RBS ledger were provided to council during 2020/21 for the charities.</p>	<i>The council must comply with its responsibilities as sole trustee to the three charities for which it is sole trustee.</i>	<b>Implemented</b>

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
	<p>There is no evidence in the 2020 and 2021 minutes provided for internal audit that separate meetings of the council as sole trustee for the three charities has occurred.</p> <p>Therefore, we have concluded the council has not met its responsibilities as sole trustee for 2020/21.</p>		

### Follow up of 2019/20 internal audit action plan

	ISSUE	RECOMMENDATION	FOLLOW UP
<b>2019/20 year end internal audit</b>			
1	<p>We recommended the following after our first interim internal audit of the council:</p> <p><i>'The council should secure the services of a VAT consultant that has experience in local authority VAT issues to review the current VAT arrangements, including whether the submission of a VAT return for four separately constituted organisations is valid, how the partial exemption</i></p>	<p><i>It is clear from the VAT consultant report that the arrangements for administering and accounting for VAT at both the council and the sole trustee charities has not been compliant in previous years. Therefore, the council must ensure an action plan is established to implement promptly each of the VAT issues/recommendations raised by</i></p>	<p><i>Completion of this recommendation is outstanding as VAT liabilities are included in the 2020/21 ledger as both creditors and earmarked reserves, but no VAT due in respect of errors relating to prior years has been remitted to HMRC</i></p>

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
	<p><i>threshold and partial exemption calculations would be completed under the current arrangement, and whether VAT is being accounted for correctly on all outputs.'</i></p> <p>The council has now received the VAT consultant reports and calculations of potential VAT liabilities, including whether the partial exemption threshold has been breached for any financial years. As a result, the council has included £12000 in creditors to cover confirmed liabilities by the VAT consultant. The council has set aside a further £32,000 as an earmarked reserve primarily to cover potential liabilities for breaching the partial exemption threshold of £7500 for specific financial years. However, further evidence has recently been identified by officers that changes the VAT classification of certain supplies (ie VAT exempt or standard rated) used by the VAT consultant in their partial exemption calculations, and this could materially affect the level of further VAT liabilities due.</p>	<p><i>the VAT consultant regarding both the council and the charities for which it is sole trustee. This VAT action plan should be reported to council regularly for monitoring purposes.</i></p> <p><b><i>The council must ensure that the partial exemption calculations of the VAT consultant that evidence any further VAT liabilities due are updated to reflect the recent evidence the council has identified for the VAT classification of certain categories of sports hires. The council should then ensure all further VAT liabilities are remitted to HMRC.</i></b></p> <p><b><i>In future, the council should ensure that a VAT partial exemption calculation is carried out for each financial year.</i></b></p>	<p><b><i>2021/22 follow up – implemented and VAT consultant contracted to complete annual partial exemption calculations.</i></b></p>
2	<p><b>RBS ledger system</b></p> <p>An imbalance in the RBS system between the draft income and expenditure accounts and balance sheet was resolved during the</p>	<p><i>As an important contingency, the council should ensure that a nominated officer has adequate RBS training to enable receipts</i></p>	<p><i>Recurring Issue – see 2020/21 year accounts issues.</i></p> <p><b><i>2021/22 follow up - implemented</i></b></p>

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
	internal audit with RBS remote systems support. We note that the RFO is the only officer able to process transactions on the RBS system.	<i>and payments transactions to be processed in the event the RFO is not available.</i>	
3	The council did not review, update and approve a risk assessment during the financial year. Key risks such as compliance with the GDPR/Data Protection Act 2018 are not being identified and addressed.	<i>The risk assessment should be reviewed, updated and approved by council each financial year</i>	<i>Recommendation Outstanding</i>  <b>2021/22 follow up - implemented</b>
4	<p>There is a new internal control objective (Objective L) in the AGAR internal audit certificate that requires internal audit to conclude on whether the Public Rights Notice during the previous Summer (2018/19 financial year) was compliant with the Regulations.</p> <p>Although the dates included in the public notice were compliant no evidence had been retained by the council to evidence the notice was displayed on June 19<sup>th</sup> 2019. In addition, the notice had not been published on the website. Therefore, we are unable to conclude the council complied with the requirements for the Public Rights Notice for 2018/19 and have</p>	<i>The council should ensure sufficient information is retained to evidence compliance with the legal requirements for the Annual Notice of Public Rights, such as a dated image of the first day the notice is published on the noticeboard. The council should also publish the annual notice on the council website.</i>	<i>See 2020/21 issues. The council did not meet the deadline for publishing the notice of public rights in the Summer of 2020.</i>

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
	noted 'Not Covered' in the AGAR internal audit certificate.		
5	<p>No evidence was provided that the following contracts were subject to three quotations as required by the Financial Regulations:</p> <ul style="list-style-type: none"> <li>- 02/01/2020 £3,793.21 Erection of Christmas Lights</li> <li>- 07/10/2019 £9,504.64 New Electricity Connection</li> <li>- 06/03/2020 £9,020.65 SHI roof works</li> </ul>	<i>The council must comply with the procurement requirements of the Financial Regulations</i>	<i>See 2020/21 contract issues re. street lighting maintenance</i>
6	<p>A duplicate payment to Shropshire County Council of £1,940.37 occurred because a Direct Debit was already in place to pay for the supply and newly appointed officers were not made aware of this. Controls have been implemented to ensure no further Direct Debits are paid in duplicate through internet banking. The payment has been set off against further supplies from the same provider.</p>	<i>No further action required.</i>	<p><i>NB Recurring issue – this has occurred again in 2020/21 - see 2020/21 report issue 12.) above.</i></p> <p><i>Therefore, the controls implemented in response to the 2019/20 duplicate payment to prevent further incidences were ineffective.</i></p>

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
7	There is an out of date cheque in the bank reconciliation for £300 to Masons (15/05/19)	<i>Council should be requested to authorise the write back of the out of date cheque and decision taken regarding reissue of the cheque</i>	<i>Noted</i>
<b>2019/20 second interim internal audit</b>			
1	There are no detailed pre-authorisation payroll checks carried out by councillors. There is no periodic system of checking the accuracy of payroll to source documentation.	<p><i>As part of the in-year checks of finance, members should:</i></p> <ul style="list-style-type: none"> <li>- <i>Review payroll totals and individual payments before authorisation</i></li> <li>- <i>Periodically check the monthly payroll analysis to source documents including timesheets and contracts of employment</i></li> </ul>	<p><i>Recommendation Outstanding</i></p> <p><b><i>2021/22 follow up – implemented in May 2022</i></b></p>
2	Payroll changes such as salary increase due to pay scale changes are not included in the minutes. Therefore, there is no evidence council have authorised any the changes to staff pay in 2019/20.	<i>Changes to staff pay through increments, change in hours or scale point increases should be agreed by Council and recorded in the minutes (part 2).</i>	<p><i>Partially implemented – see 2020/21 payroll issues</i></p> <p><b><i>2021/22 follow up – implemented</i></b></p>
3	The staff contracts of employment were not available during the internal audit visit to enable a payroll sample to be agreed to contracts of employment as the council do	<i>The council need to urgently secure the key to the cupboard containing staff payroll information. Council need to then check</i>	<i>Implemented, however, see 2020/21 payroll issues re contract of employment for new member of staff.</i>

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
	not currently have the key to the locked cupboard containing the information.	<i>payroll payments to ensure the correct pay as per contracts is being paid.</i>	<b>2021/22 follow up – implemented</b>
4	The locum clerk does not have a contract of employment.	<i>A contract for the locum clerk should be established as soon as possible.</i>	<i>Implemented</i>
5	VAT is being charged on hire of the Pavilion (which would normally be a VAT exempt supply), but no Option to Tax has been submitted to HMRC.	<i>The VAT status of the Pavilion should be investigated, including whether a valid Option to Tax exists.</i>	<i>A VAT consultant has provided support to the council with regard to this issue, although there is no option to tax in place currently</i>  <b>2021/22 follow up – implemented</b>
6	Car Parking income - There is no control in place to ensure that for every week of the financial year car park income has been collected, reconciled to ticket duplicates and banked.	<i>Controls over the completeness and accuracy of car parking income need to be introduced including setting up a weekly log to evidence car park income has been collected for every week of the year, reconciled to tickets issued, and banked.</i>	<i>Recommendation Outstanding</i>
7	The council has not yet updated, reviewed and approved an annual comprehensive risk assessment covering financial and non-financial risks and mitigation actions for 2019/20.	<i>Risk assessment should be reviewed and updated each financial year, and approval by the council minuted.</i>	<i>Recommendation Outstanding</i>  <b>2021/22 follow up – implemented</b>
<b>2019/20 First Interim Internal Audit</b>			

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
1	The Financial Regulations not been reviewed and updated since 2014 to reflect the current scope and activity of the council. The Standing Orders have not been updated since 2011.	<i>The council should adopt NALC model Financial Regulations and Standing Orders which have been aligned to the council scope and activity, including appropriate regulations for procurement and online banking.</i>	<p><i>Recommendation Outstanding.</i></p> <p><b>2021/22 follow up - implemented</b></p>
2	The Purchase Order system is not being utilised as required by the Financial Regulations (FRs). Without authorised purchase orders there is limited evidence the 'authority to spend' requirements of the FRs have been complied with.	<i>A sequential Purchase Order (PO) system should be implemented with the orders signed as authorised according to the Authority to Spend requirements of the Financial Regulations.</i>	<p><i>Although some evidence of a sequential PO system has been provided for some supplies, however, the authorisation signature by the Amenities Officer does not comply with section 4.1 of the FRs which state:</i></p> <p><i>'Expenditure on revenue items may be authorised up to the amounts included for that class of expenditure in the approved budget. This authority is to be determined by:</i></p> <ul style="list-style-type: none"> <li><i>• the council for all items over £5,000;</i></li> <li><i>• a duly delegated committee of the council for items over £3,000; or</i></li> <li><i>• the Clerk, in conjunction with Chairman or Vice-Chairman of Council or Chairman of the appropriate committee, for any items between £1,500 and £3,000</i></li> <li><i>• The Clerk for any items up to £1,500</i></li> </ul> <p><i>Such authority is to be evidenced by a Minute <b>or by an authorisation slip (this is usually the Purchase Order)</b> duly signed by the Clerk, and where necessary also by the appropriate Chairman and countersigned by the RFO.'</i></p>

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
			<b><i>Further Recommendation</i></b> <b><i>Purchase Orders must cover all relevant supplies and be signed according to the authority stipulated in section 4.1 of the FRs.</i></b>
3	The system in place for payment authorisation from April 2019 to date comprised the RFO making online payments and then presenting the payments list to council for retrospective approval with members signing individual invoices. However, Financial Regulations require two member authorised signatories for each payment whether paid online or by cheque. Therefore, the council is not complying with the authorisation requirements of the FRs. We were informed the current bank account online system does not permit members to be provided with online access to authorise a payment before the payment is made.	<p><i>The most effective internal control over online banking is for two councillors to directly log in to the council bank account to authorise payments, however, where the bank online system does not provide this functionality, the compensating internal controls should be as follows:</i></p> <ul style="list-style-type: none"> <li>- <i>Appropriate staff should be set up as System Administrators for online banking. Therefore, they alone will be able to make online payments.</i></li> <li>- <i>Each batch of proposed payments should be analysed on a payment schedule, which will be signed and dated by two authorised member signatories after comparison with invoice details, or any two nominated councillors could instead email authorisation of the payment schedule.</i></li> <li>- <i>Each quarter a nominated councillor should select a random sample</i></li> </ul>	<p><i>Recommendation Outstanding</i></p> <p><b><i>2021/22 follow up – implemented from October 2022</i></b></p>

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
		<p><i>of payments from the payment schedules and agree the online payment bank details to the bank account details of the supplier on the invoice.</i></p> <p><i>- All payments made should be presented to council for review and minuted approval</i></p> <p><i>Internal controls will need to be updated to incorporate supplier fraud prevention controls. Procedures will need to be established to ensure members check bank details for the first payment to a supplier to a signed confirmation letter from the supplier. The same procedure should apply where a supplier has purported to have changed bank accounts (particularly if the request is via email). In addition to a confirmation letter the supplier could also be telephoned to ensure their bank details are correct.</i></p>	
4	There is no evidence the council have complied with the contract procurement requirements of the Financial Regulations, where three quotations are required for all contracts over £3000 and formal tenders for all contracts over £60000. We could not identify time-limited contracts for the	<p><i>The council should ensure it complies with the procurement regulations of the Financial Regulations.</i></p> <p><i>Contracts should always be time limited so the council can market test the supply periodically in accordance with the FRs.</i></p>	<i>Recommendation Outstanding</i>

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
	<p>following supplies, which have been in place for a significant number of years, rolled over annually, and are in excess of the threshold in the FRs that require three quotations:</p> <ul style="list-style-type: none"> <li>• The street lighting contract for £11335.</li> <li>• The contract for public convenience cleaning is approximately £7300 annually plus mileage payments and has been in place for at least 10 years. We could identify no contract invoices for the works provided.</li> <li>• The contract for cleaning Sylvester Hall and the council offices is approximately £11k annually and has been in place for at least 12 years.</li> </ul>		
5	<p>Review of the payments approved in the minutes identified that June and July 2019 payments are not recorded as presented to council and approved. In addition, the minutes do not record that payments are 'Approved' as the council minutes state 'Accepted'.</p>	<p><i>All payments for the financial year to date should be put to council for approval and this approval should be clearly recorded in the minutes. The payments analysis should then form a sequential reference in the minutes and be signed by the Chair.</i></p>	<p><i>Recommendation Outstanding</i></p> <p><b>2021/22 follow up – implemented from November 2021</b></p>

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
	Minutes also state that the list of payments is attached to the minutes but this practice actually ceased from April 2019. In the previous months the payments were attached to the relevant minutes but were not allocated a sequential number reference in the minutes and signed by the Chair to evidence they are a complete and accurate record of the payments that were approved by council.		
6	The council is registered for VAT and quarterly returns are submitted to HMRC for the council and the three separately constituted charities for which the council is sole trustee. Staff were not able to provide evidence that HMRC have agreed to this arrangement. It is unusual for four separately constituted bodies to be registered under the same VAT number. Due to this group arrangement, it is difficult to determine how the partial exemption threshold would be applied.	<i>The council should secure the services of a VAT consultant that has experience in local authority VAT issues to review the current VAT arrangements, including whether the submission of a VAT return for four separately constituted organisations is valid, how the partial exemption threshold and partial exemption calculations would be completed under the current arrangement, and whether VAT is being accounted for correctly on all outputs.</i>	<i>Implemented – the council has secured the services of a VAT consultancy to resolve the issue.</i>
7	The Fixed Asset Register is incomplete as the allotments are not recorded.  The Russells meadow is recorded at £3.5m in the asset register but the adjoining land	<i>The allotments should be recorded in the asset register and a review carried out to ensure all other fixed assets are identified and recorded in the register.</i>	<i>Recommendation Outstanding  See 2019/20 and 2021/22 Fixed asset issues.</i>

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
	<p>which belong to a sole trustee charity of the council is valued at £1.</p> <p>There is no internal control in place for an annual review of capital expenditure in the RBS ledger to identify and record additions to the asset register.</p> <p>The asset register does not contain a column to confirm insurance arrangements. This is an important internal control to ensure all owned assets that require insurance cover are included in the insurance policy.</p>	<p><i>The council should ensure there are no restrictive covenants on the meadow which could give rise to a notional valuation (eg £1) rather than the current open market value recorded in the asset register.</i></p> <p><i>The asset register should be updated annually by reviewing the ledger and identifying capital additions (and removing obsolete items).</i></p> <p><i>A column should be added to the asset register to confirm insurance cover in the insurance policy.</i></p>	
8	<p>Budgetary control is devolved to the Amenities, Finance and General Purposes committee (AFGP) but for the financial year to date (April to November) the only evidence of a review of budgetary control information is the September 3rd meeting which states 'SOA for 4 months to July 31 has been circulated - figures were accepted - copy attached in minute book'. However, there is no copy of the information attached to the minute book.</p> <p>The information presented to the AFGP committee is not the budgetary control report from the RBS ledger which is the</p>	<p><i>Significant improvements should be made to the council system of budgetary control and reserve accounting:</i></p> <ul style="list-style-type: none"> <li>- <i>The council should review total reserves and establish earmarked reserves that represent medium/long term schemes and capital projects. The RBS ledger should be populated with the approved earmarked reserves to enable accurate reserve accounting</i></li> <li>- <i>The current spreadsheet used to report budgetary control</i></li> </ul>	<p><i>Partially implemented in that earmarked reserves are now analysed and approved.</i></p> <p><b><i>2021/22 follow up – implemented</i></b></p>

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
	<p>prime record of the council. Instead a spreadsheet is presented that contains a ‘balance brought forward‘ for most operational expenditure budget headings. The spreadsheet discloses ‘payments in hand’ (ie annual expenditure budget remaining), but as it adds brought forward reserve budgets to current year expenditure there is no disclosure as to whether the current financial year budget is over or under spent. Using a spreadsheet instead of the RBS nominal ledger to report budgetary control information introduces the risk that incorrect accounting information is reported to the council.</p> <p>There is no evidence the brought forward budgets in the spreadsheet are approved earmarked or general reserves of the council. Earmarked reserves are amounts set aside for medium/long term community schemes and projects, they are not amounts set aside for annual revenue expenditure. We were informed the earmarked reserves recorded in the RBS ledger are incorrect so there is no accurate reserve accounting carried out.</p> <p>In summary, the current budgetary control spreadsheet is not fit for purpose as it is not</p>	<p><i>information should be replace by the budget monitoring report that is already available from the RBS ledger. This report will also disclose expenditure against earmarked reserves.</i></p> <ul style="list-style-type: none"> <li>- <i>Budgetary control reports should be presented regularly to every AFGP meeting</i></li> </ul>	

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
	produced by the council RBS ledger system which is the prime council record, and does not evidence the under/over spending on the annual budget for the financial year. There is no accurate record of earmarked reserves in the council ledger system.		
9	The monthly bank reconciliation from the RBS ledger is not reviewed and approved by council.	<i>The monthly bank reconciliations of all bank accounts should be reviewed and approved by the AFGP committee.</i>	<i>Recommendation Outstanding</i>  <i>2021/22 follow up – implemented from November 2021</i>
10	The Fidelity cover is currently £250k but cash and bank reserves are substantially higher. Fidelity insurance should cover the maximum projected cash and bank balances which is calculated as the year end cash and bank balances plus the next precept instalment which is an estimated total of £804k.	<i>The council should estimate maximum projected cash and bank balances as part of annual risk assessment and set the level of fidelity insurance cover accordingly</i>	<i>Implemented</i>
11	Data protection risks:  There is no evidence that action has been taken to ensure compliance with the GDPR (as enshrined in the Data Protection Act 2018), for instance:	<i>The council should carry out a personal data audit and establish the required policies and procedures to help ensure compliance with the GDPR.</i>	<i>Recommendation Outstanding</i>  <i>2021/22 follow up – data audit complete and ongoing DPA 2018 implementation.</i>

## INTERNAL AUDIT REPORT

	ISSUE	RECOMMENDATION	FOLLOW UP
	<ul style="list-style-type: none"> <li>- we could not identify an adopted external and internal privacy notice</li> <li>- the data protection policy published on the council website relates to the DPA1998 and has not been updated to reflect the GDPR</li> <li>- no evidence that Subject Access Request and Data Breach procedures compliant with the GDPR had been adopted</li> <li>- no evidence data processing/sharing agreements have been established with relevant third parties</li> </ul>		
12	Income - The fees and charges levied by the council are not agreed by the council annually, as required by the Financial Regulations.	<i>The council should agree all fees and charges in advance of the next financial year and each year thereafter.</i>	<i>Recommendation Outstanding - A review of fees and charges was undertaken at a meeting of the AF&amp;GP Committee on 2nd March 2021, however, these minutes are still draft and have not been approved by council. We have not been provided with evidence that the AF&amp;GP committee has the delegated authority via its Terms of Reference to approve the annual fees and charges.</i>