

Knutsford Town Council

Internal Audit 2020/21

JDH BUSINESS SERVICES LTD

The internal audit of Knutsford 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
- 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 on the 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.

J D H Business Services Ltd

ACTION PLAN

REF	ISSUE	RECOMMENDATION	RFO RESPONSE
1	Earmarked reserves in the RBS ledger had been incorrectly accounted for and therefore did not agree to the earmarked reserves approved by council. The correcting journals were posted to the ledger by the clerk during the year end internal audit.	<i>The RBS ledger is the prime book of record of council transactions and should therefore accurately reflect the levels of earmarked reserves approved by council</i>	The journals were corrected when raised by the Internal Auditor and the current (2021/22) journals double checked for accuracy. Post audit the RFO ascertained that the error was due to a double journal at the start of the year.
2	The payment card statements note there is a £1000 credit limit. However, review of the year end card statement identified that the bank had permitted the council to exceed this limit.	<i>The bank should be required to only permit expenditure up to the authorised limits on the payment card. The council should ensure that monthly card expenditure remains within the authorised card limits.</i>	The limit was exceeded three times during the year. RFO to follow up with RBS to ascertain if a <i>hard</i> credit limit can be applied.
3	The current risk assessment does not adequately cover the risks of supplier (procurement) fraud.	<i>The risk assessment should be updated to include supplier (procurement) fraud including the adequacy of supplier onboarding controls.</i>	RFO to update Corporate Risk Register and submit to Full Council for mid-year approval.

2020/21 INTERIM AUDIT ACTION PLAN

REF	ISSUE	RECOMMENDATION	RFO RESPONSE
1	<p>The council has not adopted a cybersecurity policy containing a description of cybersecurity risks and measures in place, including measures to be followed by staff and councillors.</p> <p>There is no formal cybersecurity awareness training for staff or councillors.</p>	<p><i>A cybersecurity policy should be adopted and formal cybersecurity awareness training implemented.</i></p>	<p>Town Clerk undertaking a cybersecurity awareness course via SLCC.</p> <p>Cybersecurity policy will be drafted for approval and training implemented during the year.</p>