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Knutsford Town Council

Internal Audit 2021/22

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 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.

J D H Business Services Ltd

ACTION PLAN

REF	ISSUE	RECOMMENDATION	FOLLOW UP
1	There are £7826 CEC accruals from 2020/21 still listed as accruals in the 2021/22 year end balance sheet. These represent licence fees and road closure order costs that have never been invoiced.	<i>The council should inform the principal council that long outstanding accruals are being held in the town council balance sheet for which invoices are required to enable settlement.</i>	Cheshire East Council have been reminded to invoice.
2	The Purchase Orders provided to support 2021/22 accruals contained insufficient detail as they were not dated and contained no indication as to what dates the supplies were made to evidence they were valid accruals.	<i>Purchase Orders should be dated and clearly describe the time period to which the supply relates.</i>	The lack of date was a system issue which has been resolved. Where relevant (e.g. Taste Knutsford tours, burials etc) specific supply dates are included.
3	Budgets: <ul style="list-style-type: none"> - There were no 2021/22 budgets for the eight cost centres under N/L code 205 but the total actual spend for these codes was £14862. It was confirmed that there are actual budgets for these codes the 2022/23 financial year. - A number of cost centres in the ledger with actual income and expenditure postings are described as 'Not in Use' (eg. cost code 105 4266) 	<p><i>All cost centres should have an allocated budget to ensure meaningful budgetary control can be applied throughout the financial year.</i></p> <p><i>Valid descriptions should be applied to all cost centres where there is actual income and expenditure incurred in the financial year.</i></p>	<p>The council had not budgeted for expenditure under this centre (60 King Street) in the 2021/22 financial year. Budget was included for 2022/23.</p> <p>This reference has been used to 'delete' cost centres which cannot be deleted on the system when there is current/previous year data in to avoid errors in data entry. All have now been removed from the system.</p>

2021/22 interim internal audit

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| 1 | Sample testing of payments identified a duplicate payment entry in the ledger for reference CP21217 Microsoft Subscriptions for £663.60. The duplicate transaction was identified internally during the bank reconciliation process. | <i>The council should improve internal controls to ensure duplicate transactions are not posted to the ledger.</i> | Issue was a receipt being put into the 'to process' folder twice. Improved system implemented. |
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Prior Years Outstanding

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| 1 | 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> | Addressed in updated Risk Register 04/07/2022 |
| 1 | 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.

There is no formal cybersecurity awareness training for staff or councillors. | <i>A cybersecurity policy should be adopted and formal cybersecurity awareness training implemented.</i> | Policy to be submitted to March '23 Assets Committee meeting. |
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