Knutsford Town Council

Internal Audit 2025/26

JDH BUSINESS SERVICES LTD

Registered to carry on audit work by the Institute of Chartered Accountants in England and Wales

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)
- Review of year end financial statements
- The authority has complied with the publication requirements for the prior year AGAR.
- The authority correctly provided for a period for the exercise of public rights for the prior year AGAR
- The authority published required information on a website up to date at the time of the internal audit in accordance with relevant legislation.
- Review of Assertion 10 (Annual Governance Statement) requirements.

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

2025/26 INTERNAL AUDIT ACTION PLAN

	ISSUE	RECOMMENDATION	RFO RESPONSE
	Income sample testing: 1.) A VAT error was identified in the transaction analysis for the following bar sales income transaction: • 09/06/2025 Ref. 25062/SU Cashbook Thursday 5th £995.33 The ledger included £202.67 VAT and £995.33 net for bar sales. However, the gross figure of £1198 with 20% VAT should be break down as follows: £998.33 net + £199.67 VAT. 2.) For the following income transaction, the cleaning fee charged on the invoice did not agree to the schedule of fees provided as the cleaning fee has been charged at £50 with £nil VAT, instead of £41.67 + 20% VAT: • 04/02/2026 Sales Ledger Invoice No 25-541 £155.00	The applicable VAT charge must be applied correctly to all sales invoices. Sales invoices should be double-checked before issuing to ensure the correct price has been charged. VAT must be completely and accurately accounted for in the Rialtas ledger and VAT returns.	Both errors were corrected in preparing the final year end accounts.

2024/25 INTERNAL AUDIT FOLLOW UP

<table>
<tr><th></th><th>ISSUE</th><th>RECOMMENDATION</th><th>FOLLOW UP</th></tr>
<tr><td>1</td><td>The following information is not published on the council website as required by the Local Authority Transparency Code 2015:

PUBLICATION 32. Local authorities must also publish details of any contract, commissioned activity, purchase order, framework agreement and any other legally enforceable agreement with a value that exceeds £5,000. For each contract, the following details must be published:

- reference number
- title of agreement
- LA department responsible
- description of the goods and/or services being provided
- supplier name and details
- sum to be paid over the length of the contract or the estimated annual spending or budget for the contract
- Value Added Tax that cannot be recovered
- start, end and review dates
- whether or not the contract was the result of an invitation to quote or a published invitation to tender, and
- whether or not the supplier is a small or medium sized enterprise and/or a voluntary or community sector organisation and where it is, provide the relevant registration number</td><td>The council should ensure the website complies fully with the publication requirements of the Local Authority Transparency Code 2015.</td><td>Implemented</td></tr>
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	ISSUE	RECOMMENDATION	FOLLOW UP
2	The Accounts and Audit Regulations require the council to conduct a financial year review of the effectiveness of the system of internal control. Although there are internal controls in place as evidenced by the Financial Regulations and a risk assessment review approved minutes, the council has not conducted an overall annual review of the effectiveness of internal controls and documented this in the minutes.	*The council should conduct an annual review of the effectiveness of the system of internal controls and document this review in the minutes.*	**Implemented**
3	The council currently has developed a strategic plan 2023-2032. However, the council does not clearly link decision-making to the aims and objectives of the strategic plan.	*Where appropriate, the council should consider linking decision making to the aims and objectives of the strategic plan, for instance, by ensuring reports to council with recommendations in the agenda documents link to strategic objectives.*	**25/26 follow up – the council is implementing a corporate peer challenge action plan which also covers the strategic plan, its priorities and effective duration**