

INTERNAL AUDIT REPORT 2024/25
HULME WALFIELD & SOMERFORD BOOTHS PARISH COUNCIL

The internal audit of Hulme Walfield and Somerford Booths Parish Council was carried out by undertaking the following tests 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 the 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.

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.

JDH Business Services Limited

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	ISSUE	RECOMMENDATION	FOLLOW UP
2024/25 internal audit			
1	<p>ASSETS The total fixed assets value for the year ending March 2025 is entered incorrectly into the AGAR as this year's asset additions are not included. The assets register lists a total value of £4043.33 but £3091 is disclosed in the AGAR accounts.</p> <p>The asset register itself is incorrect. For instance, the grit bin and bench purchased this year were entered into the asset register with the VAT included. VAT is reclaimable and therefore all assets should be recorded net of reclaimable VAT.</p>	<p><i>A complete and accurate asset register must be maintained from year to year with the correct figure for fixed assets disclosed in the AGAR accounts.</i></p>	
2023/24 internal audit			
1	<p>The draft AGAR included an incorrect figure in the exemption certificate for total 2023/24 payments.</p>	<p><i>The completed draft AGAR accounts and exemption certificate should be reviewed for consistency after completion.</i></p>	<p>The clerk amended the draft AGAR and resubmitted the final corrected version for internal audit.</p>

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	ISSUE	RECOMMENDATION	FOLLOW UP
2022/23 internal audit			
1	No invoice had been retained to evidence the expense claim for printer ink of £7.77 claimed in February 2023.	<i>Invoices must be secured and retained for all expenditure to evidence the item of spend and to enable the VAT element to be reclaimed.</i>	Implemented
2	Recommendations are outstanding relating to previous internal audits	<i>Internal audit recommendations should be implemented on a timely basis.</i>	Implemented
2021/22 internal audit			
1	Online payments are authorised by two councillors signing the invoice, however, the invoice for the payment to Crewe colour printers of £285.60 dated 19/04/2021 was not signed by two councillors.	<i>All online payments must be authorised by two councillors as required by the Financial Regulations.</i>	Implemented
2	The level of general reserves, which is calculated by subtracting earmarked reserves of £13483 from total reserves of £28835, is 133% of the precept level.	<i>The council should review the level of general reserves with reference to sector guidance.</i>	Implemented

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	ISSUE	RECOMMENDATION	FOLLOW UP
	The level of general reserves recommended by sector guidance is between 25% and 100% of the precept.		
3	Cashbook staff cost payments for the clerk's salary and HMRC total £3,437.20. Staff costs disclosed in the AGAR are £3,151, which is £286.20 lower. A note is included with the staff cost analysis that the council were only responsible for paying a portion of the employee costs, however, the staff costs per the cash book and the AGAR still do not agree.	<p><i>The council should review the AGAR accounts and ensure they are corrected to show the actual staff costs paid in the cash book.</i></p> <p><i>The council must include a separate column in the cashbook for staff costs so it would be obvious at the year-end what the total staff costs are to be disclosed in the AGAR accounts.</i></p>	<p>2022/23 follow up – Again no analysis of staff costs included in the AGAR accounts and linking to the cashbook was provided for 2022/23</p> <p>2023/24 follow up - Implemented 2022/23 follow up – Recommendation Outstanding</p>
2020/21 internal audit			
1	<p>The precept has been incorrectly been disclosed as £1300 in the AGAR. The correct figure is £13000.</p> <p>There is a £1 rounding error in the AGAR accounts.</p>	<p><i>The council should amend the precept figure in the AGAR accounts.</i></p> <p><i>The AGAR figures should be reviewed to ensure they cast correctly.</i></p>	<p>Implemented</p> <p>Implemented</p>
2	The risk assessment does not address the risks of supplier (procurement)	<i>The risk assessment should be updated to include supplier (procurement) fraud including the</i>	Implemented

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	fraud.	<i>adequacy of supplier onboarding controls.</i>	
3	<p>The procurement requirements in the Financial Regulations(FRs) have been reviewed as part of this year’s internal audit. Extracts are included below:</p> <p>b) Where it is intended to enter into a contract exceeding [£10,000] in value for the supply of goods or materials or for the execution of works or specialist services other than such goods, materials, works or specialist services as are excepted as set out in paragraph (a) the Clerk shall invite tenders from at least three firms to be taken from the appropriate approved list</p> <p>(g) If less than three tenders are received for contracts above [£2,500] or if all the tenders are identical the Council may make such arrangements as it thinks fit for procuring the goods or materials or executing the works.</p> <p>(i) When it is to enter into a contract less than [£1,000] in value for the supply of goods or materials or for the</p>	<p><i>The council needs to review the wording of these procurement regulations and the various thresholds as they contradict one another,. Basically, the model FRs require a threshold above which there will be a formal tender process (eg above £10000), then a lower threshold above which there will be three formal quotations(eg £3001 to £10000), then a lower threshold above which where the clerk will strive to obtain three estimates eg (£501 to £3000), then the final threshold where the clerk can procure as they see fit with a view to securing value for money (eg £1 to £500)</i></p>	<p>2023/24 follow up - Implemented 2022/23 follow up – Recommendation Outstanding</p>

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	execution of works or specialist services other than such goods, materials, works or specialist services as are excepted as set out in paragraph (a) the Clerk or RFO shall obtain 3 quotations ; where the value is below [£1,000] and above [£200] the Clerk or RFO shall strive to obtain 3 estimates.		
4	The level of reserves of £25172 carried forward is 194% of the precept level and we could only identify £2000 of earmarked reserves for a community chest. Sector guidance is that general reserves should represent between 25% and 100% of the precept level.	<i>The council should review the level of general reserves and set aside any required earmarked reserves. The level of earmarked and general reserves should be disclosed clearly in the accounts papers.</i>	2022/23 follow up – implemented 2021/22 follow up Recommendation Outstanding
2019/20 internal audit			
1	Financial Regulations - The updated Financial Regulations (FRs) refer to a Purchase Order (PO) system in Section 10. However, no PO system is currently in place.	<i>If Purchase Orders are an internal control requirement of the council, then the council should establish a sequential Purchase Order system as required by the updated Financial Regulations (FRs).</i>	2022/23 follow up – implemented 2021/22 follow up Recommendation Outstanding

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	<ul style="list-style-type: none"> - Section 11.1.b indicates that £10000 is the threshold for formal tendering, but section 11.1.g indicates the threshold is £2500. 	<p><i>The FRs should be reviewed to ensure consistency of the thresholds included for tendering</i></p>	<p>Recommendation Outstanding – see also 2020/21 issue 2.)</p>
2	<p>Fixed Assets</p> <ul style="list-style-type: none"> - The month/year of purchase is not included so it is not possible to identify the changes in fixed assets from financial year to year. - It is not clear in the register whether the laptop purchase and the bin are included in fixed assets and if so whether they are included at purchase cost or insurance value 	<p><i>The month and year of purchase should be included against assets in the asset register.</i></p> <p><i>The council should review the fixed asset register and ensure additions and disposal for 2019/20 have been corrected disclosed.</i></p>	<p>Implemented</p>
3	<p>There was no evidence of regular budgetary control reports presented to council during the financial year.</p>	<p><i>Regular budgetary control reports should be presented to council for review</i></p>	<p>Quarterly budgetary control Implemented</p>