

INTERNAL AUDIT REPORT
UPTON BY CHESTER PARISH COUNCIL
2023/24

The internal audit was 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.

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 NOT in place**, adequate for the purpose intended and effective. 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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| AGAR internal control objective A – Appropriate Accounting Records kept throughout financial year | | | |
| <p>No issues arising in respect of the prime book of record as the accounts are maintained on the SCRIBE accounting system.</p> | | | |
| AGAR internal control objective B – Compliance with Financial Regulations, payments supported by invoices, all expenditure approved and VAT appropriately accounted for | | | |
| 1 | <p>One of our payment sample covered a payment from [REDACTED]. However, the ‘invoice’ provided to support the payment was not a valid VAT invoice even though VAT of £620 is charged on the invoice. The voucher contained no VAT number address nor any contact details.</p> <p>When this item was checked against the bank statement, the payment had been made to an individual on 20/4/23, the payment details are not recorded on the invoice and this individual name is not quoted on the invoice. Published minutes record payment to [REDACTED].</p> <p>We note that companies house records that</p> | <p><i>The Council need to obtain a valid VAT invoice for this payment or if it is determined the supplier is not VAT registered then a refund of VAT paid should be requested. Depending on the outcome of the council request for a valid VAT invoice, we will consider further recommendations for the council.</i></p> | |

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| | <p>██████████ was dissolved on 02/05/2023</p> <p>Evidence of 3 quotes has been provided for this supply, however, this quotation would only have been the lowest quote if VAT was reclaimable on the supply. However, without a valid VAT invoice and VAT number the council cannot claim the VAT on this supply.</p> | | |
| 2 | <p>Payments are made via the Virgin money current account or by prepaid debit card. Financial Regulations (FRs) in place from November 2023 allow payments under £500 to be authorised by a sole bank signatory. For payments between £501-£9999 two signatories are required and for payments greater than £10k three signatories are required.</p> <p>However, up to October 2023 dual authorisation of any payments was not in place and all payments were made online solely by the Clerk. It should be noted that the FRs in place to October 2023 do not describe any regulations for online banking and only cover cheques or DDs.</p> | <p><i>The council must comply with proper practices with regard to the authorisation of payments. (NB this control has been in place since November 2023.)</i></p> | |

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| 3 | <p>No vouchers were provided to support the following payments from our sample :</p> <ul style="list-style-type: none"> - Invoice for Tn 220 £309.87 (debit card) - Invoice for Tn 256 £3000 (grant) - Invoice for Tn 267 £188.45 (debit card) | <p><i>All expenditure vouchers must be retained by the council to enable them to be provided for review or audit purposes and to ensure VAT can be reclaimed.</i></p> | |
| 4 | <p>Procurement issues:</p> <ul style="list-style-type: none"> • ‘Upton by Chester Pavilion contract – we could only evidence one quotation and no documentation was provided to evidence this supply was procured in accordance with financial Regulations. • Grounds maintenance contract value £23,736 with [REDACTED]. Council are unable to locate the procurement documentation. | <p><i>The council must comply with the procurement requirements of the adopted Financial Regulations. Documentation relating to procurement exercises must be retained.</i></p> | |
| 5 | <p>No VAT was reclaimed in 23/24 relating to either 22/23 or 23/24 and the VAT debtor at year end is disclosed as £33,361.</p> | <p><i>The council should comply with its Financial Regulations and ensure annual VAT reclaims are submitted to HMRC on a</i></p> | - |

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| | <p>Financial Regulations require the following with respect to VAT returns:</p> <p><i>9.8. The RFO shall promptly complete any VAT Return that is required. Any repayment claim due in accordance with VAT Act 1994 section 33 shall be made at least annually coinciding with the financial year end.</i></p> | <p><i>timely basis.</i></p> | |
| 6 | <p>For September 2023 payments onwards, payments ceased being listed in the minutes when reported to Council. The minutes record ‘details of payments were received and noted’ but the total amount of payments has not been recorded.</p> | <p><i>The council should either reinstate the previous internal control whereby payments approved were listed in the minutes or record payments approved on a separate schedule signed by the Chair with the total of these approved payments recorded in the minutes to improve the audit trail.</i></p> | |
| 7 | <p>The Council have a loan from Cheshire County LTA with a balance outstanding of £6000. The original loan was for £10,000.</p> <p>No evidence has been provided whether a formal borrowing approval was secured for the loan. Generally, a borrowing approval is only not required for borrowing via a temporary loan or overdraft from a bank or otherwise of sums which the council may temporarily require to meet expenses</p> | <p><i>The council must secure borrowing approvals for loans in accordance with the Financial Regulations.</i></p> | |

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| | <p>pending the receipt of revenues receivable by it in respect of the period of account in which the expenses are chargeable. In all other circumstances, borrowing approval is usually required.</p> <p>The relevant FRs state:</p> <p>8.4 All borrowings shall be effected in the name of the Council, after obtaining any necessary borrowing approval. Any application for borrowing approval shall be approved by Council as to terms and purpose.</p> | | |
| AGAR internal control objective C – Adequate Risk Assessment | | | |
| No issues arising | | | |
| AGAR internal control objective D – The precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate. | | | |
| 8 | <p>Budgetary Control</p> <p>For the first half of the year there is no evidence that budgetary control reports were submitted to council showing expenditure to date against budget with explanations for significant variances. The</p> | <p><i>Comprehensive budgetary control information should be reported to the council throughout the financial year as required by Financial Regulations. (NB This was implemented for the second half of the 2324 financial year)</i></p> | |

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| | <p>only information we could locate were basic lists of receipts and payments by category. Financial Regulations in place for the first half of the year state:</p> <p><i>FRs: 3.3 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 against that planned.</i></p> | | |
| <p>AGAR internal control objective E – Expected income fully received, correctly priced, recorded and promptly banked and VAT accounted for</p> | | | |
| 9 | <p>The council has identified that due to the level of sales from its cafe/shop it should have registered for VAT some period ago. A VAT consultant has been supporting the council with establishing a backdated VAT registration to 2016. Therefore, there will be a significant backdated liability for VAT on outputs that should have been standard rated. No creditor has been included in the accounts for the VAT liability although earmarked reserves of £10,000 has been established for the estimated future liability.</p> | <p><i>When VAT registration is completed the council must remit all calculated liabilities to HMRC and ensure that output VAT on relevant sales is correctly charged and accounted for.</i></p> | |

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| 10 | <p>The Council are not currently registered for VAT but one receipt in SCRIBE dated 01/08/2023 for room hire shows VAT has been charged (£60 net plus £12 VAT).</p> | <p><i>The council cannot charge VAT on sales when it is not currently VAT registered. In addition, room hires are usually exempt from VAT unless the council has 'opted to tax' this category of sales.</i></p> | |
| 11 | <p>Receipt Sample Testing - results:</p> <ul style="list-style-type: none"> - Funday receipt – no invoice or receipt for the £200 identified (we were informed that cash payment was given to the Parish Council on the day out of takings from the food truck.) - Ref 227 Room Hire – [REDACTED], no invoice issued as we are informed that historically this hirer has never required an invoice. - [REDACTED] sample invoice charged at rate of £15 per hour which is not on Website price list. - [REDACTED] sample invoice had 20% discount applied to give an hourly rate of £14.40 compared to the full rate of £18 rate but we could not identify delegated | <p><i>The council should ensure that sequential invoices are issued for all hires and that pricing agrees to the adopted price list. Where discounts are applied, there should be approved delegated authority to enable this by council.</i></p> | |

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| | <p>authority in the minutes for discounts to be applied. The pricing differs from an earlier invoice in the financial year that applied the full hire rate of £18 (NB the price list states the fee is £16 for regular users of three months.)</p> | | |
| 12 | <p>No sequential invoices are issued for hall/room hire and as evidenced above invoices are not issued for all hire. No comprehensive exercise had been carried out to match receipts from hall hire to enable the council to ensure:</p> <ul style="list-style-type: none"> i.) all hall hire income is completely and accurately recorded in the council ledger ii.) appropriate ongoing credit control can be applied to ensure all invoices issued for hall hire are paid iii.) an adequate audit trail existed between hall hire invoices issued and the cash book | <p><i>The council must issue invoices for all hires with unique sequential numbers. The Council should match receipts promptly with invoices issued. An invoice that has been received should then be marked 'PAID'. Every quarter the council should review the unpaid invoices and follow up with customers.</i></p> | |

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| AGAR internal control objective G – Wages and salaries and members allowances paid in accordance with council approvals, and PAYE and NIC requirements properly applied | | | |
| 13 | No signed contracts of employment were in place for temporary staff and this is now being rectified. | <i>Signed contracts of employment should be in place for all staff.</i> | |
| 14 | The Employment Allowance was incorrectly claimed for 2023/24 and the liability to repay the sum due to HMRC has been recognised in the year end accounts. However, no evidence has been provided that a prior period review has been carried out to determine if there are liabilities for incorrectly claimed Employment Allowance from previous years. | <p><i>The council must not claim Employment allowance as public sector bodies cannot claim this allowance.</i></p> <p><i>The council should carry out a prior period review to determine if there are liabilities for incorrectly claimed Employment Allowance from previous years.</i></p> | |
| 15 | <p>2023/24 Payroll testing issues:</p> <ul style="list-style-type: none"> - We could not identify an audit trail evidencing authorisation of the current clerk scale point in the minutes - a payment was made to HMRC with the reference number [REDACTED] on | <p><i>All scale point changes should be approved in the minutes</i></p> <p><i>The Council need to follow up this payment</i></p> | |

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| | <p>06/11/2023 for £821.55. This payment has not been credited to the Council's 23/24 PAYE account and does not correspond to any of the 23/24 payroll schedules.</p> | <p><i>with HMRC records and ensure it has been credited to the Council's account. (it is possible the payment relates to an issue in 2022/23 payroll).</i></p> | |
| 16 | <p>Up until October 2023 no checking or approval of salary payments was carried out by Council. From October 2023 Cllrs had access to monthly payroll summaries in order to check and approve payments. The Council are now planning to implement the following internal control:</p> <p><i>'In addition to the Clerk, two Councillors from the Employment Committee will check that all salary payments, deductions and expenses are in order before they are sent for payment'</i></p> | <p><i>The council should apply member checks to payroll throughout the entire financial year to satisfy themselves as to the validity of payments. The monthly payroll should periodically be agreed on a sample basis back to source documentation such as authorised salary increases, timesheets and employment contracts.</i></p> <p><i>All the above member checks should be evidenced by a signature and date.</i></p> | |

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| AGAR internal control objective H – Asset and investment registers complete and accurate and properly maintained | | | |
| 17 | <p>Review of fixed asset register:</p> <ul style="list-style-type: none"> - The asset register has increased by £147,316 over the 2022/23 value. A review of the SCRIBE asset record shows a significant number of assets have been added in 2023/24 that are described as pre-2024 (total value £132,620). Therefore, these assets were also owned in 2022/23 but the 22/23 fixed asset figure in the AGAR has not been restated. - The asset register does not include playground gates purchased in year at cost of £1900. - A significant number of assets in the asset register are just described as ‘equipment’ with no further identifying information. | <p><i>The 2022/23 comparative fixed asset disclosure in the 2023/24 AGAR accounts should be reviewed for restatement as the revised asset register indicates the figure provided last year was materially incorrect.</i></p> <p><i>The asset register must be updated for all additions and disposals during the financial year.</i></p> <p><i>Assets must be clearly described in the asset register rather than just generic descriptions otherwise it will not be possible to manage the assets effectively or record when they are obsolete or disposed.</i></p> | |

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| AGAR internal control objective I – Periodic and year end bank reconciliations were properly carried out | | | |
| No issues arising | | | |
| AGAR internal control objective J – Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded. | | | |
| 18 | <p>Review of year end accounts and balance sheet:</p> <p>a.) An approximate VAT liability for output tax relating to the café/shop has been calculated by the VAT consultant. However, this is not included in the balance sheet, instead it has been included in an earmarked reserve.</p> <p>b.) Employment allowance – The Clerk incorrectly secured the Employment Allowance. This has been notified to HMRC and is being repaid in 2024/25. The accounts have been adjusted since the submission of working papers to include the £5k creditor. However, there is no information provided to evidence the council</p> | <p><i>Year end procedures must include the application of comprehensive procedures to capture all debtors and creditors for inclusion in the year end accounts.</i></p> | |

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| | <p>has checked whether it has overclaimed in previous years and whether there is a further liability.</p> <p>c.) The accounts do not include an accrual for March 2024 pensions so 23/24 accounts now only includes 11 months pension payments.</p> <p>d.) The accounts do not include a creditor for HMRC payments relating to March 2024 of £2406.51.</p> <p>e.) Balance sheet debtors – the council has substantial sources of income but no debtors such as outstanding hall hire have been included in the accounts. There is no evidence a matching exercise of all invoices issued for hire prior to 31/03/2024 has been agreed with cash received which would identify any hire debtors.</p> | | |
| 19 | 2022/23 staff costs and other payments have been amended | <i>The council should state 'restated' on the AGAR where prior year figures are amended.</i> | |

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| AGAR internal control objectives K | | | |
| Not applicable as gross income/expenditure exceeded £25000. | | | |
| AGAR internal control objective L - The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation. | | | |
| 20 | <p>The following information is not published on the council website as required by the Local Authority Transparency Code 2015:</p> <p><i>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:</i></p> <p><i>reference number</i> <i>title of agreement</i> <i>LA department responsible</i> <i>description of the goods and/or services being provided</i> <i>supplier name and details</i> <i>sum to be paid over the length of the contract or the estimated annual spending or budget for the contract</i> <i>Value Added Tax that cannot be recovered</i> <i>start, end and review dates</i> <i>whether or not the contract was the result of an invitation to quote or a published invitation to tender, and</i></p> | <p><i>The council should ensure the website is maintained up to date and that it complies fully with the publication requirements of the Local Authority Transparency Code 2015.</i></p> | |

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| | <i>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</i> | | |
| AGAR internal control objective M - In the year covered by this AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations (during the 2022-23 AGAR period, were public rights in relation to the 2021-22 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set). | | | |
| 21 | <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 (2022/23 financial year) was compliant with the Regulations.</p> <p>The 2022/23 public notice dates are compliant , however, the days listed do not correspond to the actual dates as follows:</p> <p>Friday 30 June 2023 – Monday 10th August 2023 . However 10th August was actually a Thursday.</p> | <i>The council must ensure the notice of electors rights contains the correct days matched with the dates.</i> | |

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| AGAR internal control objective N - The authority has complied with the publication requirements for the 2021/22 AGAR | | | |
| 22 | We note the council could not meet the publication deadline of September 30 th 2023 for the ‘notice of conclusion of audit’ as external audit did not complete the audit until after that date. | <i>No recommendation as it was not possible to public the notice as the external audit had not been completed.</i> | |
| AGAR internal control objective O – The council met its responsibilities as sole trustee | | | |
| Not applicable as the council has not disclosed that it is the sole trustee of a trust. | | | |