



# Penketh Parish Council

Internal Audit 2022/23

JDH BUSINESS SERVICES LTD

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

## **INTERNAL AUDIT REPORT PENKETH PARISH COUNCIL**

The internal audit of Penketh Parish 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 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.

**JDH Business Services Limited**

	ISSUE	RECOMMENDATION	FOLLOW UP
<b>2022/23 Interim internal audit</b>			
1	<p>Approval of the following payments could not be located within the Council minutes:</p> <ul style="list-style-type: none"> <li>- 12/4/22 Aquality Leisure £7129.54</li> <li>- 29/4/22 Aquality Leisure £10,936.20</li> </ul>	<p><i>The Council should ensure these payments are approved retrospectively.</i></p>	<p>These payments were interim payments towards a previously agreed total price so were therefore emitted from the ad hoc payments for approval but will be retrospectively approved in future minutes.</p>
2	<p>Testing of a sample of payments identified that two signature approval was not obtained before a number of online bank payments were made.</p>	<p><i>Evidence of two signature approval can be obtained before payment as follows:</i></p> <ul style="list-style-type: none"> <li>• <i>Approval by council before payment and approval is recorded in the minutes.</i></li> <li>• <i>Schedule of payments signed and dated by two signatories before payment.</i></li> <li>• <i>Emailed approval by two signatories.</i></li> </ul>	<p>Most payments have followed this rule, but some were made in emergency situations without it. As identified in the Parish Council financial risk assessment by Acting Clerk and Chairman, the Council have requested the Coop banks “approver” service be implemented, alleviating the issue of not being able to meet this requirement every time due to remote working.</p>
3	<p>We have not seen evidence of regular monitoring of spend against the budget during the year.</p> <p>The Council have recently started using Rialtas accountancy software and are intending to generate regular budget reports to present to Council.</p>	<p><i>Regular monitoring by the council of budgeted income and expenditure against actual should take place as required by the Financial Regulations.</i></p>	<p>Impacted by migration to Rialtas, but the council has been monitoring in excel format and officially reviewed it in March 2023 Future meetings will periodically sample Rialtas Budgetary reports.</p>

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<b>2021/22 Year-end internal audit</b>			
1	<p><b>The Council are using the Xero accounts package, however, the accounts produced at the year-end were not fit for purpose as they contained numerous errors identified during the internal audit:</b></p> <ul style="list-style-type: none"> <li>• The only opening balances entered into Xero were the two main bank account balances (which had not been adjusted for unrepresented cheques).</li> <li>• A code ‘historical adjustment’ had been set up to balance the accounts and refunds of £1216.51 had incorrectly been coded against this heading.</li> <li>• Two payments to HMRC (£1748.76) in respect of PAYE had incorrectly been coded to VAT</li> <li>• A VAT refund of £5989.16 had incorrectly been posted to ‘other revenue’</li> <li>• £5902.94 of pensions costs had incorrectly been posted to pensions payable.</li> <li>• £50.40 of payroll fees incorrectly coded to wages payable.</li> <li>• The accounts included £122.99 of fixed assets. Council accounts cannot capitalize fixed assets.</li> </ul>	<p><i>The 2021/22 opening balances and the adjustments identified in the internal audit should be posted to the Xero accounts package.</i></p> <p><i>Council should consider an accounts package more appropriate for local councils and ensure staff are fully trained in the use of it, including producing timely budgetary control reports from the package.</i></p> <p><i>The annual return should be amended as follows:</i></p> <p><b><i>Balances brought forward £123,531</i></b>  <b><i>Precept £201,856</i></b>  <b><i>Total other receipts £26,494</i></b>  <b><i>Staff costs £143,121</i></b>  <b><i>All other payments £91,386</i></b>  <b><i>Balances carried forward £117,374</i></b>  <b><i>Total value of cash &amp; short term investments £110,687</i></b></p>	<p>The Council have started using Rialtas in 2022/23.</p>

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	<b>ISSUE</b>	<b>RECOMMENDATION</b>	<b>FOLLOW UP</b>
2	<p>The Council has not met the publication requirements of the Accounts and Audit Regulations 2015:</p> <ul style="list-style-type: none"> <li>- The 2020/21 period for the exercise of public rights occurred in January 2022, therefore, the Council did not therefore meet the publication requirement for the 2020/21 AGAR.</li> <li>- The Notice of Conclusion of Audit was displayed on the website, however, this was not before the date required of 30/09/21.</li> </ul>	<p><i>The Council must ensure that it meets the publication requirements of the Accounts and Audit Regulations 2015.</i></p>	
3	<p>The VAT returns for quarter 3 and quarter 4 during 2021/22 are incorrect and do not agree to the accounts.</p>	<p><i>A VAT submission should be made for the difference between the VAT submissions made and the amounts that should have been declared.</i></p>	<p>Correct VAT debtor balance brought forward into 22/23 Rialtis ledger.</p>
4	<p>The risk assessment does not cover risks relating to online banking and supplier (procurement) fraud.</p>	<p><i>The risk assessment should be updated to include risks relating to online banking and supplier (procurement) fraud.</i></p>	<p>Review at year-end audit</p>
5	<p>We have seen no evidence that the petty cash balance as at 31/3/22 had been cashed up by a councillor and signed as evidence of this check.</p> <p>The balance in the accounts was incorrect as it did not include the brought forward balance.</p>	<p><i>The petty cash balance held at the year-end should be verified by a nominated councillor.</i></p> <p><i>Petty cash transactions should periodically be reported to Council.</i></p>	<p>Review at year-end audit</p>

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	Also see issue 8 at interim audit for issues relating to petty cash.		
6	The asset register contains an asset added in May 2022 valued at £985, however, the asset register should record the assets owned as at 31/03/2022.	<i>The asset value on the AGAR should be disclosed as £1,140,447</i>	Review at year-end audit
<b>2021/22 interim internal audit</b>			
1	<p>Since June 2021 there is evidence the council payments are discussed in council meetings. However, there are examples in the minutes where the payment information was presented on the day of the meeting rather than being included as part of agenda packs to give councillors reasonable time to review the payment information in advance of the meeting.</p> <p>In addition, the total of the payments approved at the meeting is not recorded in the minutes and there is inconsistency in the way information is presented in the minutes for payments. For instance, for just one meeting in June 2021, the payments were actually included in the meeting with the statement 'To approve Accounts for Payment for June 2021' but there is no resolution to actually approve the payments. Thereafter, no</p>	<i>The council need to provide a detailed analysis of payments monthly to councillors as part of the agenda pack for the council meeting. The minutes should at least record the total of payments approved which will provide an audit trail to the schedule of payments which should be signed by the Chair. Alternatively, the council could revert to the good practice evidence in the June 2021 minutes where all the supplier payments are clearly analysed in the minutes, although there must also be a resolution to approve the payments.</i>	<p>NB There were no signed payment schedule for the payments approved in the 2022 January and February minutes. From June 2022 the agenda pack includes the schedule of payments which is totalled.</p> <p>2022/23 – implemented for majority of year</p>

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	financial information regarding the payments is recorded in the minutes and it is not at all clear whether a complete analysis or summary of payments were provided to councillors. For example, the January 2022 minutes state: <i>'Summary sheet of spend for December 2021 for approval, KLS summary spend provided prior to the meeting, PPC summary provided in the Cllrs meeting pack'</i> .		
2	<p><b>RECURRING ISSUE</b></p> <p>The Financial Regulations require two authorising councillor signatories for online payments. However, currently payments are being made contrary to these Financial Regulations requirements by the Chair after council resolved in November 2021 for temporary authorisation for the delegation of invoice payments to the Chair until such time as a Clerk/RFO could resume duties.</p>	<p><i>The Council must ensure they have adequate procedures in place to ensure that all payments are authorised as required by the Financial Regulations.</i></p>	<p>Clerk/RFO not currently in place.</p> <p><i>03/23 – See above and financial RA – Co-op bank approver service requested to address. MP</i></p>
3	<p><b>RECURRING ISSUE</b></p> <p>We have not seen evidence that any monitoring of the budget against actual spend occurred during the financial year.</p>	<p><i>Regular monitoring by the council of budgeted income and expenditure against actual should take place as required by the Financial Regulations.</i></p> <p><i>NB The council have confirmed since the 2021/22 interim internal audit that they have developed a regular monthly budgetary control schedule to be reviewed</i></p>	<p>A budget monitoring schedule had been introduced from January 2022 but there was not evidence that this had been reviewed by Council.</p> <p><i>03/23 – See above and financial RA – Rialtas Budgetary reporting not in place. MP</i></p>

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		<i>by council monthly. We will further review this issue at the year-end internal audit.</i>	
4	Review of public questions in the minutes indicate there was an extraordinary council meeting on August 2 <sup>nd</sup> 2021. However, we could not identify these minutes and agenda on the council website.	<i>The council should provide the minutes for the August 2<sup>nd</sup> 2021 extraordinary meeting to the internal auditor and publish the agenda and minutes on the council website.</i>	Implemented
5	There is no contract in place with the current contractor for the proposed swimming pool repairs/refurbishment project, and there had been no progress in the scheme as at the date of the interim internal audit even though a substantial initial payment had been made in respect of the contract.	<i>The council needs to ensure formal signed contracts are in place with providers of significant supplies and service to the council. Progress in implementing this contract and the overall repairs/refurbishment contracts to enable the swimming pool to be reopened will be further reviewed at the year-end internal audit.</i>	Outstanding and now the Council are nearing the end of the project. A contract has been drafted for the maintenance going forward.  <i>03/23 – Pool liner contract in place and maintenance contract signed with Aquality - MP</i>
6	<b>VAT issues:</b>  - <b>Hall hire invoicing and VAT accounting.</b> We identified examples of invoices for hall hire being issued to customers with VAT added even though we were informed this was previously treated as a VAT exempt supply. In addition, some invoices for hall hire in November had been posted to the	<i>The council need to review all hall hire invoices issued to date and ensure they are issued correctly to customers with £nil VAT if they are an exempt supply. Incorrect VAT postings in the Xero ledger need to be corrected and any VAT errors corrected in the next VAT return.</i>	The VAT postings to the ledger were corrected after the interim audit. However see issue 3 at the year-end.



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	<p>Xero ledger net with output VAT posted to the VAT account but there is usually no VAT for hall hire as it is generally an exempt supply (unless an organisation has previously competed a formal Option to Tax with HMRC),</p> <ul style="list-style-type: none"> <li>- The previous issues raised with respect to VAT have not been addressed, although the swimming pool is currently closed and has been for some time since the onset of the pandemic. The council has recently confirmed they are securing the guidance of a VAT consultant to resolve the outstanding VAT issues.</li> </ul>	<p><i>The council must address the previous VAT issues and recommendations raised.</i></p>	
7	<p>No invoice voucher could be identified to support the payment to a councillor for expenses on 15/04/2021 for £42.90.</p>	<p><i>Invoices/vouchers should be secured and retained for all council purchases and expense claims. An expense claim should not be paid unless supported by receipts to substantiate the purchases.</i></p>	<p>Implemented for 2022/23</p>
8	<p>Petty Cash documentation issues :</p> <ul style="list-style-type: none"> <li>- No invoice/voucher could be identified for the payment on 07/07/2021 to a councillor for £110.</li> </ul>	<p><i>Invoices/vouchers should be secured and retained for all petty cash purchases. An expense claim from petty cash should not be paid unless supported by receipts to substantiate the purchases.</i></p>	<p>See issue 5 at year-end</p>

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	<b>ISSUE</b>	<b>RECOMMENDATION</b>	<b>FOLLOW UP</b>
	- The voucher provided to substantiate the payment on 28/07/2021 to a councillor for £76.8 does not show details of the actual purchase made from the supplier		
<b>2020/21 year end internal audit</b>			
1	<p>Parish council payments have not been approved by the council for the period from August to December 2020. Payments made in between January 2021 and March 2021 have been approved in total in the minutes, but not individually listed. The supporting schedule for these three months has not been signed by the Chair.</p> <p>As stated in issue 4.) of the interim report, payments made for the KLS have not been approved by the council. This continued for the remainder of the 2020/21 year.</p>	<i>The council must approve all payments. If payments are approved in a supporting schedule, the total of payments approved should be recorded in the minutes and the supporting schedule should be signed by the Chair.</i>	<b>Partially implemented – see issue 1.) in 2021/22 interim internal audit report.</b>
2	Our interim audit reported (issue 4) that two signatory approvals had not been obtained for online bank payments for both KLS and parish council bank account payments. This situation continued for the remainder of 2020/21.	<i>Online payments must be authorised by two member signatories prior to payment in accordance with Financial Regulations.</i>	<b>Recommendation Outstanding</b>

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3	<p>The staff costs figure disclosed in the AGAR accounts includes £27,000 of pool management consultancy fees. To date we have been provided with no evidence that this contract is now classified by the council as a payroll staff cost with appropriate tax deductions made, or whether there has been an agreement with HMRC that these costs should be classified as payroll costs with payroll taxes to be deducted accordingly.</p> <p>Therefore, if the council has determined that the £27,000 are non-payroll consultancy costs then the amount would need to be entered into 'Other Payments' rather than 'Staff Costs' in the AGAR accounts.</p>	<p><i>Evidence should be provided to internal audit as to whether the consultancy costs have been treated as payroll or non-payroll costs, including whether any agreement has been sought from HMRC. If the consultancy costs of £27000 are not confirmed as staff payroll costs, the annual return should be amended to the following:</i></p> <p><i>Staff costs £133,311</i> <i>All other payments £168,298</i></p>	<p><b>The consultancy contract was discontinued by the council from May 2021. No further information has been received as the self-employed / employment status of the original contract.</b></p>
4	<p>We have not seen evidence that any monitoring of the budget against actual spend for KLS occurred during the financial year. The budget produced in support of the precept states the annual contribution of the Council to KLS, however, no actual budgetary control for KLS was carried out.</p> <p>A spreadsheet is maintained for the parish council account expenditure to monitor spend against actual.</p>	<p><i>Regular monitoring by the council of budgeted spend against actual should take place for both the parish council and KLS.</i></p>	<p><b>Recommendation outstanding</b></p>

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5	<p>The precept was not approved in the main council minutes that are published on the website, instead it was approved in the confidential part 2 minutes.</p> <p>The risk assessment was approved in part 2 of the May 2020 Council meeting. These minutes have not been signed as approved.</p>	<p><i>The precept and risk assessment approval should be recorded in the public council meeting minutes rather than as part 2 items..</i></p>	<p><b>2021/22 follow up – recommendation outstanding as the council is still not administrating correctly for the precept as the January 2022 minutes does not state the amount of the precept only the % increase. The amount of the precept set by council must be stated in the minutes.</b></p>
6	<p>Payroll testing identified that in February 2021 a number of officers were paid additional payments in respect of holiday pay. We were unable to agree these additional payments to any supporting calculations or approvals by council.</p>	<p><i>All additional payroll payments or pay rises must be approved by Council.</i></p> <p><i>Payments in respect of holiday pay should be supported by calculations.</i></p>	<p><b>No further issues identified in 2021/22</b></p>
7	<p>The council pay Warrington Borough Council quarterly for grounds maintenance. A signed service level agreement for this arrangement could not be located.</p>	<p><i>The council should ensure they have a signed service level agreement in place for the grounds maintenance service provided by WBC.</i></p>	<p><b>Recommendation Outstanding</b></p> <p><i>03/23 This was a 3 year deal before this council was in place - MP</i></p>
8	<p>Fixed Assets</p> <ul style="list-style-type: none"> <li>- The summary asset register does not accurately reflect the purchase of play equipment and any associated play equipment disposals/write offs.</li> </ul>	<p><i>The summary asset register should accurately reflect play equipment assets.</i></p>	<p><b>See 2021/22 year end internal audit</b></p>

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	<ul style="list-style-type: none"> <li>- The council purchased a speed indicator device during the year, however, it could not be located in the asset register.</li> <li>- The detailed asset register for the leisure centre assets has not been reviewed and updated.</li> </ul>	<p><i>If the speed indicator device is owned by the parish council, it should be added to the asset register.</i></p> <p><i>A detailed review of the assets held at the leisure centre should be carried out and the asset register updated accordingly.</i></p>	
9	<p>Risk assessment - Whilst the council approved an annual risk assessment in May 2020, a significant number of risks identified and mitigating actions were not complied with including:</p> <ul style="list-style-type: none"> <li>- Budget and annual precept</li> <li>- Security of financial records</li> <li>- KLS annual budget</li> <li>- Data protection</li> </ul>	<p><i>The council must comply with the risk assessment requirements and mitigating actions specified in the annual risk assessment.</i></p>	<p><b>Recommendation outstanding</b> <b>- See 2021/22 year end internal audit</b></p> <p><i>03/23 - A new risk assessment is in place by Cllr M Potts and approved by Full Council - MP</i></p>
10	<p>The Council have been unable to comply with the publication requirements in relation to the 'Notice of conclusion of audit' as the external audit for 2019/20 has not yet been completed.</p> <p>The Accounts and Audit Regulations 2015 require that the authority must publish the 'Notice of the period for the exercise of public rights' by a specific date. Whilst we can see that this information has been published on the website and we have received evidence of when it was published on the noticeboard we have not seen</p>	<p><i>For 2020/21 a screenshot of the date of publication on the website for both the 'Notice of the period for the exercise of public rights' and the 'notice of conclusion of audit' should be provided to internal audit as evidence that the council met the publication requirements of the Accounts and Audit Regulations 2015.</i></p>	<p><b>See 2021/22 year end internal audit.</b></p>

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	evidence of the date the notice was published on the website.		
11	The petty cash receipts could not be located during the internal audit, we therefore were unable to carry out testing.	<i>The Council must locate the petty cash records and verify that the balance held as at 31/3/21 within the accounts of £2.58 is correct and agrees to the petty cash reconciliation.</i>	<b>See 2021/22 issues</b>
12	The instant access bank account is included in the accounts at a balance of £105.01 when the balance as at 31/3/21 is £105.38. The difference of 36p is interest that has not been recorded within the accounts.	<i>The Council should ensure the correct year end balances are recorded in the annual bank reconciliation and that all bank interest received is recorded in the accounts.</i>	<b>See 2021/22 year end internal audit</b>
<b>2020/21 interim internal audit</b>			
1	<p>Despite long notice periods from both the previous pool manager and the previous clerk/RFO the council did not proactively plan for any replacements by advertising for the roles with a list of key skills and roles and responsibilities, although this was process was complicated by restructure plans and the onset of the pandemic.</p> <p>There is no evidence that the role of clerk/RFO was advertised widely or that a shortlist of potentially suitable candidates was identified. The council has noted that CHALC were approached for a locum clerk and some other local councils were asked by the Chair</p>	<p><i>The council need to plan staff resources effectively by ensuring that on receipt of notice from a staff member that a plan with deadlines is put in place to ensure that the appointment of the new staff member occurs when the staff member notice period ends. This is particularly important for replacement of the RFO as a council needs to have a continuous RFO function in accordance with the L.G. Act 1972.</i></p> <p><i>Proper practice should be followed when replacing staff members by ensuring a detailed list of roles and responsibilities is compiled</i></p>	<b>A HR provider has now been appointed to provide guidance when required and contracts of employment are now used as advised by the HR firm.</b>

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	<p>whether they had knowledge of any suitable individuals who could provide temporary support.</p> <p>The current clerk/RFO had no robust contract of employment just a brief half page document that defines no detailed employment rights, roles and responsibilities. We were subsequently provided with a list of roles and responsibilities, and another contract but this contained different hours and salary than the initial half page contract we viewed and the employer was named as KLS, but KLS is just the name of the leisure services, it is not an employer. The clerk has informed us that a model contract of employment provided by CHALC will be established.</p> <p>The council minutes indicate the appointment is temporary but the contract of employment does not state the appointment is temporary. The contract states that there is a six month probationary period after which there is a three month notice period.</p> <p>We have requested from the council the date and minute that full council authorised <b>in advance</b> of the clerk appointment and the salary and hours that would apply to the role. We were informed that the previous Chair authorised the appointment of a temporary clerk which was confirmed at the October 2020 meeting and was covered by Standing Order 16 – ‘Staff establishment and filling of vacancies - No new office shall be created nor any person employed in addition to the agreed establishments except by prior approval by the Council, unless the appointment is a temporary</p>	<p><i>and the position is advertised widely and potential candidates are interviewed by nominated councillors.</i></p> <p><i>The council need to ensure an employment contract is established that complies with all employment requirements and which clearly shows whether the appointment is permanent or temporary.</i></p> <p><i>The council should carry out a detailed review of the clerk/RFO appointment process and implement any lessons learned from the review.</i></p>	

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	<p><i>one to supply a need caused by the absence of the holder of an established post.'</i></p> <p>The council has stated in response to the above issues that <i>'all temporary positions including the Clerk will be advertised accordingly in due course, with other vacancies, and a full and open employment process will be undertaken.'</i></p>		
2	<p>The March 2020 minutes indicate that council authorised a placement of a temporary pool manager from Livewire (a CIC established by Warrington BC), however, this placement ended after a few weeks.</p> <p>The management of the closed leisure centre was then provided through a supplier contract for £3000 per month. However, there is no evidence the council authorised this new pool management contract in advance, and it is unclear what authorisation process was followed with regard to this contract.</p> <p>The contract is substantially in excess of the £2000 threshold for tendering but was not subject to a tender process which is in breach of the Financial Regulations. In addition, the contract is in excess of £25,000 and should have been published on the Contract Finder website.</p> <p>We have seen no evidence that the Council have carried out a test as to whether this contract meets the self-employed definition of HMRC or whether this is an IR35 situation where HMRC would consider the appointment to be that of employment rather than self-</p>	<p><i>Clearly there are many significant issues relating to the pool management contract and the council must carry out a detailed review of the entire process with respect to the requirements of their Financial Regulations, Standing Orders and proper practices and implement promptly all lessons learned from the review.</i></p> <p><i>The council need to urgently follow up the HMRC online employment/self-employment assessment completed by the clerk for the pool manager supplier contract and ensure that if they are to be classified as an employee that all payroll taxes due are paid.</i></p> <p><i>In future, the council should ensure that a clear decision is taken at the outset of an agreement as to whether an individual is an employee or self-employed by using HMRC guidance. Any employees must be paid through the payroll system and payroll taxes fully accounted for.</i></p>	<p><b>The consultancy contract was discontinued by the council from May 2021. No further information has been received as the self employed / employment status of the original contract.</b></p> <p>-</p>



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	<p>employment. If HMRC were to take the view this is in fact an employment, the Council, the Council could incur payroll liabilities.</p> <p>The previous clerk is also currently being paid for ad-hoc support to the Council and this is being paid gross on submission of an invoice and not through the council payroll.</p> <p><b><i>MARCH 2<sup>nd</sup>, 2021 UPDATE:</i></b></p> <p>Feedback has now been provided that the council appointed (the current pool manager) only for the 5 months remaining of the six months period agreed in June 2020 with Livewire and that <i>‘emergency temporary cover for staff positions in the standing orders point 16 gives the Chairman authority to appoint a new member of staff and the Council applied this rule and the motion at the June meeting.’</i> <b>Clearly there is still a lack of understanding of the issue we have raised. The pool manager function had not been sourced via a temporary employee contract, instead it was procured via a signed supplier contract for £3000 per month which states that ‘nothing in this agreement shall render them an employee, worker, agent or partner of the Client’. As a supplier contract, the tendering requirements of the Financial Regulations would normally apply.</b></p> <p><b>However, the clerk has now acted upon the issue we raised above about clarifying the status of a provider using the HMRC online assessment of</b></p>	<p><i>Recurring Recommendation - all contracts in excess of the threshold for tendering in the Financial Regulations should be subject to the required tender process, and contracts in excess of £25,000 should be advertised on the Contract Finder website.</i></p>	

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	<p><b>employment/self-employment status and the result indicates the pool manager position is <i>'employed for tax purposes'</i>.</b></p> <p><b>We have also raised the following queries with the council and the responses provided to us are in bold:</b></p> <p>1.) Minute c2904 confirms the appointment of a Manager of the Pool and Community Centre under the existing terms and conditions. Nowhere does it state that, in fact, the role is not being paid as an employee - can you confirm how could councillors at the meeting clearly understand that they were being asked to confirm a consultancy (supplier) contract rather than a temporary employee? <b>'Unable to answer'</b></p> <p>2.) Section 4.1 of the agreement states that the consultant shall provide 3 quotations where financial outlay is deemed necessary (subject to the threshold of £2000 in 4.2). However, Financial Regulations require a formal tendering process where contracts are in excess of £2000 not just 3 quotes, therefore, this is not consistent with the Financial Regulations of the council and leaves the council exposed to a breach of its own Regulations. <b>'Financial Regulations were not presented to the manager for the manager to read.'</b></p> <p>3.) S 101(1) of the LGA 1972 provides that, "... a local authority may arrange for the discharge of any of their functions by a (a) committee, a sub-committee or an officer of the authority; or (b) by any other local authority." Section 4.2 of this supplier agreement states</p>		

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	<p><i>‘The consultant is authorised to make decisions and agree costs up to £2000 without submitting quotes and seeking client approval’</i>. Can you confirm how section 4.2 of the agreement is consistent with the requirements of s101 of the LGA 1972? <b>(The supplier) ‘was not presented with the standing orders by the Chair at the time he was advised any quotes under £2000 he can go away and have the works done.’</b></p> <p>4.) Please provide signed and dated evidence to show the insurance was checked by an officer of the council as per section 10. of the agreement to ensure adequate insurance was in place, and can you confirm what insurance requirements for contractors does the parish council set? <b>‘The Clerk has seen insurance document on date (attached)’</b> (NB We have reviewed this document and the insurance check was carried out on February 4<sup>th</sup>, 2021 – so there is no evidence a check was carried out in advance of the contract being signed)</p> <p>5.) Did full council authorise that a third party could incur legal fees of £600 and then secure a refund of the fees? How was the council able to control the extent of the legal fees incurred – is there any evidence of a threshold set by council for the total legal fees? When did full council approve the £600 payment? <b>‘Was not presented to full council’</b></p> <p>6.) Did the council have any input into the development of the consultancy agreement and if so what was the input? <b>‘No’</b></p>		

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	<p>7.) Why is the £3000 monthly payment under this agreement listed as WAGES in the KLS accounts? When councillors view the analysis of KLS expenditure for approval/authorisation would they see £3000 listed as ‘Wages’ and would therefore be approving expenditure for the Pool Manager as an employee? <b>‘Deputy manager was advised to do this by the Chair at the time‘</b></p> <p>8.) Why is the parish council not named as the client – surely only the parish council can be the client? <b>‘Kingfisher leisure is named on the contract and this was agreed by the Chair at the time’</b></p> <p>9.) Why is there no time limit for the agreement if it is temporary – minute C2904 states ‘Confirmation of Temporary Appointments’ and notes the vacant role of the manager of the Pool Community centre have been filled for a temporary period of 6 months. A vote was taken to confirm the temporary appointment. <b>‘The vote was taken after the appointment as the temporary manager was brought in under emergency circumstances.’</b></p> <p>10.) Why does the consultancy agreement not state that the ‘role of Manager of the Pool and Community Centre ‘ is part of the Consultant Duties (section 3) as minute C2904 notes the appointment of a Pool and Community Centre Manager and no other described services? <b>‘Unable to answer’</b></p> <p>11.) Did every councillor realise at the time of the meeting that the description of the role they confirmed</p>		

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	in minute C2904 is not included in the Consultant Duties in the consultancy agreement? <b>‘Councillors have not seen the consultancy agreement’</b>		
3	The September minutes record that the Financial Regulations (FRs) were amended in response to our 2019/20 recommendation where we gave examples of the areas that could be included for formal tendering procedures. However we recommended the council adopted NALC model FRs including their detailed tendering regulations. Instead the council has simply verbatim included an extract from our internal audit report in the new FRs. This is not what we recommended in 2019/20.	<i>Recurring Recommendation - The council should adopt NALC model Financial Regulations, including detailed procedures for procurement, aligned to the scope and activity of the council.</i>	<b>2021/22 follow up - implemented</b>
4	<p>The November council meeting resolved to accept the lowest quotes provided for Pool works, however, this covers a number of contracts for which quotations were obtained. The minutes provide no clear record as to which actual contracts were considered and what resolutions were made with regard to each contract.</p> <p>During the internal audit visit, we asked to see all quotations for all contracts relating to the Pool works. These were not held in a referenced contracts file; we were provided with a batch of quotations in no particular order. With assistance from staff we were able to separate all the quotations into contract types and there were four contracts in excess of the £2000 threshold for tendering:</p>	<p><i>Minutes should completely and accurately record the council decisions with regard to contracts by making clear which individual contracts are being authorised.</i></p> <p><i>Recurring Recommendation - all contracts in excess of the threshold for tendering in the Financial Regulations should be subject to the required tender process.</i></p> <p><i>Contracts in excess of £25,000 should be advertised on the Contract Finder website as part of the formal tendering process.</i></p> <p><i>A cost/quality scoring matrix, or other robust appraisal method, should be applied to</i></p>	<b>See 2020/21 and 2021/22 issues</b>

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	<p>1.) The largest contract exceeded £25k and therefore was required to be advertised on contracts finder website. This did not happen initially and neither was a formal tender process applied as required by the Financial Regulations. An advertisement was subsequently place on the contracts finder website when the omission was identified, however, there was no evidence of due diligence of the quotations received eg) through application of a scored cost/quality assessment matrix or other form of due diligence appraisal of the quotations.</p> <p>2.) Pool hoist contract - three quotes were secured but the contract is in excess of £2000, however, this is in breach of the Financial Regulations requirement of a formal tender process.</p> <p>3.) Fire alarm system contract - three quotes were secured but the contract is in excess of £2000., however, this is in breach of the Financial Regulations requirement of a formal tender process.</p> <p>4.) Solar panel removal/roof works - three quotes were secured but the contract is in excess of £2000., however, this is in breach of the Financial Regulations requirement of a formal tender process.</p>	<p><i>contract quotations/tenders to evidence that due diligence has been applied in the process.</i></p> <p><i>Contract quotation or tenders should be filed in a contract file by individual contract type.</i></p> <p><i>The council should implement a training programme for both officers and councillors in local government procurement.</i></p>	
5	The KLS Council sub-committee has not met since March 2020 due to the pandemic and the temporary	<i>The Council should approve retrospectively all payments made by KLS.</i>	<b>Recommendations Outstanding</b>

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	<p>closure of the pool. As a result payments made in relation to the pool (including staff salaries) have not been approved by Council.</p> <p>Online bank payments made from the KLS bank account have not been authorised by two signatures prior to payment which is required by the Financial Regulations.</p>	<p><i>Online payments should be authorised by two member signatories prior to payment.</i></p>	
6	<p>The July minutes approve payments made by Council totaling £13071.51 which does not agree to the signed July schedule which totals £13,199.51. The difference is a payment of £128 (s137 donation).</p> <p>The minutes for September, October and November do not approve any of the payments made in that period for either the parish council or KLS.</p>	<p><i>All payments must be presented to and approved by Council and this should be recorded within the minutes.</i></p>	<p><b>See 2021/22 issues</b></p>
7	<p>The Financial Regulations state for online payments:</p> <p><i>'5.5 KLS and PPC also have online facility to pay by BACS, Centre Manager authorised to use and separate log collated for transactions made and agreed with two signatories'</i></p> <p>In practice, the deputy leisure centre manager has made the payments (as the most senior KLS employee) but two councillor authorisation signatures were not secured as required by the Financial Regulations. Due to the pandemic it is understandably difficult to obtain signatures, however, a similar remote internal control that could have been implemented is that two</p>	<p><i>The Council must ensure they have adequate procedures in place to ensure that all payments are authorised as required by the Financial Regulations.</i></p>	<p><b>Recommendation Outstanding</b></p>

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	<p>councillors authorise the schedule of payments by email before they are made.</p> <p>Online payments have also been made via the parish council bank account since August. These payments have not been authorised by two councillor signatures but each invoice has a header sheet signed by the Chair.</p>		
8	<p>A contract for ‘excavation works due to leaks on skimmer’ was agreed in August 2020 at a cost of £10,064 plus VAT. However, we have not seen evidence this contract was subject to a formal tender process as per the Financial Regulations of the Council. We have not seen evidence that this contract was authorised in advance by Council. We have been informed that these works were considered urgent.</p>	<p><i>Where a contract is considered urgent minutes should record the exemption relied upon in the Financial Regulations from carrying out a standard tendering procedure.</i></p>	<p><b>See 2021/22 internal audit contract issues</b></p>
9	<p>We could not identify a council minute that records a decision of council to proceed with a new website contract, therefore, we could not identify evidence that council has authorised this contract.</p> <p>It is important to note that an individual councillor should not make decisions or commit the council to expenditure. Decisions and expenditure commitments should be made by either the council , a sub-committee or an officer (subject to delegated authorities provided)</p>	<p><i>The Council must authorise all significant contracts in accordance with the Financial Regulations.</i></p> <p><i>The council should note that decisions and expenditure commitments should be made by either the council , a sub-committee or an officer (subject to delegated authorities provided).</i></p>	<p><b>See 2021/22 internal audit contract issues</b></p>
10	<p>The November 2020 minutes record that a debit card is approved for use by the clerk. The decision did not set any limits for usage including maximum monthly</p>	<p><i>If the clerk is to be provided with a Debit Card for council payments then the Financial Regulations will need to be updated to</i></p>	<p><b>Model Financial Regulations that also govern the use of a</b></p>



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	spend and maximum transaction size. In addition, the current Financial Regulations do not permit use of a payment card by the clerk.	<i>authorise this and limits should be included in the regulations for maximum monthly spend and maximum transaction size.</i>	<b>Debit Card were adopted by council in 2021/22.</b>
11	The minutes from July 2020 until the date of the internal audit visit had not been signed by the Chair to indicate they are a complete and accurate record.  As of the date of audit, the minutes from July 2020 onwards are not displayed on the Council website.	<i>The Chair should review and sign the minutes to confirm they are a complete and accurate record of council meetings.</i>	<b>Implemented – minute are on council website</b>
12	Data Protection issues  The council email account was subject to a cybersecurity attack in 2020 and a data breach occurred as the email address book was used to send phishing emails to third parties.  There is no privacy notice on website informing public how their data is controlled and processed.	<i>The council should implement appropriate cybersecurity measures for IT systems and adopt a cybersecurity policy. Cybersecurity awareness training should be secured for staff.</i>  <i>A third party privacy notice should be published on the council website.</i>	<b>2020/21 follow up - Implementation in progress – a Data Retention and Disposal Policy, and Information and Data Protection Policy has been adopted.</b>
13	See recommendation 6 of the 2019/20 year end internal audit below. The Council response appears to have been to ask the supplier whether they are VAT registered. This does not in any way resolve the issue and recommendation provided. The council need to again review the issue raised and implement the recommendation.		
<b>Follow up of 2019/20 internal audit recommendations</b>			
1	The authority has not provided evidence that during summer 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.	<i>In order to review this for 2019/20, we would need to receive a copy of the actual notice, a dated photograph showing the first day of the Notice of Public Rights on</i>	<b>See 2020/21 internal audit issues</b>

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		<i>the noticeboard and/or a dated computer screenshot showing the first date of the Notice of Public Rights on the website for 2019/20</i>	
2	<p>The accounts presented for internal audit were incorrect as they included within the KLS bank reconciliation a balancing item of £21,126.25 of income received but not banked. This is incorrect and a review of the accounts found a number of errors in the cash book.</p> <p>A list of the errors were provided to the Clerk and the council's book-keeper and the accounts and year end reconciliation were corrected.</p>	<p><i>The KLS bank reconciliation must be carried out monthly and should be reconciled fully to the bank statements. Any errors should be investigated.</i></p> <p><i>Balancing figures should not be included within the bank reconciliation. Reconciling items such as unpresented cheques and outstanding lodgements must be supported by analysis of actual cheques / bankings that were outstanding at the month/year end.</i></p>	<b>Implemented</b>
3	<p>A purchase of £709.44 was made using the debit card in three separate payments. The financial regulations state there is a limit of £300 per transaction.</p>	<i>Debit card payments should be made in accordance with the letter and spirit of the financial regulations of the Council.</i>	<b>Noted</b>
4	<p>The annual risk assessment was not approved by Council during 2019/20. It has since been approved by council in May 2020.</p>	<i>The risk assessment should be carried out annually and formally approved by Council.</i>	<b>Implemented</b>

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5	<p>The asset register for the Pool and the community centre does not agree to the balance in the summary asset register. The difference is not material.</p> <p>A panic button system purchased in 2019/20 has not been added to the asset register.</p>	<p><i>The asset register summary should agree to the supporting asset schedules. Any differences should be investigated.</i></p> <p><i>Assets purchased in the year should be added to the asset register.</i></p>	<p><b>See 2020/21 internal audit issues</b></p>
6	<p>Income testing identified regular invoices to a business for pool hire.</p> <p>It would appear that VAT has not been charged on this income and we have not seen evidence that the leisure centre have obtained evidence that this business is an eligible body that can be considered exempt from VAT under HMRC guidelines.</p>	<p><i>The Council must ensure that where VAT is not been charged on pool hire that the hirer is exempt from VAT.</i></p> <p><i>The Council should review this issue and ensure that all VAT output has been accounted for and remitted to HMRC.</i></p>	<p><b>2020/21 and 2021/22 follow up - Recommendation Outstanding</b></p>
<b>2019/20 interim audit recommendations</b>			
1	<p>The Council have awarded a contract for playground equipment for £55,156 that does not fully meet the requirements of the Council's Financial Regulations (FRs).</p> <p>The FRs require that:</p> <p><i>'Contracts over £2000 will normally be put out to tender, and at least three tenders shall be sought. The</i></p>	<p><b><i>The procurement requirements of the Financial Regulations must be followed for all contracts.</i></b></p> <p><i>The Financial Regulations should be amended to include detailed instructions on the requirements of a tender process as</i></p>	<p><b>2020/21 follow up - Recommendation Outstanding - The updated Financial Regulations do not include comprehensive tender requirements contained in the NALC model financial</b></p>

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	<p><i>contract will be awarded by resolution of the full Council after the tenders received have been discussed. As well as price the Council will give due regard to best value in awarding any contract'</i></p> <p>Although the FRs do not specify details of how to carry out a tender process, the use of the word tender suggests that a tender process is to be followed. This process should include:</p> <ul style="list-style-type: none"> <li>- developing a comprehensive specification</li> <li>- providing this tender specifications to suppliers with a fixed deadline for return</li> <li>- the Clerk opening tenders in the presence of at least one councillor at the same time on a prescribed date.</li> <li>- use of a scoring matrix to assess the relative value for money offered by each tender received</li> <li>- clear evidence in the minutes of the decision making process for the award of the tender to the successful supplier</li> </ul> <p>A formal tender process has not been followed by the Council. Rather than tenders, three quotations were requested from different suppliers at different time periods during the year. Two quotations were obtained and the contract was awarded by resolution of the full Council. The contract was not awarded to the lowest cost of the two quotations and we could not identify any evidence of due regard to best value in the awarding of the contract or how the quotations had been evaluated for relative value for money.</p>	<p><i>stated in the NALC model financial regulations.</i></p> <p><i>This should also include requirements of The Public Contracts Regulations 2015.</i></p> <p><i>Contracts over £25,000 should be advertised on the Contract Finder website.</i></p> <p><i>For future contracts in excess of the tendering threshold in the FRs, the council must apply a formal tendering process that should include:</i></p> <ul style="list-style-type: none"> <li>- <i>a comprehensive tender specification</i></li> <li>- <i>sending the tender specifications to prospective suppliers at the SAME time and with a FIXED deadline for return of tenders</i></li> <li>- <i>the clerk opening tenders in the presence of at least one councillor at the same time on a prescribed date</i></li> <li>- <i>using a cost/quality scoring matrix to evaluate tenders for relative value for money when choosing a</i></li> </ul>	<p><b>regulations. The Council should adopt the NALC model financial regulations to help ensure they are complying with all legal requirements in relation to procurement.</b></p> <p><b>2021/22 follow up -model Financial Regulations now adopted by council that also cover procurement requirements.</b></p>

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	The Public Contracts Regulations 2015 require that all contracts over the value of £25,000 should be advertised on the Contract Finder website. This has not taken place for the playground equipment contract.	<p style="text-align: center;"><i>contractor</i></p> <p style="text-align: center;">- <i>clear evidence in the minutes of the decision making process followed in awarding the contract</i></p>	
2	The Council have committed to subsidising a local bus service to the amount of £12000 per annum. We have not seen evidence that a signed Service Level Agreement or contract is in place to provide guarantees as the level of services to be provided for the annual payment and clawback provisions in the event the service provided is inadequate or ceases altogether.	<i>The Council need to ensure that a signed service level agreement or contract is in place before they pay the £12,000 transport subsidy. This agreement should specify the services to be provided and the clawback to be repaid if the service ceases or is not provided to the level and quality agreed.</i>	<b>Implemented</b>