

INTERNAL AUDIT REPORT 2024/25 DARNHALL PARISH COUNCIL

The internal audit of Darnhall Parish Council 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 in place, adequate for the purpose intended and effective **except for** the issues overleaf. As part of the internal audit work for the next financial year we will follow up all recommendations included in the action plan overleaf.

J D H Business Services Ltd

INTERNAL AUDIT REPORT 2024/25
DARNHALL PARISH COUNCIL

	ISSUE	RECOMMENDATION	FOLLOW UP
2024/25 internal audit			
1	The draft bank reconciliation and associated accounts provided for internal audit were incorrect: - Bank balances for accounts that had been closed during the year were incorrectly included in the year end bank reconciliation - Transferred monies from closed bank accounts were incorrectly included as income in the cashbook. The clerk subsequently corrected the cashbook, bank reconciliation and AGAR accounts.	<i>The council must ensure that complete and accurate year end bank reconciliations are produced.</i> <i>Transfers from bank accounts should not be classified as income in the cashbook.</i>	
2	The council did not comply with Regulation 15 of the Accounts and Audit Regulations 2015 as it failed to make proper provision for the exercise of public rights for the 2023/24 accounts. The notice was not published on the council website and no version of the notice has been provided for internal audit.	<i>The council must comply with the requirements of the Accounts and Audit Regulations 2015 with respect to the notice for the exercise of public rights.</i>	

INTERNAL AUDIT REPORT 2024/25
DARNHALL PARISH COUNCIL

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3	No payroll information was provided for internal audit. there is no evidence in the cashbook that any Income Tax/NIC deductions have been remitted to HMRC during the financial year. The minutes do not evidence an approval of any pay increases applied during the financial year	<i>The council should review why no HMRC payments were made during the financial year.</i> <i>All payroll information should be made available for internal audit as requested in our internal audit checklist.</i> <i>Payroll increases should be approved by council and evidenced in the minutes.</i>	
4	Income testing: For the following income transactions, no invoice/receipt was provided: • 10/06/2024, VH Income (Kay), £50.00 • 29/01/2025, VH Income (Lets Farm), £250.00 • 10/03/2025, VH Income (Whitehouse), £150.00 A number of income transactions are described as 'Various' in the cashbook.	<i>The council must ensure that supporting documentation to evidence all income is issued and retained.</i> <i>The audit trail for income must be improved with all incomes separately analysed by customer in the cashbook so the transaction can be agreed to underlying documentation including invoice.</i>	

INTERNAL AUDIT REPORT 2024/25
DARNHALL PARISH COUNCIL

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5	For the following payments, no evidence of 3 quotations was provided: 24/09/2024, NW 709, Platt White Partnership, Survey – VH, £625.00, £125.00, £750.00 21/01/2025, NW 716, Jim Ashley, Grounds Maintenance (VH), £1,140.00, £0.00, £1,140.00	<i>The council should ensure the procurement requirements of the Financial Regulations are complied with.</i>	
2023/24 internal audit			
1	No bank statement was provide to evidence the Barclays Current Account year-end balance used in the year end bank reconciliation.	<i>Year end bank statements must be obtained for all bank accounts.</i>	Bank account closed in 2024/25 according to the records provided.
2	Total reserves at the year-end are £23,291. The council had previously set earmarked reserves as £10,000 for village hall maintenance and £4,222 for village hall improvements, however, no update on the earmarked reserves position was included in the annual budget setting process.	<i>The council should ensure the levels of all earmarked reserves are disclosed at each annual budget setting round.</i>	2024/25 follow up – a response in our internal audit checklist stated that £26,851.66 is earmarked for work on the village hall. However, there is no evidence that council approved this amount and in any event this amount is more than the entire 2024/25 year end reserves of the council.

INTERNAL AUDIT REPORT 2024/25
DARNHALL PARISH COUNCIL

	ISSUE	RECOMMENDATION	FOLLOW UP
3	No VAT reclaims were received during 2023/24 or 2022/23.	<i>VAT should be reclaimed on a timely basis and at least annually.</i>	Implemented
2022/23 internal audit			
1	Bank reconciliation: - No bank statement was provide to evidence the Barclays Savings Account balance used in the year end bank reconciliation - The bank accounts were not labelled in the year end bank reconciliation - The unpresented cheques in the year end bank reconciliation were not labelled with the cheque number to ensure sufficient audit trail to the cashbook	<i>Year end bank statements must be obtained for all bank accounts.</i> <i>Bank accounts and unpresented cheques must be clearly referenced in the year end bank reconciliation.</i>	See 2023/24 issue 1.) above
2	No VAT reclaims were received during 2022/23.	<i>VAT should be reclaimed on a timely basis and at least annually.</i>	Implemented in 2024/25