

Annual Internal Audit Report 2018/19

KETTLESHULME PARISH COUNCIL

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation during the financial year ended 31 March 2019.

The internal audit for 2018/19 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Agreed? Please choose one of the following		
	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓	except for issue 3.) in report	
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓	except for issue 5.) in report.	
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	N/A	no petty cash held	
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic and year-end bank account reconciliations were properly carried out.	✓		
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.	✓		subject to issue 1.) in report.
K. IF the authority certified itself as exempt from a limited assurance review in 2017/18, it met the exemption criteria and correctly declared itself exempt. ("Not Covered" should only be ticked where the authority had a limited assurance review of its 2017/18 AGAR)	✓		
L. During summer 2018 this authority has correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations.			Not applicable ✓
M. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.			Not applicable ✓

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

31/07/2019

Name of person who carried out the internal audit

JDM BUSINESS SERVICES LTD

Signature of person who carried out the internal audit

and Date

31/07/2019

*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).

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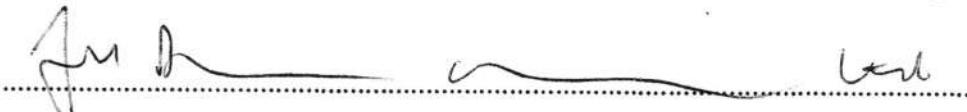
The internal audit of Kettleshulme Parish Council was carried out by undertaking the following tests as specified in the Annual Return for Local Councils in England and Wales:

- 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

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.



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JDH Business Services Limited

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	ISSUE	RECOMMENDATION	FOLLOW UP
		<i>In future an analysis of the individual expenditure items included in staff costs in the annual return should be provided for internal audit.</i>	
2	There is no evidence in the minutes of the council receiving and approving budgetary control information during the financial year.	<i>Regular budgetary control information should be provided to council during the financial year and the review recorded in the minutes.</i>	This occurred once during 2018/19 as part of the precept setting process. This was recorded in the minutes.
3	The bank reconciliation provided for audit used the bank balance as at 05/12/17 for the deposit account	<i>The bank should be required at the end of each financial year to provide bank statements on a timely basis, so the council can evidence its year end balances.</i>	Implemented
4	The risk assessment only covers health and safety hazards. Only the employer liability certificate was provided for internal audit.	<i>The risk assessment scope should be expanded to cover financial and insurance risks. The whole insurance policy should be provided for internal audit in future.</i>	Outstanding
5	Data Protection Law changed significantly on May 25 th 2018 due to the 2016 EU Directive General Data Protection Regulation (GDPR) taking effect. GDPR replaces the 1998 Data Protection	<i>The impact of GDPR on the council should be identified through review of ICO and NALC guidance and the Data Protection policy, risk assessment and internal controls should be updated accordingly.</i>	Outstanding

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	ISSUE	RECOMMENDATION	FOLLOW UP
2	Financial Regulations and Standing Orders not provided for audit in 18/19. The minutes refer to an update in relation to internet banking.	<i>Please provide the updated Financial Regulations and Standing Orders for the 2019/20 internal audit.</i>	
3	Cheque number 2223- 2228 had not been approved within the Council minutes.	<i>All payments should be approved in the minutes</i>	
4	VAT reclaimed in year totaled £1491.61. We have not seen VAT records or returns that relate to this repayment.	<i>The supporting information for VAT returns should be provided for internal audit</i>	
5	<p>Recurring issue The risk assessment only covers health and safety hazards.</p> <p>Only the employer liability certificate was provided for internal audit.</p> <p>We could identify no evidence the council has registered with the ICPO as a data controller as recommended in 2017/18. There is a risk the council is not complying with its data protection requirements.</p>	<p><i>The risk assessment scope should be expanded to cover financial and insurance risks.</i></p> <p><i>The whole insurance policy should be provided for internal audit in future.</i></p> <p><i>The council should register with the ICO as a data controller and ensure the requirements of the GDPR have been addressed.</i></p>	
6	We have not seen evidence within the minutes that the 2017/18 internal audit report was presented to Council.	<i>Minutes must evidence that the internal audit report has been reviewed and the recommendations accepted.</i>	

Exempt check!

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	ISSUE	RECOMMENDATION	FOLLOW UP
7	<p>IMPORTANT GUIDANCE NOTE</p> <p>INTERNAL AUDIT CERTIFICATE in the AGAR</p> <p>There is a new internal control objective (Objective L) in the 2018/19 internal audit certificate that requires internal audit to conclude on whether the Public Rights Notice during the previous Summer was compliant with the Regulations. This is pre-filled for 2018/19 but in order to test this and conclude YES or NO for the 2019/20 internal audit we would need to receive with the 2019/20 books and records:</p> <ul style="list-style-type: none"> - A copy of the completed 2018/19 Notice of Public Rights and Publication of the Unaudited Annual Governance and Accountability Review - A dated photograph showing the first day of the Notice of Public Rights on the noticeboard and/or a dated computer screenshot showing the first date of the Notice of Public Rights on the website for 2018/19 <p>Our approach to this new requirement will be to conclude NO if we have not received the above evidence and explain on the AGAR that we received insufficient evidence to be able to conclude YES; we would also conclude NO if the dates advertised were not compliant with the Regulations.</p> <p>This will be a new ongoing requirement for internal audit, as well as verifying whether certain smaller councils meet the exemption criteria from an external audit. Therefore, for the 2019/20 internal audits there will be additional time charged at a fixed fee of £9 + VAT per local council to complete the new requirements.</p>		
Follow up of 2017/18 audit recommendations			
1	<p>Staff costs are disclosed in the annual return as £2108. However, the total of the twelve cash book payments to the clerk in the year for salaries is £2342.45.</p>	<p><i>The council should review the disclosure of staff costs in the annual return with reference to the actual payments made in the cash book for 2017/18 and disclose the correct figure in the annual return.</i></p>	<p>Implemented</p>