

INTERNAL AUDIT REPORT
KETTLESHULME PARISH COUNCIL
2017/18

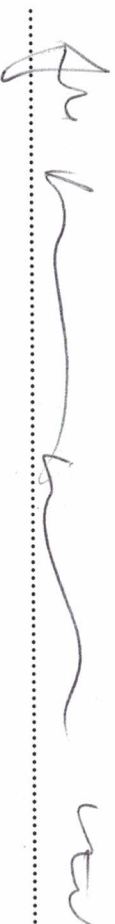
The internal audit of Kettlethulme Parish Council was carried out by undertaking the following tests as specified in the Annual Return for Local Councils in England and Wales:

- 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
1 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.	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. In future an analysis of the individual expenditure items included in staff costs in the annual return should be provided for internal audit.	The higher figure included payment for various expenses. An analysis was available and would have been provided if requested. This will be included in future.
2 There is no evidence in the minutes of the council receiving and approving budgetary control information during the financial year.	Regular budgetary control information should be provided to council during the financial year and the review recorded in the minutes.	The budget was reviewed as part of the precept setting. This will be individually minuted in future.
3 The bank reconciliation provided for audit used the bank balance as at 05/12/17 for the deposit account	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.	The bank only provides a statement on this account if there is movement on the a/c.
4 The risk assessment only covers health and safety hazards. Only the employer liability certificate was provided for internal audit.	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.	Noted. As this is electronic & a large file, this will be sent by email in future.

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ISSUE	RECOMMENDATION	FOLLOW UP
<p>5 Data Protection Law changed significantly on May 25th 2018 due to the 2016 EU Directive General Data Protection Regulation (GDPR) taking effect. GDPR replaces the 1998 Data Protection Act and it will impose new obligations on Data Controllers and Data Processors and provides enhanced rights for individuals. Compliance with GDPR could have resource implications for local councils. We were unable to identify the annual payment to the ICO in a review of the cash book.</p>	<p><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. As a data controller the council needs to register with the ICO if it has not already done so. A GDPR compliant data protection policy needs to be adopted and an appropriate document retention policy.</i></p>	<p><i>Noted. The GDPR requirements were reviewed before May 25th 2018.</i></p>
<p>2016/17 audit</p>		
<p>1 The risk assessment was not reviewed, updated and approved by Council in 2016/17.</p>	<p><i>Risk assessment should be annual, formal and minuted</i></p>	<p>Implemented, however, see 2017/18 issues</p>
<p>2 The asset register addition for 2016/17 has a date of purchase recorded as 11/12/2015 in the asset register which implies it is a 2015/16 addition</p>	<p><i>Fixed assets should be included in the financial year in which they were purchased in future in the annual return</i></p>	<p>Implemented</p>