INTERNAL AUDIT REPORT 2019/20
RAINOW PARISH COUNCIL

The internal audit of Rainow Parish Council was carried out by undertaking the following tests as specified in the 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

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.

J D H Business Services Ltd

	ISSUE	RECOMMENDATION	FOLLOW UP
1	The level of general reserves of £14754 is 134% of the precept of £11000, after taking account of earmarked reserves of £2320. Sector guidance is that general reserves should be between 25% and 100% of the precept level.	*The council should continue to review the level of general reserves and set aside any required earmarked reserves. The level of earmarked and general reserves should be disclosed in the accounts papers.*	
	Please note the AGAR accounts cast to £17073 rather than the £17074 disclosed		

2018/19 internal audit

1	Testing of income transactions identified that the invoice number for raven income is not recorded in the ledger.	*The audit trail should be improved by recording the raven invoice numbers in the ledger.*	Implemented
	Please note the AGAR accounts cast to £15911 rather than the £15912 disclosed.		

IMPORTANT GUIDANCE NOTE

INTERNAL AUDIT CERTIFICATE in the AGAR

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:

- A copy of the completed 2018/19 Notice of Public Rights and Publication of the Unaudited Annual Governance and Accountability Review

	ISSUE	RECOMMENDATION	FOLLOW UP
	- 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 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. 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.		
	2017/18 internal audit		
1	The annual return opening balance for 2017/18 is £11933 and not the £11934 disclosed.	*The error on the annual return should be corrected.*	Noted – rounding error
2	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	*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.*	Ongoing implementation

	ISSUE	RECOMMENDATION	FOLLOW UP
	councils.		
	2016/17 audit		
1	The 2015/16 annual return figures have changed twice from the figures that were presented to us in 2015/16. Both amendments were not required and have resulted in an incorrect bank reconciliation and accounts for 2016/17. The 2015/16 figures included in the annual return for 2016/17 should be corrected back to the original audited figures from 2015/16.

'Unpresented cheques' for 2015/16, which were never included in the 2015/16 cash book analysis or bank reconciliation last year, have been included in 2016/17 as a receipt 'balancing adjustment' in the bank reconciliation. There is a lack of understanding as to how to maintain a cash book as unpresented cheques for 2016/17, recorded as £206.38, are not included in the cash book, although they are listed with the | *The 2015/16 annual return figures have been wrongly changed (twice) due to a lack of understanding as to how to account for unpresented cheques, and should be corrected back to the original figures.*

The correct bank reconciliation for 2016/17, assuming the council are including cheques totaling £206.38 as actual 2016/17 payments should be restated to the following correct figures:

	£
Balances b/f	*10818.64*
Receipts	*15518.12*
Payments	*(14403.20)*
Balances c/f	*11933.56*
Deposit A/C	*9273.41*
Current A/C	*2866.53*
Less unpresented chqs	*(206.38)*
Cash and Bank	*11933.56*

The annual return figures for 2016/17 should be corrected as follows.

	2015/16	*2016/17*
Balances b/f	*9196*	*10818*		Implemented

	ISSUE	RECOMMENDATION			FOLLOW UP
	payment invoices. They are included in the annual return.	*Precept*	*10000*	*10000*	
		Total other receipts	*7691*	*5518*	
		Staff costs	*3906*	*3944*	
		Loan interest	*0*	*0*	
		All other payments	*12163*	*10459*	
		Balances c/f	*10818*	*11933*	
		Total value of cash	*10818*	*11933*	
		A complete and accurate cash book should be maintained in future. In this case, it means including in the cash book all payments for the year INCLUDING THOSE THAT REMAINED UNPRESENTED AT THE BANK AT THE YEAR END.			