

**INTERNAL AUDIT REPORT  
HIGHER HURDSFIELD PARISH COUNCIL 2019/20**

The internal audit of the 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 issues 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**

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	ISSUE	RECOMMENDATION	FOLLOW UP
1	<p>Fixed Assets</p> <p>The total of the asset register provided for internal audit, dated May 2019, was £15803. However, the total of fixed assets included in the draft figures for the AGAR annual return was £16583.</p>	<p><i>The council should review the asset register and the fixed assets disclosure in the draft AGAR and ensure the correct figure has been used.</i></p>	
<p><b>2018/19 internal audit</b></p>			
<p><b>No issues arising – the council’s robust system of internal controls has been operated effectively throughout the financial year.</b></p> <p><b>Please note the bank reconciliation should be balanced to the penny and not rounded to the nearest pound.</b></p>			
<p><b>IMPORTANT GUIDANCE NOTE</b></p> <p><b>INTERNAL AUDIT CERTIFICATE in the AGAR</b></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 <b>previous Summer</b> 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"> <li>- A copy of the completed 2018/19 Notice of Public Rights and Publication of the Unaudited Annual Governance and Accountability Review</li> <li>- 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</li> </ul> <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</p>			

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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.			
<b>2017/18 internal audit</b>			
1	<p><b>Staff Costs</b></p> <p>Staff costs are disclosed in the Annual Return as £2909. The gross pay per the p60 for 2017/18 is £3000. The sum of all the staff costs in the cash book is £2659.6 (after deducting a £30 tax refund).</p>	<p><i>The council need to review the figure disclosed in the Annual Return by comparison with payroll records and the cash book and ensure the correct figure is included in the Annual Return.</i></p> <p><i>In future, an analysis of the costs from the cash book included in Staff Costs in the Annual return should be provided for internal audit</i></p>	<b>Implemented</b>
2	<p>Data Protection Law changed significantly on May 25<sup>th</sup> 2018 due to the 2016 EU Directive General Data Protection Regulation (GDPR) taking effect.</p> <p>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.</p> <p>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.</i></p> <p><i>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>	<b>Ongoing implementation</b>

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<b>201617 audit</b>			
1	<p><b>The annual return does not cast correctly. Boxes 7. and 8. are currently stated as £3202 but the annual return adds up to £3212.</b></p> <p><b>To correct this error Staff costs should be changed to £3030 which is the correct figure from the annual accounts. They are currently stated as £3020 in the annual return.</b></p>	<p><i>The annual return must be corrected before it is submitted to external audit</i></p>	<b>Implemented</b>
2	<p>The Standing Orders are titled ‘Standing Orders and Financial Regulations’, however, no Financial Regulations are included.</p>	<p><i>The council should secure the model NALC Financial Regulations and align them to the size and the council and formally adopt</i></p>	<b>Implemented</b>
3	<p><b>FIXED ASSETS</b></p> <p>£1320 was paid during the year to The Church Notice Board Company.</p>	<p><i>If this is a payment for an asset the council owns the asset register should be updated</i></p>	<b>Implemented</b>

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