

**INTERNAL AUDIT REPORT
CHURCH LAWTON PARISH COUNCIL
2019/20**

The internal audit of Church Lawton Parish Council was carried out by undertaking the following tests 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.

JDH Business Services Limited

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	ISSUE	RECOMMENDATION	FOLLOW UP
1	The council should uses model Financial Regulations (FRs) which refer in section 10.) to a Purchase Order (PO) system. However, no PO system is currently in place.	<i>If the Purchase Order section of the model FRs is an accepted requirement by council, then the council should establish a sequential Purchase Order system.</i>	
2	The asset register does not contain a column for date of purchase (month and year), therefore, it is difficult to identify in which financial year additions and disposals occurred.	<i>The asset register format should be improved as noted.</i>	
2018/19 internal audit			
1	The current fixed asset register contains two columns, one for original cost and the other for valuation. The total of the valuation column is included in the AGAR annual return	<p><i>The Practitioners' Guide recommends that assets should be valued at purchase cost or an insurance proxy if that isn't known (that doesn't change over time), therefore, the only movement in fixed assets each year should be for additions and disposals and all additions should be at purchase price.</i></p> <p><i>The council should ensure that where possible the original purchase cost is disclosed in the AGAR annual return.</i></p>	Implemented

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2	The memorial hall donation of £2000 is not supported by a signed confirmation of receipt.	<i>Signed confirmations of receipt should be secured for all significant donations.</i>	Implemented
3	No VAT reclaims were received during the financial year.	<i>VAT should be reclaimed on a timely basis</i>	Implemented
<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>			
2017/18 internal audit			
1	Data Protection Law will change	<i>The impact of GDPR on the council</i>	Outstanding

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	<p>significantly on May 25th 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 could identify no evidence that the council has registered with the ICO as a data controller.</p>	<p><i>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>	
2016/17 audit			
<p>A comprehensive set of books and records have been maintained for the financial year and all internal control objectives have been met.</p> <p>From 2016/17 onwards we are also checking compliance with the Transparency Code by reviewing the council website and we can confirm compliance with the Code requirements.</p>			