

**INTERNAL AUDIT REPORT
SUTTON PARISH COUNCIL
2019/20**

The internal audit of Sutton 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.

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JDH Business Services Limited

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ACTION PLAN

	ISSUE	RECOMMENDATION	FOLLOW UP
1	Payments for the street lighting contract provision exceeded £3000 in the financial year, although £1414 relating to an insurance settlement. This contract is ongoing, however, there is no formal signed contract in place	<i>Formal signed contracts with an end date should be established for all ongoing contracts. If the contract is in place for a number of financial years, if the council estimates that the total value of the contract over the period exceeds £3000, then the contract should be subject to the market testing requirements of the Financial Regulations.</i>	
2018/19 internal audit			
<p>No issues arising – the council’s robust system of internal controls has been operated effectively throughout the financial year.</p> <p>Please note the AGAR accounts cast to £29988 rather than the £29989 disclosed and the guidance note below.</p>			
<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 			

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	ISSUE	RECOMMENDATION	FOLLOW UP
<p style="text-align: center;">Notice of Public Rights on the website for 2018/19</p> <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	<p>The total for fixed assets on the asset register and the annual return is incorrect. A notice board has been disposed of to the value of £128 and rather than excluding the value from the total, it has been deducted which has resulted in total fixed assets being understated by £128.</p>	<p><i>Total assets should be amended to £225,070.</i></p>	<p>Implemented</p>
	<p>Guidance note 2018</p> <p>Data Protection Law changed 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 imposes new obligations on Data Controllers and Data Processors and provides enhanced rights for individuals.</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>Ongoing implementation</p>

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	ISSUE	RECOMMENDATION	FOLLOW UP
	Compliance with GDPR could have resource implications for local councils.		
2016/17 internal audit			
1	<p>FIXED ASSETS</p> <ul style="list-style-type: none"> - The fixed asset register presented for audit that agrees to the Annual return is titled the '2017/18' asset register. This is incorrect as the register is the 2016/17 asset register - All additions for 2016/17 to the asset register are stated as valued at 'replacement cost' in the 'method of valuation' column. This is an incorrect description as all additions (and all other assets wherever possible) are valued at 'historic cost' as required by the Practitioner's Guide 	<i>The Asset Register descriptions should be amended</i>	Implemented