

INTERNAL AUDIT REPORT 2021/22
RAINOW PARISH COUNCIL

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

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	ISSUE	RECOMMENDATION	FOLLOW UP
1	The 2021/22 analysis of earmarked reserves does not cast correctly. Therefore, it is not possible to identify the confirmed levels of each reserve and total earmarked reserves that council have approved.	<i>The council should review the analysis of earmarked reserves and determine the correct amounts of each reserve. The analysis should be maintained on a spreadsheet in future to remove the risk of addition errors.</i>	
2019/20 internal audit			
1	The risk assessment does not address the risks of supplier (procurement) fraud.	<i>The risk assessment should be updated to include supplier (procurement) fraud including the adequacy of supplier onboarding controls.</i>	Implemented
2019/20 internal audit			
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.	<i>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.</i>	Implemented - The council reviews the level of reserves annually.

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<p>Please note the AGAR accounts cast to £17073 rather than the £17074 disclosed</p>			
<p>2018/19 internal audit</p>			
1	<p>Testing of income transactions identified that the invoice number for raven income is not recorded in the ledger.</p>	<p><i>The audit trail should be improved by recording the raven invoice numbers in the ledger.</i></p>	<p>Implemented</p>
<p>Please note the AGAR accounts cast to £15911 rather than the £15912 disclosed.</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 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>			

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2017/18 internal audit			
1	The annual return opening balance for 2017/18 is £11933 and not the £11934 disclosed.	<i>The error on the annual return should be corrected.</i>	Noted – rounding error
2	<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 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>	<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>	Ongoing implementation