

**INTERNAL AUDIT REPORT
HELSEBY PARISH COUNCIL
2017/18**

The internal audit of Helsby 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.

JDH Business Services Limited

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ACTION PLAN

ISSUE	RECOMMENDATION	FOLLOW UP
<p>1</p> <p>The Financial Regulations state that for contracts over £1000, tenders are invited from at least three contractors or suppliers.</p> <p>We could not find evidence that the following contracts were procured as per the financial regulations:</p> <ul style="list-style-type: none"> - LITE £1868 + VAT - Tele-Traffic UK £5999 + VAT 	<p><i>Contracts should be awarded as per the financial regulations. When the RFO is unable to obtain three tenders, it is good practice to record within the Council minutes to aid transparency.</i></p> <p><i>Council should ensure when they periodically review the financial regulations that procurement levels remain appropriate.</i></p>	
<p>2</p> <p>The Council now make most of their payments via online banking. We note that the bank payment schedule attached to the invoices does not show details of the account number and sort code that the payment has been made to. It only shows the account name which is not used by the bank to allocate payments.</p> <p>From a sample of payments, we found no receipt for a grant payment of £1000 to 'Ho Ho Helsby'.</p>	<p><i>Documentation should be obtained from online banking showing the payment details and this should be attached to the invoices.</i></p> <p><i>Receipts should be obtained for all grants and donations. This is particularly important when payments have been made via internet banking.</i></p>	

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	<p>Guidance note 2018</p> <p>Data Protection Law will change 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><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>Follow up of 2016/17 audit recommendations</p>			
<p>1</p>	<p>The Council use internet banking and while the financial regulations allow this, they have not been updated to include controls to prevent online banking fraud including supplier fraud.</p>	<p><i>The Council should update the financial regulations for online banking to include checks of current supplier bank data, new supplier bank data and procedures to be followed where a current supplier changes bank account. Details can be found in the NALC model financial regulations.</i></p>	<p>Implemented</p>

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2	The bank reconciliation includes an adjustment described as 'unpresented cheques' when it is actually a receipt that hasn't cleared the bank.	<i>To avoid confusion, this adjustment should be described as an 'outstanding lodgement'.</i>	Implemented
Follow up of 2015/16 audit recommendations			
1	The council are including annual expenditure in earmarked reserves (eg November grant show). CIPFA LAAP guidance on local authority reserves and balances note that earmarked reserves are a separate type of reserve that is generally used as a means of building up funds over the medium term to meet known or predicted liabilities for major schemes etc	<i>The council should utilize earmarked reserves according to CIPFA guidance</i>	Implemented
2	The burial account book is not totalled annually to ensure agreement with the burials income total per main cash book	<i>The burial account book should be cast and totalled annually as a completeness control to ensure the total agrees to the burials income total per main cash book</i>	Implemented
2014/15 audit			
1	The Council maintain a detailed record of assets in their asset register, however	<i>The Practitioner's Guide for local councils recommends that an asset</i>	Implemented – details of additions and disposals provided in the noted to

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	<p>the register does not record the dates of acquisition and disposal.</p>	<p><i>register should include information about dates of acquisition, upgrade and disposal of assets.</i></p>	<p>the accounts</p>
<p>2</p>	<p>Guidance note for 2015/16 An area of potential risk for the Council in 2015/16 is ensuring they meet the requirements of The Pensions Regulator with respect to auto enrolment, or they may face fines. Even if staff are not eligible to be auto enrolled into a pension scheme, the Council may still have to complete a declaration of compliance.</p>	<p><i>The Council should review this risk if they have not already done so and ensure they meet any requirements of The Pensions Regulator. See www.thepensionsregulator.gov.uk for further information.</i></p>	<p>Noted</p>
<p>Follow up of 2013/2014 recommendations</p>			
<p>1</p>	<p>Guidance note for 2014/15 Following the repeal of section 150(5) of the Local Government Act 1972 in March 2014, Councils now are not required by law to have cheques or other orders for payment signed by two elected members.</p>	<p><i>If the Council decide they would like to make any changes to how payments are made it is important that they review the recent guidance issued by SLCC and ensure that any new internal controls meet these requirements. Any changes to internal controls over payments in light of the repeal will be reviewed in future audits.</i></p>	<p>Noted</p>