

Internal Audit Report
Year ending: 31st March 2020

Name of Council:	Brandeston Parish Council
Income:	£4573.78
Expenditure:	£3733.10
Precept Figure:	£3000
General Reserve:	£4736.50
Earmarked Reserves:	£2903.71

Internal Audit Objectives and Responsibilities

The primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal control systems operating throughout the council, and to achieve this will adopt a predominantly systems-based approach to audit.

The council's internal control system comprises the whole network of systems established within the council to provide reasonable assurance that the council's objectives will be achieved, with reference to:

- The effectiveness of operations
- The economic and efficient use of resources
- Compliance with applicable policies, procedures, laws and regulations
- The safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption
- The integrity and reliability of information, accounts and data

Accordingly, in the conduct of planned audits Internal Audit may:

- Carry out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year in order to be able to complete the Annual Internal Audit Report 2019/20 of the Annual Governance and Accountability Return (AGAR)
- Review the reliability and integrity of financial information and the means used to identify, measure, classify and report such information
- Review the means of safeguarding assets and, as appropriate, verify the existence of such assets
- Appraise the economy and efficiency with which resources are employed, identify opportunities to improve performance and recommend solutions to problems
- Review the established systems to ensure compliance with those policies, procedures, laws and regulations which could have a significant impact on operations, and determine whether the council complies
- Review the operations and activities to ascertain whether results are consistent with objectives and whether they are being carried out as planned

Subject	Requirements	Comments/Recommendations
1. Proper Book-keeping	Type of cash book or ledger used	The Cashbook is maintained on a Spreadsheet and is well referenced and facilitates an audit trail to the Bank Statements.
	Cash book kept up to date and regularly verified against bank statement	The cashbook is up to date to 31/3/20. Separate cashbook held for 100+ account.
	Correct arithmetic and balancing	Spot checks were carried out and the arithmetic in the cashbook was found to be in order.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	Up to date NALC Model Standing Orders adopted 23/4/19 and noted in the minutes.
	Evidence that Financial Regulations have been adopted and reviewed regularly	Financial Regulations were adopted by the Council at their meeting on 23/4/19. These are now out of date. Recommendation : Council should adopt the new NALC Financial Regulations 2019 which incorporate or reference the requirements of new legislation that has been introduced.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	Council have included evidence in their minutes dated 23/4/19 of the annual appointment of their Responsible Financial Officer. Relevant information available in the Local Government Act 1972 Section 151.
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations have been tailored to the Council.
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	A sample of payments were examined and found to be in order with a full audit trail evidenced.
	Internet Banking transactions properly recorded/approved	Internet banking transactions are separately recorded in the cashbook. Sample invoice provided shows it has been intialled by 1 person.

		Recommendation: In accordance with Council's Financial Regulation 6.10 for payments settled by internet banking transfer, evidence should be retained showing which members approved the payment. Council should consider ensuring that the on-line payment slip is signed to ensure that there is an effective system in place to reduce the risks of error. This will not only protect the RFO but will fulfil an internal control objective to ensure the safeguarding of public money
	VAT correctly identified and reclaimed within time limits	Council is aware of its responsibility to reclaim VAT, which is noted in a separate column in the cashbook. Evidence seen for VAT reclaim under reference 05042019.
	Has Council adopted the General Power of Competence and is it being correctly applied?	The General Power of Competence has not been adopted.
	S137 separately recorded, minuted and within statutory limits	No payments were made under S137 in this audit year.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	The Council does not have any loans.
4. Risk Management	Is there evidence of risk assessment documentation?	The audit review confirmed that the assessments provide an analysis of the key risks faced by the Council and the control measures in place to mitigate the risks identified.
	Evidence that risks are being identified and managed.	An annual risk assessment was carried out and noted in the minutes on 23/4/19. Risk management procedures are in place for the prize money for the 100 club .
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Appropriate insurance cover is in place including £25,000 of Fidelity Insurance cover which is within guidelines, Public Liability and Employers Liability of £10 million each.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Council confirmed in their minutes of 23/4/19 that insurance is adequate for purposes and is in the 3 rd year of a 5 year term.

	Evidence that internal controls are documented and regularly reviewed	The internal controls were reviewed by the Council on 23/4/19 and were found to be in order.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	There is no evidence that a review of the effectiveness of the internal audit has been carried out during the year. Recommendation : Council should include in their minutes that they have reviewed the effectiveness of the internal audit during the year of audit. Statutory guidance from Accounts and Audit Regulations 2015 regulation 5.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	Council confirmed the budget to support the precept at their meeting on 8/1/19.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The precept amount of £3000 was agreed in full Council at the meeting on 8/1/19 and this was noted in the minutes.
	Regular reporting of expenditure and variances from budget	Council receives an annual report with explanations of any variances from budget. Comment: It is good practice to provide regular reports to the Council of expenditure and any variances from the budget.
	Reserves held General and Earmarked.	Council's final accounts show general reserves in the sum of £4736.50 with earmarked reserves in the sum of £2903.71. Comment: The External Auditor would require an explanation where the carried forward (end of year) reserves are greater than twice the income from the Precept, if council was not exempt from an external audit.
6. Income controls	Is income properly recorded and promptly banked?	Income is entered into the cashbook on the date of receipt and banked in accordance with the Council's financial procedures.
	Is income reported to full Council?	Receipt of income is noted in the minutes.
	Does the Precept recorded agree to the Council Tax Authority's notification?	The precept recorded of £3000 agrees to the Council Tax Authority's notification.

	<p>If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?</p> <ul style="list-style-type: none"> • Is CIL income reported to Council? • Does unspent CIL income form part of Earmarked reserves? • Has an annual report been produced • Has it been published on the authority's website 	<p>No funds have been received from the CIL.</p>
7. Petty Cash	<p>Is a petty cash in operation?</p> <p>If so, is there an adequate control system in place.</p>	<p>No system of petty cash is in operation for the Council. 100+ club uses cash and internal controls are in place for this.</p>
8. Payroll controls	<p>Do all employees have contracts of employment?</p>	<p>It was minuted on 20/7/19 that the NALC contract was adopted and salary authorised.</p>
	<p>Are arrangements in place for authorising of the payroll and payments by the Council?</p> <p>Verifying the process for agreeing rates of pay to be applied.</p>	<p>The payroll is administered by SALC.</p>
	<p>Do salary payments include deductions for PAYE/NIC?</p> <p>Is PAYE/NIC paid promptly to HMRC?</p>	<p>PAYE is operated in accordance with HM Revenue and Customs guidelines</p>
	<p>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?</p>	<p>There is no evidence in the minutes that the Council is aware of its pension responsibilities.</p> <p>Comment: Council may wish to note in the minutes, on an annual basis, its responsibilities under the legislation for work place pensions and note if they have completed a Declaration of Compliance under The Pensions Act 2008.</p>
	<p>Are other payments to employees reasonable and approved by the Council?</p>	<p>Expenses payments to the Clerk are reasonable and approved.</p>

9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises	The Register complies with the current requirements which provide that each asset should be recorded at a consistent valuation, year-on-year. Assets are displayed at original purchase cost or, where the original purchase price is unknown, at a nominal/community value. The total value of £28,123 has not been correctly entered into Box 9 of Section 2 of the AGAR (Annual Return). Recommendation: Box 9 of the AGAR should reflect the total value of assets listed in the asset register.
	Verifying that the Asset Register is reviewed annually	It is noted in the risk assessment documentation that the asset register is reviewed at the annual meeting. Comment: Council should record that this has been carried out in the minutes.
	Cross checking of Insurance cover	Appropriate insurance is in place to cover the assets listed.
10. Bank reconciliation	Regularly completed and reconciled with cash book	Bank reconciliations are completed during the year. The annual bank reconciliation has the incorrect bank balance listed for the Parish Council account of £2832.79 which is the balance at 5/4/20. The Council's audit year finishes at 31/3/20 when the balance was £2886.79. Recommendation: Council should correct the annual bank reconciliation to 31/3/20 and make any changes necessary to the figures in the AGAR.
	Confirm bank balances agree with bank statements	Please see note above.
	Regular reporting of bank balances at council meetings	Bank balances are noted at Council meetings.
11. Year-end procedures	Appropriate accounting procedures used	Receipts and Payments method of accounting used.
	Financial trail from records to presented accounts	A financial trail has been confirmed from records to presented accounts.

<p>Has the appropriate end of year AGAR documents been completed?</p>	<p>AGAR Sections 1 and 2 have been completed but on the Parish Meeting form rather than the Parish Council form. The Certificate of Exemption has not been completed. Figures in the AGAR include pence. The figure for staff costs includes expenses. The total figure for fixed assets is incorrectly stated as £0. Figures from 2019 have been incorrectly carried forward from last year's AGAR for Staff Costs (Box 4) , All Other Payments (Box 6) and Total fixed assets (Box 9)</p> <p>Recommendation: Council should complete the Certificate of Exemption and the correct AGAR form for Parish Council's, both are available on the External Auditor's website. The figures on the AGAR should be rounded and the 'pence' figures removed. The correct figures from 2019 should be carried forward to the AGAR for 2020. The figure for Staff Costs (box 4) should only include payments made to and on behalf of all employees. Items that can be Included are: gross salaries, wages, employers NI contributions, employers pension contributions, gratuities and severance payments. The figure for total Fixed Assets (box 9) should reflect the figure for total assets on the asset register.</p>
<p>Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?</p>	<p>The Council correctly certified exempt from an external audit having receipts and payments of less than £25,000 in 2018/19.</p>
<p>During the Summer 2019 did the smaller authority demonstrate that it correctly provided for the exercise of public right as required by the Accounts and Audit Regulations?</p>	<p>The Council minuted on 23/4/19 that it correctly provided for the public rights as required by the Accounts and Audit Regulations from 17/6- to 6/7/19.</p>

	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	The Council has published the following documents for 2018/19 on their website: Certificate of Exemption, page 3 <ul style="list-style-type: none"> • Annual Internal Audit Report 2017/18, page 4 • Section 1 – Annual Governance Statement 2017/18, page 5 • Section 2 – Accounting Statements 2017/18, page 6 • Analysis of variances • Bank reconciliation Comment : to be fully compliant the Council should also publish their Analysis of Variances (if applicable) and the Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015
12. Internal audit for the year ending 31 March 2019	Verifying that the previous internal audit reports have been considered by the Council	The Council considered the internal audit report at their meeting on 23/4/19.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	An audit plan was discussed and items raised in the report for 2018/19 have been actioned.
	Confirmation of appointment of Internal Auditor	SALC was noted as the internal auditor and this was minuted on 23/4/19.
13. External audit for the year ending 31 March 2019	Verifying that the external audit report has been considered by the Council	The Council declared itself exempt from an external audit in 2018/19.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	N/A
14. Additional Comments	Annual meeting - held in accordance with legislation	The Annual Meeting was held on 14/5/19 with the first item on the agenda being the election of the Chair.
	Correct identification of trustee responsibilities	The Council does not have any trustee responsibilities.
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	The Council has published the following items on their website in-line with the Transparency Code: End of Year Accounts

	Annual Governance Statement Internal Audit Report List of Councillors and Responsibilities Minutes and Agendas of Meetings Comment: to be fully compliant with the Transparency Code, the Council should also publish their Asset Register and a note of all items of Expenditure Above £100.
Verifying that the council is registered with the ICO	The Council has registered with the ICO under reference ZA437212.
Verifying that the Council is compliant with the General Data Protection Regulation requirements Are the following in place: <ul style="list-style-type: none"> • Audit / Impact Assessment • Privacy Notices • Procedures for dealing with Subject Access Requests • Procedure for dealing with Data Breaches • Data Retention & Disposal Policies 	No evidence seen that the council is showing progress towards the General Data Protection Regulation requirements. Recommendation: Council should approve and adopt the following policies to confirm they are compliant with the General Data Protection Regulation requirements: <ul style="list-style-type: none"> • Audit / Impact Assessment • Privacy Notices • Procedures for dealing with Subject Access Requests • Procedure for dealing with Data Breaches • Data Retention & Disposal Policies

Signed.....*Linda Harley*.....

Date of Internal Audit Visit9/6/19..... Date of Internal Audit Report.....9/6/19.....

On behalf of Suffolk Association of Local Councils