

Internal Audit Report for Brandeston Parish Council

for the audit year ending 31/3/2021

Clerk	Catherine Bacon
RFO (if different)	
Chairperson	Mary Mitson-Woods
Precept	£ 3,500.00
Income	£ 7,629
Expenditure	£ 7,552
General reserves	£1,000
Earmarked reserves	£0
Audit type	Annual
Auditor name	Linda Harley

Introduction

The primary objective of internal audit is to review, appraise and report upon the adequacy of internal control systems operating throughout the council. To achieve this SALC 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

Methodology

When conducting the audit, the internal auditor 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 2020/21 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

Section 1 – proper bookkeeping		
The internal auditor will look at the methods and processes used to manage the council’s accounts and in particular that it provides clear data for reporting and monitoring purposes. This includes checking information is accurate, kept up to date, referenced and verified.		
Evidence		<i>Internal auditor commentary</i>
<i>Is the ledger maintained and up to date?</i>	Yes	The council uses an excel spread sheet to form the basis of their accounting system. It provides data for analysis allowing the RFO to produce clear financial management reports.
<i>Is the cash book up to date and regularly verified?</i>	Yes	This provides good evidence to support the council’s underlying statements.
<i>Is the arithmetic correct?</i>	Yes	Arithmetic was found to be in order.
Additional comments:		

Section 2 – Financial Regulation and Standing Orders		
The internal auditor will check the date the Council carried out its annual review of both Standing Orders and Financial Regulations and in particular check if these are based on NALC’S latest model which include legislative changes.		
Evidence		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	Yes	At the meeting on 29/5/2020 the council carried out an annual review of its Standing Orders. Use of the Model Stand Orders (produced by NALC in 2018). Information relating to Financial Controls and procurement are out of date. Comment: Council may wish to update the information relating to Financial Controls and Procurement.
Are Financial Regulations up to date and reviewed annually?	Yes	It was noted in the minutes of 3/7/20 that Council had adopted NALC Model Financial Regulations 2019. Information relating to the thresholds for contracts is up to date.
Has the Council properly tailored the Financial Regulations?	No	The Council has not tailored the Financial Regulations to the Council. Comment: Council may wish to tailor the Financial Regulations to their Council and remove any square brackets to avoid ambiguity.
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	Yes	In accordance with Section 151 of the Local Government Act 1972(d) (financial administration), the Council has appointed a person to be responsible for the administration of the financial affairs of the relevant authority, and this is noted in the minutes of the council meeting on 29/5/20.
<i>Additional comments:</i>		

¹ Section 151 Local Government Act 1972 (d)

Section 3 – Payment controls		
The internal auditor will specifically check bank reconciliation including credit/debit cards and management approval processes and evidence that internal Financial Regulations (FO) are being followed. The internal auditor will examine how regular payments are managed and specifically seek evidence that these have been brought back to the Council for verification purposes especially where the actual payment made differs from the amount previously agreed. VAT should be clearly identified including evidence that claims have been correctly managed. The internal auditor will check if the Council has a clear understanding on eligibility in relation to the General Power of Competence and that s.137 has been correctly applied and managed.		
Evidence		<i>Internal auditor commentary</i>
Is there supporting paperwork for payments with appropriate authorisation?	Yes	A selection of expenditure items were made and cross-checked against the cash book, invoices and bank statements. At each full council meeting a list of payments is presented to ensure formal approval of expenditure and this is correctly minuted. This demonstrates good practice in that there are measures in place that help safeguard public money supported by a straight forward and clear audit trail for each payment. It is noted in the risk assessment that the ‘power to pay’ will be minuted for all payments. Council shows good practice by noting in the minutes of 29/5/20 the authorisation for the Clerk to transfer prize money relating to the 100+ account on a regular basis.
Where applicable, are internet banking transactions properly recorded and approved?	Yes	The Council show excellent practice by including in their risk assessment documentation, payments made by internet banking, including the security relating to password storage, that internet transactions are minuted before action is taken and the reference number includes the minute number and purpose of the transaction.
Is VAT correctly identified, recorded and claimed within time limits?	Yes	VAT is identified in the cash book and the claim for the period under review in the sum of £724 is due to be made.

Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	No	The General Power of Competency has not been adopted.
Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	N/A	The Council did not make any payments under S137 in this audit year.
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	N/A	The Council does not have any loans.
<i>Additional comments:</i>		

² Localism Act

³ Section 137 of the Local Government Act 1972 (“the 1972 Act”) enables local councils to spend a limited amount of money for purposes for which they have no other specific statutory expenditure. The basic power is for a local council to spend money (subject to the statutory limit – of £8.12 per elector) on purposes for the direct benefit of its area, or part of its area, or all or some of its inhabitants.

Section 4 – Risk management		
The internal auditor will expect to find evidence of the management of risks from identification of what those are for each individual Council through to how these will be managed and the controls in place to mitigate these and that these have been approved by the Council.		
Evidence		Internal auditor commentary
<i>Is there evidence of risk assessment documentation?</i>	Yes	This was considered and reviewed for the period under review at the meetings of the council on 29/5/20 and 13/6/20 and covers in general terms the matters which could prevent a smaller relevant body from functioning. Comment: Council is aware that the risk assessment item relating to the Clerk being self employed needs updating.
<i>Is there evidence that risks are being identified and managed?</i>	Yes	Council shows good practice by noting in their risk assessment the procedure undertaken for dealing with cash withdrawals from the 100 club account which is checked by the RFO and that internet withdrawals are limited by the bank to £500.00.
<i>Does the Council have appropriate and adequate insurance cover in place for employment, public liability and fidelity guarantee and has been reviewed on an annual basis?</i>	Yes	General insurance from RSA for the period under review shows assets are covered under an all risks policy. Fidelity Guarantee cover is £25,000 which given the current balances held by the Council is within the recommended guidelines. Both employers and public liability cover is held for £10 million.
<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	Yes	As approved at a meeting of full council on 29/5/20 it was evidenced that the Council has a comprehensive financial risk assessment that demonstrates public finances are adequately protected and managed and evidence that any necessary steps have been taken to mitigate any risks identified. Documentation to support control procedures adopted by the

⁴ Accounts and Audit Regulations

		Council for payments helps protect the RFO and fulfils an internal control objective.
<i>Evidence that a review of the effectiveness of internal audit has been carried out during the year⁵</i>	<i>Yes</i>	The effectiveness of internal audit was discussed by full Council within the internal control statement submitted and approved at a meeting on 13/7/21.
<i>Additional comments:</i>		

⁵ Governance and Accountability Guide

Section 5 – Budgetary controls		
The internal auditor will seek verification that budgets are properly prepared, agreed and monitored. In particular they will look for evidence of good practice in that the key stages of the budgetary process have been followed		
Evidence		Internal auditor commentary
<i>Verify that budget has been properly prepared and agreed</i>	Yes	The budget for the year 2020/21 was approved by full Council at a meeting on 14/1/20. The amount of the budget was not noted in the minutes. Comment: Good practice for setting the budget includes: <ul style="list-style-type: none"> • Decide the form and level of detail of the budget • Review the current year budget and spending • Assess levels of income • Bring together spending and income plans • Provide for contingencies and consider the needs of reserves • Approve the budget and confirm the amount in the minutes • Confirm the precept or rates and special levies and • Review progress against the budget regularly throughout the year
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Yes	The precept was set at £3,500 and formally approved at a meeting of the full council on 14/1/20.
<i>Regular reporting of expenditure and variances from budget</i>	Yes	The Council receive regular reports of expenditure and variances for the budget for discussion.
<i>Reserves held – general and earmarked⁶</i>	Yes	The Council holds £1000 of General Reserves.
Additional comments:		

⁶ In accordance with proper practices, the generally accepted minimum level of a Smaller Authority's General Reserve is that this should be maintained at between three (3) and twelve (12) months of Net Revenue Expenditure

Section 6 – income controls		
The internal auditor will seek evidence to ensure income is correct managed – recorded, banked and reported and test mechanisms used to achieve this.		
Evidence		Internal auditor commentary
<i>Is income properly recorded and promptly banked?</i>	Yes	A number of items of income were cross-checked against the cash book and bank statement and found to be in order. In accordance with proper practices the Responsible Financial Officer ensures that accounting records contain day to day entries of all sums of money and that income received is promptly banked.
<i>Is income reported to full council?</i>	Yes	In accordance with the Council’s Standing Orders the Council are aware of income received.
<i>Does the precept recorded agree to the Council Tax Authority’s notification?</i>	No	The clerk was unable to provide a copy of the Council Tax Authority’s notification. Comment: Council may wish to keep a copy of the Council Tax Authority’s notification for future audit use.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	N/A	The Council has not received any funds from the Community Infrastructure Levy.
<i>Is CIL income reported to the council?</i>	N/A	
<i>Does unspent CIL income form part of earmarked reserves?</i>	N/A	
<i>Has an annual report been produced?</i>	N/A	
<i>Has it been published on the authority’s website?</i>	N/A	
Additional comments:		

⁷ Community Infrastructure Levy Regulations 2010

Section 7 – petty cash		
The Internal Auditor will seek evidence that the Council has followed its own policies, procedures and verification processes and that these are up to date.		
Evidence		Internal auditor commentary
<i>Is petty cash in operation?</i>	Yes	A system of petty cash is in operation for the 100 club account
<i>If appropriate, is there an adequate control system in place?</i>	Yes	Council has an adequate risk assessment in place.
<i>Additional comments:</i>		

Section 8 – Payroll controls		
The Internal Auditor will check salaries are approved in accordance with PAYE, NI, Pension and that there is a clear understanding that the clerk is not self-employed. If the Clerk was recruited after 1 st April 2011, evidence will be required to show compliance with the new requirements for the statement of employment, Induction, probation periods and training requirements. The Internal Auditor will also review how payroll is managed including evidence of approval of payslips.		
Evidence		Internal auditor commentary
<i>Do all employees have contracts of employment?</i>	<i>N/A</i>	Contracts of employment were not checked during this audit. The Clerk’s salary was approved at the full Council meetings on 14/12/20 and 29/5/20.
<i>Has the Council approved salary paid?</i>	<i>Yes</i>	
<i>Minimum wage paid?</i>	<i>Yes</i>	
<i>Are arrangements in place for authorising of the payroll and payments to the council? Does this include a verification process for agreeing rates of pay to be applied?</i>	<i>Yes</i>	Payroll is outsourced to SALC and authorised at each Council meeting.
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	<i>Yes</i>	In accordance with Proper Practices, PAYE taxes and employee and employer National Insurance contributions (NIC) are calculated and recorded for every employee. Deductions are paid to HM Revenue and Customs on or before the dates prescribed.
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	<i>Yes</i>	Clerk has advised that a pension was declined in 2018. Comment: Council may wish to ensure that it records evidence that it has complied with its duties as an employer with regards to automatic enrolment and that it has completed and submitted a declaration of compliance to the Pension Regulator.

⁸ The Pension Regulator – [website click here](#)

<i>Are there any other payments (eg: expenses) and are these reasonable and approved by the Council?</i>	Yes	An expenses claim sheet is completed for all claims and agreed by full Council.
Additional comments:		

Section 9 – Asset control		
The Internal Audit will be seeking to establish if there is a list of assets in accordance with proper practices including the date of acquisition, location and value. This extends to checking policies (with evidence of review) and that the Council has applied the documented approach in practice. The Internal Auditor will check not only valuation processes but the existence of reserve budgets for depreciation and adequacy of insurance. A clear audit trail should be available when items are purchased including minutes to evidence approval.		
Evidence		Internal auditor commentary
<i>Does the Council maintain a register of material assets it owns and manage this in accordance with proper practices?⁹</i>	Yes	Declared value is £28,123 which does not agree with the value of £0 entered in box 9 total fixed assets on the AGAR. The asset register lists items under insurance that fall within the Council’s remit for maintenance and ownership. The register states value as at the date of acquisition and where assets have been gifted or have an unknown value been given an approximate value.
<i>Are the value of the assets included? (note value for insurance purposes may differ)</i>	Yes	
<i>Are records of deeds, articles, land registry title number available?</i>	N/A	
<i>Is the asset register up to date and reviewed annually?</i>	Yes	The asset register was reviewed in the audit year.
<i>Cross checking of insurance cover</i>	Yes	The Council confirmed in the minutes of their meeting of 29/5/20 that an adequate insurance policy is in place to protect the Council’s assets.

⁹ Governance and Accountability for Smaller Authorities in England – March 2019

Additional comments:

Section 10 – bank reconciliation

The internal auditor will seek to establish that the Council understands and can evidence good practice and internal control mechanisms in relation to bank reconciliation.

Evidence		Internal auditor commentary
<i>Is bank reconciliation regularly completed and reconciled with the cash book and cover every account?</i>	Yes	Bank reconciliations are noted at each Council meeting. A number of samples were tested. There is evidence of good financial practice and the Council has implemented a system whereby bank reconciliation is correctly verified by the Council on a quarterly basis. This not only safeguards the Responsible Financial Officer but also fulfils an internal control objective. Regular bank reconciliations are included in the Internal Control Document.
<i>Do bank balances agree with bank statements?</i>	Yes	Bank balances agree with period end statements and, as at year end (31 st March) for the period under review, the balance across the Council's accounts stood at: HSBC Parish Council a/c £3923.02 HSBC Parish Council 100 Club account £1203.31
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	Bank balances are reported at each Council meeting.

Section 11 – year end procedures		
Evidence		Internal auditor commentary
<i>Are appropriate accounting procedures used?</i>	Yes	Accounts are produced on a receipts and payments basis and were found to be in order.
<i>Financial trail from records to presented accounts</i>	Yes	The end of year accounts and supporting documentation were well presented for the internal auditor review.
<i>Has the appropriate end of year AGAR¹⁰ documents been completed?</i>	Partly met	<p>Being a smaller authority with income and expenditure not exceeding £25,000 the Council has correctly completed Sections 1 and 2 of Part 2 of the AGAR.</p> <p>The figures carried forward for box 4 staff costs and box 6 all other payments from 31/3/20 are incorrect.</p> <p>Council has not completed Box 9 relating to Trust Funds (AGAR Section 1)</p> <p>Council has entered an incorrect figure of £0 in box 9 total assets (AGAR Section 2)</p> <p>Council has included pence in their figures.</p> <p>Recommendation: If the council has changed the figures relating to box 4 staff costs and box 6 all other payments on the AGAR for year ending 31/3/20 they should annotate this column on the 2021 AGAR as ‘RESTATED’ and provide an explanation.</p> <p>Council should enter the total value of their assets in box 9 of Section 2 of the AGAR to reflect the value in the asset register.</p>

¹⁰ Annual Governance & Accountability Return (AGAR)

		<p>Council should complete Box 9 of the AGAR Section 1 relating to Trust Funds</p> <p>Council should round up their figures to the nearest ‘£’</p>
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	Yes	As the Council was a smaller authority with a gross income and expenditure not exceeding £25,000 for the period under review, it was able to certify itself as an exempt authority which was confirmed at a meeting of the Council on 13/7/20.
<i>During the period in question did the small authority demonstrate that it correctly provided for the exercise of public right as required by the Accounts and Audit Regulations 2015?</i>	Yes	The internal auditor was able to find details of the arrangements for the exercise of public rights for the period under review on the public website used by the Council from 14 th June to 23 rd July 2020.
<i>Have the publication requirements been met in accordance with the Regulations?¹¹</i>	Yes	The Council has complied with the requirements of the Regulations for smaller authorities with income and expenditure not exceeding £25,000 and published the following on a public website: Section 1 – Annual Governance Statement of the AGAR Section 2 – Accounting Statements of the AGAR Section 3 – Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.
Additional comments:		

¹¹ Accounts and Audit Regulations 2015

Section 12 – internal audit		
The internal auditor will revisit weaknesses and recommendations previously identified to see if these have been addressed. They will also check if any changes introduced require further verification to ensure effectiveness of the corrective action taken.		
Evidence		<i>Internal auditor commentary</i>
<i>Has the previous internal audit report been considered by the Council?</i>	<i>Yes</i>	The Internal Auditor’s Report for the year ending 31/3/2020 has been considered, reviewed and accepted by the Parish Council at their meeting on 13/7/2020.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	<i>Partly met</i>	At the meeting on 13/7/20 the Council noted that box 9 of the AGAR should reflect the value of the asset register but this has not been completed in the 2021 AGAR; Council noted that figures on the AGAR should be rounded and pence not included. This has not been correctly applied to the 2021 AGAR. Comment: Recommendations made by the auditor should be considered by the Council and implemented.
<i>Has the Council confirmed the appointment of an internal auditor?</i>	<i>Yes</i>	SALC were appointed as the Internal Auditor at the Council’s meeting of 13/6/20.
Additional comments:		

Section 13 – external audit for the period under review		
The internal auditor will revisit the external audit so that previous weaknesses and recommendations can be taken into account.		
Evidence		<i>Internal auditor commentary</i>
<i>Has the previous external audit report been considered by the Council?¹²</i>	N/A	The Council has correctly declared itself exempt from a Limited Assurance Review.
<i>Has appropriate action been taken regarding the comments raised?</i>	N/A	
Additional comments:		

¹² Regulation 20 Accounts and Audit Regulations 2015 – *following completion of an audit the Council should note that it is the Council as a whole (ie. All members) and not a committee that should receive and consider the audit letter (including Annual Return and Certificate) from the local auditor as soon as reasonably practicable and the minutes should reflect that these have been received.*

Section 14 – additional information		
The internal auditor will look for some additional evidence of good record keeping, compliance with data protection regulations, freedom of information and website accessibility regulations.		
Evidence		<i>Internal auditor commentary</i>
<i>Was the annual meeting held in accordance with legislation?</i> ¹³ <i>(note to auditor- emergency Regulations as a result of the COVID-19 pandemic)</i> ^{f14}	Yes	The Annual Meeting of the Parish Council was held on 29/5/2020 and the first item on the agenda was the election of the Chairperson.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁵	N/A	Auditor unable to verify due to ‘virtual ‘audit.
<i>Is there a list of members’ interests held?</i>	No	There is no link on the website to the register of members’ interests.
<i>Does the Council have any Trustee responsibilities and if so are these clearly identified in a Trust Document?</i>	N/A	The Council does not have trustee responsibilities.
<i>Has the Transparency Code been correctly applied and information published in accordance with current legislation?</i>	Partly met	To ensure compliance with the requirements of the Transparency Code for smaller authorities (turnover not exceeding £25,000), Council is aware that the following should be published on a public website for the year 2020/21 not later than 1 July: Internal Audit Report List of Councillors and Responsibilities End of Year Accounts Annual Governance Statement Asset Register

¹³ The Local Government Act 1972 Schedule 12, paragraph 7 (2) and Schedule 15 (2)

¹⁴ The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020

¹⁵ Public Bodies (Admission to Meetings) Act 1960, Local Government Act 1972 and the Localism Act 2011

		and that Agendas of Meetings; Associated Papers and Minutes should be published in accordance with the prescribed timescales as set out in the Transparency code for smaller authorities – December 2014. Comment: Council are aware that they also need to publish a list of Items of Expenditure Above £100 including recoverable and non-recoverable VAT
<i>Has the Council registered with the Information Commissioner’s Office (ICO)?¹⁶</i>	<i>Yes</i>	The Council is correctly registered with the Information Commissioners Office as a data controller under reference ZA437212 in accordance with legislation.
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	<i>Partly met</i>	The Council is aware of the requirements under the General Data Protection Regulations and has adopted a privacy notice. Comment: To fully comply with the regulations the Council may wish to adopt and publish the following policies, if they are not included in the policies they currently hold: <ul style="list-style-type: none"> • <i>Impact assessments</i> • <i>Procedures for dealing with subject access and freedom of information requests</i> • <i>Procedures for dealing with data breaches</i> • <i>Data retention policies including disposal)</i>
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁷</i>	<i>No</i>	The Council has not published a website accessibility statement in line with regulations. Comment: The Public Sector Bodies (Website and Mobile Applications) Accessibility Regulations 2018 are now in force. This means, at the very minimum, your local council website should have published their Website Accessibility Statement, having identified the areas which are not accessible and have a forward plan.
<i>Is there evidence that electronic files are backed up?</i>	<i>No</i>	There is no evidence that electronic files are backed up.

¹⁶ Data Protection Act 2018

¹⁷ Website Accessibility Regulations 2018

<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	<i>N/A</i>	The Council does not have any committees.
<i>Additional comments:</i>		

Signed: Linda Harley

Date of Internal Audit Visit: N/A Date of Internal Audit Report: 6/5/21

On behalf of Suffolk Association of Local Councils