Suffolk Association of local councils

Internal Audit Report
Year ending: 31st March 2018

Name of Council:	Brandeston Parish Council
Income:	£4,363.55
Expenditure:	£4,440.13
Precept Figure:	£2,400.00
General Reserve:	£3,606 (rounded)
Earmarked Reserves:	£1,500 (rounded)

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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 particular 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 2017/18 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 is in compliance
- 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	Cashbook spreadsheets are computerised
	Cash book kept up to date and regularly verified against bank statement	The Cashbook is kept up to date and referenced to provide a good audit trail to the bank statements and cheque book counterfoils.
	Correct arithmetic and balancing	Spot checks were made and found to be in order.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	Council's Standing Orders, as evidenced by those on the Council's website are up-to-date and take into account recent changes in legislation.
	Evidence that Financial Regulations have been adopted and reviewed regularly	*Financial Regulations were reviewed at the meeting of 7th March 2018 and are compliant with current legislation.*
	Evidence that a Responsible Financial Officer has been appointed with specific duties	The Clerk is employed as the Responsible Financial Officer.
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations are in parts tailored to the Council. **Recommendation: Council should ensure that the Financial Regulations are tailored to the Parish Council by removing the alternative options for a council and in particular removing the square brackets [] as this creates ambiguity.**
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.
	S137 separately recorded and minuted.	There was one identifiable payment under this power in the cash book which was a payment to Suffolk Accident Rescue Services. Whilst this is shown as a Donation in the cashbook and in the Statement of Accounts it should be separated out and refer to as a donation under LGA 1972 S137. **Recommendation: The Responsible Financial Officer should provide clear details as to the statutory limit for such expenditure; should identify this as such within the cashbook and/or year end accounts**

		which will ensure that the exercise of this legal power is carried out reasonably.
	Legal powers identified in minutes and/or cashbook.	Whilst the accounts and cashbook show payments under Donations there is no other identification of powers used. *Comment: Council might want to consider identifying the legal powers showing the Parish Council's authority to spend which will ensure that all financial decisions or payments being made are in accordance with statute and that Council does not undertake any decisions or payments that are ultra vires.*
	VAT correctly identified and reclaimed within time limits	VAT is correctly identified within the cashbook. A claim for the year ending 31st January 2018 was submitted and settled during the year under review.
4. Risk Management	Is there evidence of risk assessment documentation?	Council carried out and approved a Financial Risk Assessment at its meeting of 13th March 2018.
	Evidence that risks are being identified and managed.	Council has implemented a number of controls to ensure that appropriate measures are in place to mitigate and manage identified risks.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Appropriate Insurance cover is in place Employers Liability £10m Public Liability £10m Fidelity Guarantee £25K which is within recommended guidelines.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Council reviewed its Annual Insurance in terms of cover provided at a meeting of the Council of 11th July 2017. Council's 5-year long term agreement ceases on 30th September 2018.
	Evidence that internal controls are documented and regularly reviewed	Council's Internal Controls were reviewed and approved by the Council during the year under review.

	Evidence that a review of the effectiveness of internal audit has been carried out during the year	The scope of Internal Audit was considered by the Council at its meeting of 9th May 2017.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	The Budget was agreed in full Council at a meeting of 10th January 2017.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted.	The Precept to be served upon the Charging Authority in the sum of £2,400 was also agreed at the same meeting.
	Regular reporting of expenditure and variances from budget	In accordance with Council's own Standing Orders, a statement of finance and orders for payment are submitted and approved at each full Council meeting. The adequacy of the budget was also considered and agreed during the year under review.
	Reserves held General and Earmarked.	Council's final accounts show general reserves in the sum of £3,606 with a reserve account of £1,500.
6. Income controls	Is income properly recorded and promptly banked?	Income is promptly banked and reported at each meeting.
	Verifying that the Precept recorded agrees to the Council Tax Authority's notification	Evidence was provided showing a full audit trail from Precept being served on the Charging Authority to remittance advice showing the Precept to be paid and receipt of same in the Council's Bank Accounts.
7. Petty Cash	Is a petty cash in operation?	Council does not operate a petty cash system.
8. Payroll Controls	Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC	A letter is on file from HM Revenue and Customs confirming that the income received by the Clerk should be recorded as self-employed income and as such PAYE is not applicable to these payments.
	Are other payments to employees reasonable and approved by the Council	Council operates a reasonable expense policy which ensures all expenses are approved by the Council in accordance with its Financial Regulations.
9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises	Asset Register seen for the period ending 31st March 2018 which shows fixed assets to the value of £29,305. Although this is still to be signed off by the Council at its meeting in May 2018, this is the figure stated upon the Annual Governance and Accountability Return. This shows nil movement for the year under review.

	Verifying that the Asset Register is reviewed annually	The Asset Register has been reviewed throughout the year.
	Cross checking of Insurance cover	The items under insurance were crossed checked against the asset register dated 31st March 2018. It is noted that within the All Risks Cover of the Insurance there is cover to the value of £2,500 for Office Contents which is restricted to the Clerk's Home.
10.Bank reconciliation	Regularly completed, reconciled with cash book.	Bank balances reconcile to the cash book.
	Confirm bank balances agree with bank statements	Year end bank statements agree with the cash-book reconciliation: Barclays Community Account: £2,918.22 Barclays 100+ Account: £2,188.53
	Regular reporting of bank balances at council meetings?	There is regular reporting of bank balances to the Council. *Comment: to ensure good financial practice is demonstrated by the Council, bank reconciliations should be independently verified by the Chair which not only safeguards the Responsible Financial Officer but would also fulfil an internal control objective.*
11.Year-end procedures	Appropriate accounting procedures used	Council operates on a Receipts and Payments basis.
	Financial trail from records to presented accounts	The Council demonstrates good financial control by ensuring that receipts and payments are listed in the Council's Minutes as part of the smaller authority's financial control.
	Has the appropriate end of year Annual Governance and Accountability Return (AGAR) documents been completed	As the Council is a smaller authority with gross income and expenditure of £25,000 or less, it meets the criteria to certify itself as exempt from a limited assurance review. As such the smaller authority has completed Page 6 of Part 2 of the AGAR which is unsigned at time of audit awaiting presentation to full Council. The Internal Auditor has completed the relevant page of this form.

12. Internal audit for the year ending 31 March 2017	Verifying that the previous internal audit reports have been considered by the Council	Council considered the Annual Internal Audit Report at its meeting of 9th May 2017.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	A number of recommendations were made within the Internal Audit Report from 2016 which are still outstanding and are as summarised below: 1. *Register with Information Commissioner (Registration not currently in place).* 2. *Statutory power to be listed on either invoice or the Minute for any expenditure to confirm that expenditure is legal (limited use of powers listed).*
	Appointment of Internal Auditor	Suffolk Association of Local Councils was confirmed as the Council's Internal Auditor at its meeting of 9th May 2017.
13. External audit for the year ending 31 March 2017.	Verifying that the external audit report has been considered by the Council.	The external audit report was presented to and accepted by the Council at its meeting of 28th November 2017.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	The Issues Arising Report relating to rounding errors was noted by Council at its meeting of 28th November 2017.
14. Additional Comments	Annual meeting	The Annual Meeting was held on 9th May 2017 with the Election of the Chair being the first item on the agenda in accordance with the 1972 Act.
	Any trustee responsibilities	As the Parish Council does not act as sole trustee for any Trust Funds it should ensure that Box 11 of Section 2 is completed by ticking the NO column.
	Verifying that the Transparency Code for Smaller Authorities has been correctly applied	The Council has complied with the requirements of the Transparency Code and published the following on its website in accordance with the Code's Requirements: All Items of expenditure above £100 Annual Governance Statement for 2017 Accounting Statements for 2017 Annual Internal Report for 2017

	List of Councillor Responsibilities Details of Public Land and Building Assets (in form of Asset Register) Minutes, agendas and meeting papers of formal meetings *Comment: Council should note that for the year ending 31st March 2018, in accordance with the Accounts and Audit Regulations 2015, smaller authorities with either income or expenditure exceeding £25,000 must publish the following on a public website:* *Section 1 – Annual Governance Statement of the AGAR* *Section 2 – Accounting Statements of the AGAR* *Section 3 – External Auditor Report and Certificate* *Notice of the period for the exercise of public rights and other information required by Regulation 15 (2) Accounts and Audit Regulations 2015.* *Annual Internal Audit Report of the AGAR*
Verifying that the council is registered with the ICO	The Council is not currently registered with the Information Commissioner's Officer (ICO) as a Data Controller. **Recommendation: the Data Protection Act 1998 requires every organisation that processes personal information to register with the Information Commissioner's Office (ICO), unless they are exempt. Council should ensure that as a data controller, it fully understand the requirement to register with the ICO.**
Verifying that the Council is making progress towards meeting the General Data Protection Regulation requirements	Council is aware of GDPR requirements and is taking steps towards ensuring compliance.

Signed.....

Date of Internal Audit Visit: 17.05.2018 **Date of Internal Audit Report: 17.05.2018**

On behalf of Suffolk Association of Local Councils