

**Internal Audit Report**  
**Year ending: 31<sup>st</sup> March 2020**

<b>Name of Council:</b>	Bramfield and Thorington Parish Council
<b>Income:</b>	£11,707.70
<b>Expenditure:</b>	£5,484.14
<b>Precept Figure:</b>	£5,750
<b>General Reserve:</b>	£5,392.16 (see recommendation item 5)
<b>Earmarked Reserves:</b>	£4,000 CIL £5,595.48 (as above)

## **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
<b>1. Proper Book-keeping</b>	Type of cash book or ledger used	Computerised spreadsheets are used as the cash ledger.
	Cash book kept up to date and regularly verified against bank statement	The cashbook is kept up to date and well referenced with powers listed within.
	Correct arithmetic and balancing	Spot checks for the year under review were made and found to be in order.
<b>2. Financial Regulations &amp; Standing Orders</b>	Evidence that standing orders have been adopted and reviewed regularly	Standing Orders have been adopted (NALC Model Standing Orders 2018) and were reviewed at a Council meeting of 10 June 2019.
	Evidence that Financial Regulations have been adopted and reviewed regularly	Financial Regulations were reviewed at a Council meeting of 10 June 2019 and NALC Model Financial Regulations 2019 were adopted at a Council meeting of 9 September 2019.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	The Council, in accordance with Section 151 of the Local Government Act 1972 (financial administration), the Council has appointed a person (the Clerk) to be responsible for the financial affairs of the relevant authority at its meeting of 13 May 2019.
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations have been tailored to the Council.
<b>3. Payment controls</b>	Supporting paperwork for payments, and appropriate authorisation	A selection of random payments were selected and cross checked against cash books, invoices, VAT and minutes and found to be in order.
	Internet Banking transactions properly recorded/approved	Internet banking is not used by Council.
	VAT correctly identified and reclaimed within time limits	VAT is identified within the cashbook. A reclaim dated 21 May 2020 was evidenced of £1952.26 for year 1.4.17 - 31.3.19 but not received in the year under review.

	Has Council adopted the General Power of Competence and is it being correctly applied?	Council has not adopted the General Power of Competence.
	S137 separately recorded, minuted and within statutory limits	Section 137 of the Local Government Act 1972 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. Council made payments of £225 using S.137 in the year under review.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	There were none applicable for the year under review.
<b>4. Risk Management</b>	Is there evidence of risk assessment documentation?	A financial and management risk assessment document was evidenced by the Internal Auditor.
	Evidence that risks are being identified and managed.	Council reviewed its risk assessment document at its meeting of 10 February 2020.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Insurance cover was in place during the year under review. Employers Liability £10million Public Liability £10million Fidelity Guarantee £25,000 this is within the recommended guidelines of year-end balances plus 1 <sup>st</sup> instalment of precept received.
	Evidence that insurance is adequate and has been reviewed on an annual basis	Insurance was reviewed at a Council meeting of 9 September 2019.
	Evidence that internal controls are documented and regularly reviewed	The Internal Control Statement was considered and reviewed at a Council meeting of 9 March 2020.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	In accordance with the Accounts and Audit Regulations 2015, at the review of the Internal Control Statement at its meeting of 9 March 2020, Council also carried out a review of the effectiveness of internal audit.

<b>5. Budgetary controls</b>	Verifying that the budget has been properly prepared, and agreed	Budget was agreed at a Council meeting of 12 November 2018. Budget papers to support the budget seen by the Internal Auditor.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The Precept in the sum of £5750 was agreed at a Council meeting of 12 November 2018 with the amount being clearly Minuted.
	Regular reporting of expenditure and variances from budget	A Budget monitoring report presented for each meeting; copies being held on the smaller authority's website.
	Reserves held  General and Earmarked.	Reserves stated as: General Reserves £10,987.64 Earmarked Reserves: £4,000  <b>Recommend: CIL monies received of £5595.48 should form part of Earmarked reserves, it is noted they have been reported separately in paperwork however reserves should read:</b> <b>General Reserves: £5,392.16</b> <b>Earmarked Reserves: £4000 &amp; CIL £5595.48</b>
<b>6. Income controls</b>	Is income properly recorded and promptly banked?	Income is properly recorded within the cashbook.
	Is income reported to full Council?	Income is presented to Council and a Minute reference made.
	Does the Precept recorded agree to the Council Tax Authority's notification?	Evidence was provided showing the Precept to be paid and receipt of same in the Council's Bank Account.
	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?  <ul style="list-style-type: none"> <li>Is CIL income reported to Council?</li> </ul>	The CIL income is referenced within the cash book.  CIL income of £5,595.48 was reported to Council and referenced within the minutes.  Unspent CIL monies did not form part of earmarked reserves <b>Recommendation made item 5</b>

	<ul style="list-style-type: none"> <li>• Does unspent CIL income form part of Earmarked reserves?</li> <li>• Has an annual report been produced</li> <li>• Has it been published on the authority's website</li> </ul>	<p>An annual report for CIL monies received and spent for year 2018-19 has been produced and published on the smaller authority's website.</p> <p>Council is aware that, in accordance with the regulations, the Parish Council having received a proportion of CIL funds will need to comply with its duty to produce an annual report that details the amount of CIL funds received and spent by 31<sup>st</sup> December of the following reported year giving details on the total CIL received how it was spent and unspent funds.</p>
<b>7. Petty Cash</b>	<p>Is a petty cash in operation?</p> <p>If so, is there an adequate control system in place.</p>	<p>Council does not operate a petty cash system.</p>
<b>8. Payroll controls</b>	<p>Do all employees have contracts of employment?</p>	<p>Contract of employment not seen by the Internal Auditor.</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>PAYE is operated in accordance with HM Revenue and Customs guidelines. Ladywell Accountancy are contracted to fulfil the function of payroll administrator.</p> <p>Council agreed the SCP rate of pay at a Council meeting of 8 April 2019.</p>
	<p>Do salary payments include deductions for PAYE/NIC?</p> <p>Is PAYE/NIC paid promptly to HMRC?</p>	<p>Salary payments include deductions for PAYE and are paid within HM Revenue and Customs timescales.</p> <p>P60 for year ending 31 March 2020 seen by the Internal Auditor.</p>
	<p>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?</p>	<p>No pension payments had been made in the year under review. It was noted in internal audit report 2018-19 a Declaration of Re-Compliance had been completed.</p>
	<p>Are other payments to employees reasonable and approved by the Council?</p>	<p>Council approves all expenses paid to the Clerk with a minute reference made.</p>
<b>9. Asset control</b>	<p>Verifying the Council maintains an Asset Register in accordance with proper practises</p>	<p>An asset register is maintained in accordance with proper practices and covers the fixed assets owned by the Council.</p>
	<p>Verifying that the Asset Register is reviewed annually</p>	<p>The asset register was reviewed at a Council meeting of 10 February 2020 showing no change in year under review. It was</p>

		noted at a Council meeting of 9 March 2020 a monitor was to be purchased and to be added to the asset register (not paid for in the year under review)
	Cross checking of Insurance cover	The Parish Protect insurance covers property up to a value of £20,000.
<b>10. Bank reconciliation</b>	Regularly completed and reconciled with cash book	Regular bank reconciliations are completed.
	Confirm bank balances agree with bank statements	The overall year-end bank position is stated as £14,987.64 Bank balances confirmed at year end are: Barclays Business Premium Account - £6,627.24 Barclays Community Account - £8,492.40 Outstanding cheque: £132
	Regular reporting of bank balances at council meetings	Bank balances are reported at each Council meeting with a minute reference made.
<b>11. Year-end procedures</b>	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 payments and receipts are listed in the Council's minutes, cheque stubs initialled and 2 signatures on invoices as part of the smaller authority's financial control.
	Has the appropriate end of year AGAR documents been completed?	As the Council is a smaller authority with gross income and expenditure of £25,000 or less it has correctly completed Part 2 of the AGAR which has been completed and signed. The Internal Auditor has completed the relevant page of this form.
	Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?	As the Council was a smaller authority with gross income and expenditure not exceeding £25,000 during the year 2018/19, it was able to certify itself as an exempt authority which was confirmed at a meeting of council on 13 May 2019.
	During the Summer 2019 did the smaller authority demonstrate that it correctly provided for the exercise of	The Internal Auditor was not able to find the details of the arrangements for the exercise of public rights for the period ending 31st March 2019 on the public website used by the

	public right as required by the Accounts and Audit Regulations?	<p>Council. However, a copy was presented to the Internal Auditor which showed it correctly provided for the exercise of public rights.</p> <p><b>Recommend: Council retain the document on the website with the documents required by the Accounts and Audit Regulations 2015 and the Transparency Code.</b></p>
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	<p>The Council has not complied with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with income and expenditure not exceeding £25,000 it published the following on a public website:  Annual Internal Audit Report of the AGAR  Section 1 – Annual Governance Statement of the AGAR  Section 2 – Accounting Statements of the AGAR  Other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.</p> <p><b>Recommend: Council must publish the Notice of the period of the exercise of public rights on a public website.</b></p>
<b>12.Internal audit for the year ending 31 March 2019</b>	Verifying that the previous internal audit reports have been considered by the Council	<a href="#">The Internal Audit report was considered at a Council meeting of 8 July 2019.</a>
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	<p>The recommendations raised in the internal report were noted at a Council meeting of 8 July 2019.</p> <p>Legal Powers – Actioned  CIL – Actioned  Asset Register/AGAR - Actioned</p>
	Confirmation of appointment of Internal Auditor	<a href="#">SALC was appointed as the Internal Auditor at a Council meeting of 10 February 2020.</a>
<b>13.External audit for the year ending 31 March 2019</b>	Verifying that the external audit report has been considered by the Council	No external report was provided by the external auditors as the Council was able to certify itself as exempt from a Limited Assurance Review.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	Not applicable.

<b>14. Additional Comments</b>	Annual meeting - held in accordance with legislation	The Annual Meeting of the Parish Council was held on 13 May 2019 the first item on the agenda was not the election of the Chairman in accordance with the Local Government Act of 1972 15(1). However, within the Minutes it is noted that this was an administrative error with the election of Chair should have been the first item on agenda
	Correct identification of trustee responsibilities	The Parish Council does not act as sole trustee for any Trust Funds.
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	<p>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 2019/20 not later than 1 July:</p> <ul style="list-style-type: none"> <li>Internal Audit Report</li> <li>List of Councillors and Responsibilities</li> <li>Items of Expenditure above £100 including recoverable and non-recoverable VAT</li> <li>End of Year Accounts</li> <li>Annual Governance Statement</li> <li>Asset Register</li> </ul> <p>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.</p>
	Verifying that the council is registered with the ICO	The Council is correctly registered with the Information Commissioner’s Office (ICO) as a Data Controller in accordance with the Data Protection Legislation.
	<p>Verifying that the Council is compliant with the General Data Protection Regulation requirements</p> <p>Are the following in place:</p> <ul style="list-style-type: none"> <li>• Audit / Impact Assessment</li> <li>• Privacy Notices</li> </ul>	<p>Council is not compliant with the General Data Protection Regulations. The Internal Auditor has noted Council has in place Privacy Notice for Residents Privacy Notice for Staff &amp; Councillors Privacy Notice for New Councillors</p> <p><b>Recommend: The following are put in place</b></p>

	<ul style="list-style-type: none"> <li>• Procedures for dealing with Subject Access Requests</li> <li>• Procedure for dealing with Data Breaches</li> <li>• Data Retention &amp; Disposal Policies</li> </ul>	<p><b>Audit/Impact Assessment</b>  <b>Procedures for dealing with Subject Access Requests</b>  <b>Procedures for dealing with Data Breaches</b>  <b>Data Retention &amp; Disposal Policies</b>  Template documents are available on the SALC website under Information Management.</p>
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Signed: *S.J. Brown*

**Date of Internal Audit Report: 10<sup>th</sup> July 2020**

**On behalf of Suffolk Association of Local Councils**