

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

<b>Name of Council:</b>	BRUNDISH PARISH COUNCIL
<b>Income:</b>	£6,548.76
<b>Expenditure:</b>	£4,284.33
<b>Precept Figure:</b>	£3,860.69
<b>General Reserve:</b>	£2,113.05
<b>Earmarked Reserves:</b>	£6,680.03

## **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 council used an excel spreadsheet for income and expenditure as the basis for the Council's accounting records which provides full accounting details to allow the production of the Statement of Accounts.
	Cash book kept up to date and regularly verified against bank statement	The Cashbook is kept up to date and referenced which provides evidence to support the Council's underlying accounting statements.
	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	The Council's Standing Orders, as seen on the website, are assumed to be those reviewed at the meeting of 18 <sup>th</sup> March 2020 and are based on the Model Standing Orders produced by NALC in 2018 which take into account changes in legislation since those produced in 2013.
	Evidence that Financial Regulations have been adopted and reviewed regularly	The Council's Financial Regulations (FR), also as seen on the website are assumed to be those reviewed at a meeting of 18 <sup>th</sup> March 2019 and are based on the NALC Model FRs as produced in 2016.  <i>Comment: at the next annual review, Council should consider reviewing and adopting the Model Financial Regulations produced by NALC in August 2019.</i>
	Evidence that a Responsible Financial Officer has been appointed with specific duties	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 (FR1.8).
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations have in part been tailored to the Parish Council.  <i>Comment: to ensure that its Financial Regulations are tailored to the Parish Council, Council might want to consider removal of the alternative options for a council and in particular removing the square brackets, thereby eliminating ambiguity.</i>
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	At each full Council Meeting a list of all payments is presented to the meeting with formal approval of such expenditure being shown in the minutes and evidence of such paperwork in the files submitted for internal audit. There is however no identification of the powers used in either the cashbook or minutes other than reference to LGA 1972 s137.  <b>Recommendation: Council should consider noting that it is the responsibility of Councillors to satisfy themselves that they have the appropriate legal power to incur expense and as such might wish to refer to the exact power</b>

		<b>being used to ensure that all financial decisions or payments being made are in accordance with statute and the Council is not undertaking any decisions or payments that are ultra vires.</b>
	Internet Banking transactions properly recorded/approved	Council does not use internet banking for the settlement of its accounts.
	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book. At year-end the reclaimable amount was £35.17.
	Has Council adopted the General Power of Competence and is it being correctly applied?	Council does not use the General Power of Competence.
	S137 separately recorded, minuted and within statutory limits	Payments made under this power for the year under review totalled £160.00 and were made to Brunby Community News.  <i>Comment: Council might wish to note that Section 142 of the Local Government Act 1972 provides the Parish Council with the power to publish information about the council, its services and the services provided in the council's area by other local authorities, government departments, charities and other voluntary organisations.</i>
	Payments of interest in respect of loans, are paid in accordance with agreements	The Council has one Public Works Loan (617 07152) which shows the balance outstanding on 31 <sup>st</sup> March 2020 as £3,504.64.  Payment of interest in the sum of £894.96 was paid during the year in accordance with the schedule of loan repayments seen.
<b>4. Risk Management</b>	Is there evidence of risk assessment documentation?	The Risk Assessment Document for the period 1 <sup>st</sup> April 2019 to 31 <sup>st</sup> March 2019 was considered at a meeting of the Parish Council on 18 <sup>th</sup> March 2020 and covers in general terms the matters which could possibly prevent a smaller relevant body from functioning.
	Evidence that risks are being identified and managed.	Council has identified the risks associated with ensuring that public finances are adequately protected and managed and has taken steps to mitigate such risks.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	General Insurance is in place under a Council Commercial Combined Policy which shows core cover: Business Interruption; Public Liability; Employer's Liability; Office Contents; Libel & Slander; Officials Indemnity; Personal Accident and Legal Expenses. Fidelity Guarantee Cover is £150,000.
	Evidence that insurance is adequate and has been reviewed on an annual basis	There is no minute to show that the Council has reviewed its current insurance cover during the year.

		<i>Comment: in accordance with Proper Practices, Council should ensure that it evidences that it identifies its key risks and has taken steps to manage them in a way which it can justify to a level which is tolerable by transferring the risk and buying in services from specialist external bodies and taking out insurance.</i>
	Evidence that internal controls are documented and regularly reviewed	Whilst Council reviewed the effectiveness of its system of internal control at its meeting of 18 <sup>th</sup> March 2020.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	Council considered the effectiveness of internal audit at its meeting of 18 <sup>th</sup> March 2020.  <i>Comment: Council has noted guidance within the Governance and Accountability Guide which states that by reviewing the terms of reference for internal audit, Council has recognised that the internal audit's function is to test and report to the authority on whether its specific system of internal control is adequate and working satisfactorily.</i>
<b>5. Budgetary controls</b>	Verifying that the budget has been properly prepared, and agreed	The budget for the year 2019/20 in the sum of £5,729.09 was approved by full Council at a meeting of 8 <sup>th</sup> January 2019 with the minutes showing the amount approved.  <i>Comment: Council shows good practise by ensuring that it has followed the recommended key stages as to the budgetary process to be followed for the year:</i> <ul style="list-style-type: none"> <li>• <i>decide the form and level of detail of the budget;</i></li> <li>• <i>assess levels of income;</i></li> <li>• <i>provide for contingencies and consider need for reserves;</i></li> <li>• <i>approve the budget.</i></li> </ul>
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	It was resolved at the above meeting to approve the precept for 2019/20 in the sum of £3,860.69 acknowledging that this would be an increase to the precept of 2.8% (in tax base terms) to help the Parish Council pay for the ever increasing list of items that will not be addressed by cash strapped local authorities.
	Regular reporting of expenditure and variances from budget	Comparisons between budgeted and actual income and expenditure are presented in accordance with Council's Standing Orders. The minutes show that the meeting of 9 <sup>th</sup> January 2020, received the notes and financial reports of the Finance Working Group meeting held 4 December 2019 but no such reports are appended to the minutes nor uploaded to the website.

		<p><b>Recommendation: Council should be aware that a Standing Committee is a Committee with ongoing responsibilities concerning the performance of the statutory powers and functions of the council. A Finance Committee is an example of a standing committee. Council is advised to review the Terms of Reference for the Finance Working Group and consider whether it is appropriate to consider the status of this working group as a Standing Committee and allocate it clear terms of reference and responsibilities.</b></p>
	<p>Reserves held</p> <p>General and Earmarked.</p>	<p>For the year ending 31<sup>st</sup> March 2020 Council had General Reserves of General Reserves of £2,113.05 and Earmarked Reserves of £6,680.03.</p> <p><i>Comment: Council is mindful of the guidance submitted within Proper Practices which states that whilst it is essential that authorities have sufficient Reserves (General and Earmarked (EMR)) to finance both its day to day operations and future plans, it is important, however, given that its funds are generated from taxation/public levies, that such reserves are not excessive. The generally accepted recommendation with regard to the appropriate minimum level of a Smaller Authority's General Reserve is that this should be maintained at between three (3) and twelve (12) months Net Revenue Expenditure. Paragraphs 5.32 and 5.33 of the 2019 Practitioner's Guide provides further guidance in respect of reserves.</i></p>
<b>6. Income controls</b>	<p>Is income properly recorded and promptly banked?</p>	<p>A number of items of income were cross checked against cash book and bank statement and found to be in order.</p> <p><i>Comment: in accordance with Proper Practices, the Responsible Financial Officer ensures that the accounting records contain entries from day to day of all sums of money received.</i></p>
	<p>Is income reported to full Council?</p>	<p>All income received by the parish council is reported and noted in the minutes of each relevant meeting. The RFO ensures that monies received are promptly banked.</p>
	<p>Does the Precept recorded agree to the Council Tax Authority's notification?</p>	<p>The council received precept of £3,860.69 during the year under review.</p> <p><i>Comment: There was a full audit trail from the form submitted to the Charging Authority reflecting the Precept discussed and approved at the meeting of 2<sup>nd</sup> January 2019 through to the items declared in the cashbook and evidence of receipt in the Council's Bank Account.</i></p>

	Are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations (CIL) 2010?	CIL Funds received for the year under review show receipts of £1,401.39 as reported within the financial reports submitted at the meetings of full Council. In accordance with the 2010 Regulations, the Parish Council having received a proportion of CIL funds has ensured that retained balances are transferred into the Earmarked Reserve specifically allocated. Council has understood the requirement to comply with its duty to produce an annual report that details the amount of CIL funds received and spent. The annual report for the year ending 31 <sup>st</sup> March 2020 showing income received expenditure incurred and retained balances was seen on the Council's website.
<b>7. Petty Cash</b>	Is a petty cash in operation?	A petty cash system is not operated by the parish council.
<b>8. Payroll controls</b>	Do all employees have contracts of employment?	Council had 1 employee on its payroll at the period end of 31 <sup>st</sup> March 2020. Employment contracts were not reviewed during the internal audit, but all salary payments are authorised by full council.  <i>Comment: in accordance with Proper Practices, Council has ensured that the remuneration payable to all employees has been approved in advance by the Council.</i>
	Are arrangements in place for authorising of the payroll and payments by the Council? Verifying the process for agreeing rates of pay to be applied.	The payroll function is outsourced and operated within the RTI system. There are suitable payroll arrangements in place which ensures the accuracy and legitimacy of payments of salaries and wages.
	Do salary payments include deductions for PAYE/NIC?	From the cashbook and statements evidence was seen that PAYE taxes due for the year under review were paid across to HM Revenue and Customs in accordance with the required timescales.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	A declaration of Compliance dated 17 <sup>th</sup> June 2020 was verified during the internal audit review.
<b>9. Asset control</b>	Verifying the Council maintains an Asset Register in accordance with proper practises	The Asset Register was reviewed during the Internal Audit Visit for year-end. It is noted that the declared value for all assets at year-end (31.03.2020) was £15,881 as has been declared on the Annual Governance and Accountability Return as signed by the Council on 17 <sup>th</sup> June 2020. All assets have been stated as at the acquisition value and were assets have been gifted or where there is no known value have been given the proxy value of £1.  <i>Comment: Council is mindful of the guidance within the Governance and</i>

		<i>Accountability for Smaller Authorities in England March 2019 which states that the Asset Register should reflect those items listed under insurance and within the Parish Council's remit for maintenance and ownership. It has however ensured that where the acquisition value of the asset at the time of first recording is used, that method of valuation has been consistently applied and if/where amended, it will need to publish and provide explanations in changes in value to any previously recorded assets</i>
	Verifying that the Asset Register is reviewed annually	The Asset Register value was approved by full Council at a meeting of 17 <sup>th</sup> June 2020.
	Cross checking of Insurance cover	Insurance cover was generic across all risks for general contents, playground cover and street furniture to the value as specified on the insurance schedule.
<b>10. Bank reconciliation</b>	Regularly completed and reconciled with cash book	Bank reconciliations are completed on a regular basis and reconcile with the cash sheets.
	Confirm bank balances agree with bank statements	Bank balances agree with period end statements and on 31 <sup>st</sup> March 2020 stood at: £8,793.08 across all accounts held by the Council.
	Regular reporting of bank balances at council meetings	Whilst the minutes show that bank balances, including receipts, were noted by members there is no reporting of the balances held and no verification that the bank reconciliation has been carried out in accordance with proper practices.  <b><i>Recommendation: see outstanding audit matter from 2018-2019.</i></b>
<b>11. Year-end procedures</b>	Appropriate accounting procedures used	Accounts are produced on a receipts and payments basis. All were found to be in order.
	Financial trail from records to presented accounts	There is a clear audit trail from the financial records held to the presented accounts.
	Has the appropriate end of year AGAR documents been completed?	As Council is a smaller authority with gross income and expenditure not exceeding £25,000 it has completed Part 2 of the AGAR which was signed on 17 <sup>th</sup> June 2020.
	Where an authority certified itself exempt in 2018/19, did it meet the exemption criteria and correctly declare itself exempt?	As the Parish Council did not have gross income and expenditure exceeding £25,000 it was able to declare itself exempt from a limited assurance review.  The Certificate of Exemption for the period ending 31 <sup>st</sup> March 2020 was seen on the Parish Council's website.
	During the Summer 2019 did the smaller authority demonstrate that it correctly provided for the exercise of public right as required by the	The Internal Auditor was able to confirm that the details of the arrangements for the exercise of public rights for the period ending 31 <sup>st</sup> March 2019 were on the public website used by the Council.



	Accounts and Audit Regulations?	
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	To comply with the requirements of the Accounts and Audit Regulations 2015 and the Local Audit (Smaller Authorities) Regulations 2015, the following must be published on a public website for the year 2019/20: Certificate of Exemption Section 1 – Annual Governance Statement of the AGAR Section 2 – Accounting Statements of the AGAR Notice of the period for the exercise of public rights and other information required by Regulation 15 (2) Accounts and Audit Regulations 2015. Bank Reconciliation for the period ending 31 <sup>st</sup> March 2020 <b>Analysis of variances</b>
<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	The Internal Auditor's Report for the year ending 31 <sup>st</sup> March 2019 was considered and accepted at the meeting of the Parish Council on 23 <sup>rd</sup> October 2019.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	The following recommendations raised in the report from the internal audit was considered and approved by the parish council: 1. Council should implement a system whereby the bank reconciliations are independently verified by a Councillor - OUTSTANDING 2. Statement to be reconciled at year-end should include balances at 31 March or last working day of the month
	Confirmation of appointment of Internal Auditor	SALC was appointed the Council's Internal Auditor at a meeting of full Council on 17 <sup>th</sup> June 2020.
<b>13. External audit for 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.
<b>14. Additional Comments</b>	Annual meeting - held in accordance with legislation	The Annual Meeting of the Parish Council was scheduled for 15 <sup>th</sup> May 2019 with the first item on the agenda being the election of the Chairman in accordance with the Local Government Act of 1972 15(1).
	Correct identification of trustee responsibilities	The council does not act as a sole trustee.
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	To ensure compliance with the requirements of the Transparency Code for smaller authorities (turnover not exceeding £25,000), Council should note that the following should be published on a public website for the year 2019/20 not later than 1 July: Internal Audit Report List of Councillors and Responsibilities

		<p>Items of Expenditure Above £100 including recoverable and non-recoverable VAT</p> <p>End of Year Accounts</p> <p>Annual Governance Statement</p> <p>Asset Register</p> <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> <p><i>Comment: Council might wish to review the above list and ensure that all items are published in accordance with the Transparency Code 2014.</i></p>
	Verifying that the council is registered with the ICO	The Council is registered with the Information Commissioner's Office (ICO) as a Data Controller. Registration ZA037360 refers.
	Verifying that the Council is compliant with the General Data Protection Regulation requirements	<p>Council is taking steps to ensure compliancy with the GDPR requirements and has produced a Data Protection Policy which covers in general terms the framework that the public can expect for dealing with requests from individuals who have the right to know what data is held on them, why the data is being processed and whether it will be given to any third party. The Privacy Policies on the Council's website provides clarity on what personal data the council processes and for what purposes that data is held along with retention periods.</p> <p><i>Comment: Council should consider expanding the policies held by the Council with reference to the list opposite, which will provide evidence that Council is meeting the requirements of the GDPR.</i></p> <p>Templates for the above can be found on the SALC website:  <a href="https://www.salc.org.uk/advice/informationmanagement/">https://www.salc.org.uk/advice/informationmanagement/</a></p>

Signed: *T S Waples*

On behalf of Suffolk Association of Local Councils

Date of Internal Audit: 07.11.20 & 09.11.20

Date of Internal Audit Report: 09.11.20