

Internal Audit Report

Year ending: 31st March 2020

Name of Council:	BRANTHAM PARISH COUNCIL
Income:	£58,620.07
Expenditure:	£58,170.69
Precept Figure:	£46,863
General Reserve:	£10,000.00
Earmarked Reserves:	£109,297.26

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 uses excel spreadsheets to record the Council's transactions for the year. <i>Comment: Council follows Proper Practices in ensuring that its accounting procedure gives a more accurate presentation of an authority's true financial position by focusing on the balance of economic benefits that it has under its control, rather than just its bank balance.</i>
	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 all were found to be in order.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	At the meeting of 22 ND January 2020, Council carried out an annual review of its own Standing Orders which 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 minutes show that council reviewed their Financial Regulations during the year and that they were updated. It is however noted that those as viewed on the Parish Council's website show that they are based on the 2016 Model Financial Regulations as produced by NALC. <i>Comment: at the next review Council might wish to note that in August 2019, NALC produced the Model 2019 version which reflects recent changes in legislation concerning procurement.</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.
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations have not been tailored to the Parish Council. <i>Comment: to ensure that its Financial Regulations are tailored to the Parish Council, Council should remove the alternative options for a council and in particular remove the square brackets [], thereby eliminating ambiguity. Where values are given for procurement and contract levels, Council should seek to ensure that the sums within its Financial Regulations match those within the Standing Orders.</i>
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	A selection of expenditure items were selected, and cross checked against cash book, invoices and bank statements and as such all were found to be in order. The reports submitted to Council show sums due and sums expended thereby allowing retrospective approval of payments made away from the meetings. <i>Comment: Council has ensured that, in order to have measures that safeguard public</i>

		<i>money, there is a straightforward and clear audit trail for each payment.</i>
	Internet Banking transactions properly recorded/approved	<p>Internet banking is used for the settlement of the Council's obligations in relation to salary payments. It has been confirmed that payments made from this account, against verified documentation, are made by the Clerk to the Council. It is noted that whilst this may be in accordance with Council's FR 6.15, the Internal Auditor has not been able to review the bank mandate held by the bank allowing the Service Administrator to carry out internet payments.</p> <p><i>Comment: Council should be mindful of FR 6.4 "Cheques or orders for payment drawn on the bank account in accordance with the schedule as presented to council or committee shall be signed by [one] two member[s] of council [,and countersigned by the Clerk,] in accordance with a resolution instructing that payment. A member who is a bank signatory, having a connection by virtue of family or business relationships with the beneficiary of a payment, should not, under normal circumstances, be a signatory to the payment in question" and 6.10 " If thought appropriate by the council payment for certain items may be made by internet banking transfer provided evidence is retained showing which members approved the payment."</i></p> <p>Recommendation: Council should therefore consider, in order to show good practice, implementing a system whereby two authorised signatories effect the payments of salaries, including the Clerk's salary and that such evidence is retained showing which Councillors authorised the on-line payments thereby ensuring that there is an effective system in place to reduce the risks of error for such payments. This not only protects the RFO but will fulfil an internal control objective to ensure the safeguarding of public money.</p>
	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book. The year-end period shows VAT due of £1,435.21 which is still to be settled by HM Revenue and Customs. The claim for the year 2018-19 in the sum of £2,695.84 was settled on 10 th June 2019.
	Has Council adopted the General Power of Competence and is it being correctly applied?	At the meeting of 7 th May 2019 Council confirmed that it fulfilled the criteria as described under the Parish Councils (General Power of Competence) (Prescribed Conditions) Order 2012 and being eligible to use the power, resolve to adopt the General Power of Competence.
	S137 separately recorded, minuted and within statutory limits	There were no donations made under this power as Council operates the General Power of Competence.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	The Council has no Public Works Loan and as such incurred no interest payments for the period under review.

4. Risk Management	Is there evidence of risk assessment documentation?	<p>The Risk Assessment Document for the period 1st April 2019 to 31st March 2020 was considered and approved at a meeting of the Finance Committee on 22nd January 2020 and covers in general terms the matters which could possibly prevent a smaller relevant body from functioning.</p> <p><i>Comment: Overall within its Financial Risk Management Document, Council has identified a number of risks to property; finances and personnel and has taken steps to control the risk - all of which are clearly identified within the document as approved by Full Council.</i></p>
	Evidence that risks are being identified and managed.	<p>Council's documents in the main identify the risks associated with ensuring that public finances are adequately protected and managed and has taken steps to mitigate such risks. The documentation of the specific control procedures that have been adopted by the council for payments made by cheques not only protects the RFO but also fulfils an internal control objective. However, it is noted that internet banking operated by the Council for salary payments is not covered in the risk assessment documentation and that the risk is identified for online access to statements only.</p> <p>Recommendation: the Risk Assessment documentation is expanded to cover the specific control procedures that have been adopted by the council for payments of salaries, as identified above.</p>
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	<p>General Insurance cover is in place under a Parish Protect Policy with core cover shown as: Business Interruption; Public Liability; Employer's Liability; Public Liability; Office Contents; Libel & Slander; Officials Indemnity; Personal Accident and Legal Expenses. Fidelity Guarantee Cover is £100,000 which is below recommended guidelines. Insurance cover is also in place to cover the Clubhouse and Village Hall (building and contents).</p> <p>Recommendation: given the current levels of finances, Council should review the appropriate level of fidelity guarantee insurance being held. Council should be aware that all cover should be risk based and should be kept under constant review to make sure it adequately reflects changes in circumstances.</p>
	Evidence that insurance is adequate and has been reviewed on an annual basis	<p>The Finance Committee reviewed the insurance cover during the year under consideration at its meeting of 25th September 2019 and it is noted that at renewal, Council agreed to enter into a three-year long term undertaking.</p> <p><i>Comment: in accordance with Proper Practices, Council has taken steps to manage its key risks in a way which it can justify to a level which is tolerable by transferring the</i></p>

		<i>risk and taking out insurance, and that the review of the insurance cover as carried out by the Finance Committee, has been reported back to the Council and minuted to state that appropriate insurance is in place to help manage the potential consequences of a risk occurring.</i>
	Evidence that internal controls are documented and regularly reviewed	<p>The Finance Committee reviewed the council's internal controls at a meeting of 22nd February 2020.</p> <p>Recommendation: with reference to the Accounts and Audit Regulations 2015, Council should consider expanding the Internal Control Statement to cover the procedures followed for internet banking (vis-a-vis salary payments) to demonstrate that it has understood the requirement to have in place safe and efficient arrangements to safeguard public money.</p>
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	<p>The effectiveness of internal audit was covered within the review of the Statement of Internal Control as approved by the Finance Committee at its meeting of 22nd February 2020.</p> <p><i>Comment: by reviewing the terms of reference for internal audit, Council has followed guidance with the Governance and Accountability Guide and recognises 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></p>
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	<p>The working budget for the year 2019/20 in the sum of £46,863 was approved by full Council at a meeting of 23rd January 2019.</p> <p><i>Comment: Council shows good practice by following the recommended key stages as to the budgetary process to be followed for the year:</i></p> <ul style="list-style-type: none"> <i>• decide the form and level of detail of the budget;</i> <i>• review the current year budget and spending;</i> <i>• determine the cost of spending plans;</i> <i>• assess levels of income;</i> <i>• bring together spending and income plans;</i> <i>• provide for contingencies and consider the need for reserves;</i> <i>• approve the budget;</i> <i>• confirm the precept or rates and special levies; and</i> <i>• review progress against the budget regularly throughout the year.</i>
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The precept was set at £46,863 and formally approved at the above meeting.

	Regular reporting of expenditure and variances from budget	<p>The minutes show that comparisons between budgeted and actual income and expenditure is discussed by the Parish Council in accordance with the timescale as stated in Council's own Standing Orders. The minutes reflect that they have been received and noted with explanations given for variances from budgeted expenditure.</p> <p><i>Comment: Council might wish to consider ensuring that the budget monitoring papers are appended to the minutes to ensure that the information upon which the Council relied to make a financial decision is retained with the appropriate meeting at which that decision was taken.</i></p>
	Reserves held General and Earmarked.	<p>Council's final accounts show general reserves in the sum of £10,000 with earmarked reserves in the sum of £109,297.26. Council should note that within the earmarked reserves are restricted CIL Reserves in the sum of £5,815.62.</p> <p><i>Comment: 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. At the current level, council's general reserves are considered to be on the low side of this range.</i></p>
6. Income controls	Is income properly recorded and promptly banked?	<p>A number of items of income were cross checked against cash book and bank statement and found to be in order. 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 and that monies received are promptly banked.</p>
	Is income reported to full Council?	<p>Income received by the parish council is reported as having been received in accordance with Council's Standing Orders.</p> <p><i>Comment: Council has ensured that, in order to have measures that safeguard public money, there is a straightforward and clear audit trail for receipts and that the minutes reflect income received.</i></p>
	Does the Precept recorded agree to the Council Tax Authority's notification?	<p>The council received precept of £46,863 during the year under review in April and September 2019.</p> <p><i>Comment: Evidence was provided showing the Precept Form signed at the meeting of 15th January 2019 and served on the Charging Authority to receipt of same in the Council's Bank Account.</i></p>

	<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>CIL Funds received for the year under review show receipts of £3,362.76 as reported within the financial reports submitted at the meetings of full Council.</p> <p>Recommendation: In accordance with the 2010 Regulations, the Parish Council having received a proportion of CIL funds should ensure that retained balances are transferred into an earmarked reserve specifically allocated to ensure that Council's obligations under the CIL Regulations are fully understood and complied with.</p> <p>Council is aware of its duty to produce an annual report that details the amount of CIL funds received and spent that details the amount of CIL funds received, spent and retained.</p> <p>The annual report for the year ending 31st March 2020 is still to be produced and Council is aware that it should comply with its duty to upload the annual report onto its website by 31st December 2020.</p>
7. Petty Cash	Is a petty cash in operation?	A petty cash system is not operated by the parish council.
	If so, is there an adequate control system in place.	All expenses claimed are approved by full council with supporting paperwork in place.
8. Payroll controls	Do all employees have contracts of employment?	<p>Council had 3 employees on its payroll at the period end of 31st March 2020. Employment contracts were not reviewed during the internal audit, but all salary payments are authorised by full council.</p> <p><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></p>
	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 operated in accordance with HM Revenue and Customs guidelines. There are suitable payroll arrangements in place which ensures the accuracy and legitimacy of payments of salaries and wages, and associated liabilities and as such the Council has complied with its duties under employment legislation.
	Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	<p>In accordance with Proper Practices, PAYE taxes and employee and employer National Insurance contributions (NIC) are calculated and recorded for every employee.</p> <p>Recommendation: Council should ensure that deductions are paid to HM Revenue and Customs on or before the dates prescribed. It is noted that deductions for the 3rd Quarter of 2019/20 were outstanding at year-end.</p>
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in	Council is aware of its pension responsibilities and has enrolled the Clerk in a pension scheme.

	operation?	<i>Comment: Council should ensure that it records evidence that it has complied with its duties as an employer with regards to automatic re-enrolment and that it has completed and submitted a re-declaration of compliance to the Pension Regulator.</i>
9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises	<p>The Asset Register was reviewed during the Internal Audit Visit for year-end and accurately reflects those items listed under insurance and within the Parish Council's remit for maintenance and ownership. It is noted that the declared value for all assets at year-end (31.03.2020) was £552,475. All assets have been stated as at the acquisition value and where assets have been gifted or where there is no known value have been given the proxy value of £1.</p> <p><i>Comment: Council is mindful of the guidance within the Governance and Accountability for Smaller Authorities in England March 2019 on the valuation of its assets and has 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></p>
	Verifying that the Asset Register is reviewed annually	The Asset Register has been stated on the Accounting Statements of the Council which is still to be signed by Council. Movement between the years is accounted for with the project to upgrade the streetlights that are owned by the Parish Council into LED lights, along with the purchase of new dog litter bins.
	Cross checking of Insurance cover	Content Items (other property) are generic under heading within the All Risks Category and have been given a value in accordance with the insurance policy held.
10. Bank reconciliation	Regularly completed and reconciled with cash book	<p>Bank reconciliations are completed in accordance with Council's Standing Orders and reconcile with the cash sheets although the minutes show that this is not always in time for approval by the Finance Committee.</p> <p><i>Comment: acknowledging that as evidence of good financial practice, Council has implemented a system whereby bank reconciliations are verified by the Chair of the Finance Committee, steps should be taken to ensure that all bank reconciliations are carried out in a timely manner. This not only safeguards the Responsible Financial Officer but also fulfils an internal control objective.</i></p>
	Confirm bank balances agree with bank statements	Bank balances agree with period end statements and as at 31 st March 2020 stand at: £119,297.26 across Council's accounts.
	Regular reporting of bank balances at council meetings	Overall, there is regular reporting of bank balances in relation to expenditure and income within the financial reports submitted to the parish council. However, Council should be mindful that fund transfers within the council's banking arrangements are

		<p>not reported within the reports submitted.</p> <p>Recommendation: in accordance with FR 5.5c, Council should consider expanding the financial reports submitted to council to detail a list of fund transfers within the council's banking accounts and that such transactions are retrospectively approved and signed off by the Chair of Finance - Council's FR 5.5c refers.</p>
11. Year-end procedures	Appropriate accounting procedures used	Accounts are produced on a receipts and expenditure basis. All were found to be in order.
	Financial trail from records to presented accounts	There is an underlying financial trail from financial records to the accounts produced. The end-of-year accounts and supporting documentation were well presented for the internal audit review.
	Has the appropriate end of year AGAR documents been completed?	As Council is a smaller authority with gross income and expenditure exceeding £25,000 it has completed Sections 1 and 2 of Part 3 of the AGAR which were unsigned at the time of internal audit.
	Did the council meet the exemption criteria and correctly declared itself exempt?	As the Parish Council had gross income and expenditure exceeding £25,000 it was not able to declare itself exempt from a limited assurance review.
	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?	The Internal Auditor is able to confirm that the Council correctly provided the details of the arrangements for the exercise of public rights for the period ending 31 st March 2019 and that the statement advertising the period was seen on the council's website.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	<p>The Council has complied with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with income and expenditure exceeding £25,000 but not exceeding £6.5 million for the year ending 31st March 2019 and published the following on a public website:</p> <p>Annual Internal Audit Report from the AGAR</p> <p>Section 1 – Annual Governance Statement of the AGAR</p> <p>Section 2 – Annual Accounting Statements of the AGAR</p> <p>Section 3 – External Audit Report and Certificate.</p> <p>The Annual Internal Audit Report (written)</p> <p>Notice of the period for the exercise of public rights.</p>
12. Internal audit for the year ending 31 March 2019	Verifying that the previous internal audit reports have been considered by the Council	The Internal Auditor's Report for the year ending 31 st March 2019 was considered and reviewed by the Finance Committee at a meeting of 5 th June 2019.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	<p>The following recommendations raised in the report from the internal audit were considered and reviewed by the Finance Committee:</p> <ol style="list-style-type: none"> 1. Annual review of asset register 2. Confirmation of appointment of internal auditor

	Confirmation of appointment of Internal Auditor	SALC was appointed to act as the Parish Council's Internal Auditors at a meeting of the Finance Council on 26 th June 2019 for the year ending 31 st March 2020.
13.External audit for year ending 31 March 2019	Verifying that the external audit report has been considered by the Council	<p>The Limited Assurance Review for the period ending 31st March 2019 was presented to and accepted by Council at its meeting of 4th September 2019.</p> <p><i>Comment: in accordance with Regulation 20 of the Accounts and Audit Regulations 2015, following the completion of an audit, Council has received and considered the audit letter (including Annual Return and Certificate) from the local auditor as soon as reasonably practicable and the minutes reflect that these have been received. The conclusion of the audit along with the certificate was seen on the Council's website.</i></p>
	Verifying that appropriate action has been taken regarding comments raised in	There were no matters that had come to the external auditor's attention that had given cause for concerns that relevant legislation and regulatory requirements had not been met.
14. Additional Comments	Annual meeting - held in accordance with legislation	The Annual Meeting of the Parish Council was held on 7 th 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 the sole trustee for any trusts.
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	<p>Councils with income over £25,000 but under £200,000 will be expected (but are not legally required to do so) to follow the Local Government Transparency Code 2015 (turnover exceeding £200,000).</p> <p><i>Comment: To ensure compliance with the requirements of the Local Government Transparency Code 2015 (turnover exceeding £200,000), the following information should be:</i></p> <p><i>Published quarterly:</i></p> <p><i>Individual items of expenditure that exceed £500</i></p> <p><i>Government Procurement Card transactions</i></p> <p><i>Invitations to tender for contracts over £5,000</i></p> <p><i>Details of contracts that exceed £5,000</i></p> <p><i>Published annually:</i></p> <p><i>Details of all land and building assets</i></p> <p><i>Grants to Voluntary, Community and Social Enterprise Organisations</i></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. Registration No. ZA422381 refers.

	Verifying that the Council is compliant with the General Data Protection Regulation requirements	<p>Whilst Council has considered the main concepts and principles of the General Data Protection Regulations (GDPR) which came into force in May 2018, Council might wish to consider expanding its Data Protection Policy to ensure full compliance with GDPR.</p> <p><i>Comment: Policies that might be considered to ensure compliancy with the GDPR requirements and provide clear responsibilities and obligations of the Council in respect of the collecting, using and protecting of personal information in accordance with the provisions of the GDPR might include: Procedures for dealing with Subject Access Request; Procedure for dealing with Data Breaches; Data Retention & Disposal Policies and BYOD Policies.</i></p>
--	--------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Signed: *Victoria S Waples*

On behalf of Suffolk Association of Local Councils

Date of Internal Audit: 12.07.2020

Date of Internal Audit Report: 15.07.2020