

Internal Audit Report
Year ending: 31st March 2020

Name of Council:	Bradfield St George
Income:	£6343
Expenditure:	£4914
Precept Figure:	£5400
General Reserve:	£6161
Earmarked Reserves:	£9600

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	End-of-year Accounts are prepared on a Receipts and Payments basis and were in good order. The Cashbook is maintained on a Spreadsheet and is very well referenced and includes a note of the power to authorise payments.
	Cash book kept up to date and regularly verified against bank statement	The cashbook is up to date and verified against bank statements.
	Correct arithmetic and balancing	Arithmetic and balancing are in order.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	At the meeting on 11/9/19 up to date NALC model Standing Orders were adopted. Comment: The out of date Standing Orders should be removed from the website.
	Evidence that Financial Regulations have been adopted and reviewed regularly	The up to date NALC Model Financial Regulations were adopted at the meeting on 11/9/19. Comment: The out of date Financial Regulations should be removed from the website.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	It was confirmed in the minutes of the meeting on 11/9/19 that the Clerk had been appointed with effect from 1 July 2019 as Clerk and Responsible Financial Officer.
	Evidence that Financial Regulations have been tailored to the Council	The Financial Regulations have been tailored to the Council.
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	A selection of copies of invoices were checked for the appropriate authorisation. All were found to be in order. The previous clerk had been ill and therefore some items of paperwork were not available.
	Internet Banking transactions properly recorded/approved	N/A

	VAT correctly identified and reclaimed within time limits	VAT is recorded in the cashbook. Evidence seen of reclaim for 1st April 18 to 31/3/19 £141.52. Comment : To be able to reclaim VAT invoices must be payable to the Council.
	Has Council adopted the General Power of Competence and is it being correctly applied?	The General Powers of Competence have not been adopted.
	S137 separately recorded, minuted and within statutory limits	No payments were made under S137.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	N/A
4. Risk Management	Is there evidence of risk assessment documentation?	The audit confirmed the key controls are in place.
	Evidence that risks are being identified and managed.	Control measures are in place to mitigate the risks identified.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Appropriate insurance cover is in place including £10 million of both Public Liability and Employers Liability. Assets are covered under 'all risks' to the value of £10,000. £10,000 of Fidelity Insurance cover which is not in line with the recommended guidelines of year end balances plus 50% of the precept/grants. Recommendation: Council's year end balances plus 50% of precept is £18,462. It is recommended that the fidelity cover is increased to cover this figure.
	Evidence that insurance is adequate and has been reviewed on an annual basis	There is no evidence in the minutes of a review of the insurance. Recommendation: Council should ensure that it fully reviews its insurance policy on an annual basis and any adjustments should be made to cover an up-to-date and accurate asset register and noted in the minutes.
	Evidence that internal controls are documented and regularly reviewed	At their meeting on 1/3/20 the statement of internal controls was approved. Council agreed to review the internal controls before end March 2020 and to report back to the Council.

	Evidence that a review of the effectiveness of internal audit has been carried out during the year	No evidence seen that the council reviewed the effectiveness of their internal audit. Recommendation : Council should include in their minutes that they have reviewed the effectiveness of the internal audit during the year of audit. Statutory guidance from Accounts and Audit Regulations 2015 regulation 5. This item was raised in the internal audit report for 2018/19 and has not been actioned.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	The Council discussed their budget for 2019/20 at their meeting on 13/11/19, however the amount was not noted in minutes. Recommendation : Council should note that budget papers have been prepared for the year in question and note the amount in the minutes.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	There was no evidence that the precept amount was agreed in full Council and clearly minuted as the amount was not recorded in the minutes Recommendation: Council should note that the precept was agreed by full council and the amount of the precept decision clearly noted in the minutes.
	Regular reporting of expenditure and variances from budget	A quarterly financial summary is seen by Councillors but no details are included in the minutes. Comment: The financial summary could be appended to the minutes.
	Reserves held General and Earmarked.	General reserves £ 6161 Earmarked Reserves £ 9,600 Comment: The council should note that if they were completing a return to the external auditor, an explanation where the carried forward (end of year) reserves are greater than twice the income from the Precept, would be required.
6. Income controls	Is income properly recorded and promptly banked?	Income is clearly noted in the cashbook but not in the minutes. financial reports detailing credits and payments are posted on the website. Comments: Financial Reports could be appended to form part of the minutes.

	Is income reported to full Council?	See notes above. The quarterly Financial Reports are approved by Council.
	Does the Precept recorded agree to the Council Tax Authority's notification?	At the Council meeting on 13/11/19 it was agreed that the precept request for 2020/21 of £5,400 would be submitted.
	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?	N/A
	<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 	
7. Petty Cash	Is a petty cash in operation?	No petty cash is in operation.
	If so, is there an adequate control system in place.	
8. Payroll controls	Do all employees have contracts of employment?	C Hibbert was appointed as Clerk and noted in the minutes of 3/7/19. No evidence seen of contract of employment.
	Are arrangements in place for authorising of the payroll and payments by the Council?	2 Councillors check and initial all invoices. No evidence seen in the minutes for agreeing rates of pay.
	Verifying the process for agreeing rates of pay to be applied.	
	Do salary payments include deductions for PAYE/NIC?	PAYE is operated in accordance with HMRC regulations. Regular payments have been made to HMRC
	Is PAYE/NIC paid promptly to HMRC?	

	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	Minutes of 11/9/19 confirmed that the Clerk had been offered the opportunity to join a workplace pension in accordance with current legislation, but had confirmed that she did not intend to accept this offer.
	Are other payments to employees reasonable and approved by the Council?	Other payments to employees are reasonable and approved by the Council.
9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises	The Register complies with the current requirements which provide that each asset should be recorded at a consistent valuation, year-on-year. Assets are displayed at original purchase cost or, where the original purchase price is unknown, at a nominal/community value. The total value of £15,225 has been correctly entered into Box 9 of Section 2 of the AGAR (Annual Return).
	Verifying that the Asset Register is reviewed annually	The asset register was reviewed on 11/9/19.
	Cross checking of Insurance cover	The Council noted at their meeting on 11/9/19 that CAS Business Ltd quote for insurance renewal (£196.56 pa) was considered and unanimously approved subject to Clerk first checking whether any adjustment could be made to reflect the absence of insurable premises and extent of legal cover
10. Bank reconciliation	Regularly completed and reconciled with cash book	The Council shows good practice by regularly completing bank reconciliations which are reconciled with the cash book.
	Confirm bank balances agree with bank statements	Bank balances at 31/3/19 agree with bank statements: Santander £8945.06 Lloyds £7327.48 Total £16272.54 (with £510.90 unrepresented cheques)
	Regular reporting of bank balances at council meetings	Bank balances are reported at Council meetings.
11. Year-end procedures	Appropriate accounting procedures used	Receipts and Payments method of accounting was used.

	Financial trail from records to presented accounts	Financial trail seen from records to presented accounts. Auditor was advised that some items were not passed on from the previous Clerk, however a financial trail was still confirmed.
	Has the appropriate end of year AGAR documents been completed?	Council has completed the certificate of exemption, AGAR Section 1 The Annual Governance Statement and Section 2 The Accounting Statement have been completed.
	Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?	Council meets the qualifying criteria as set out in the Certificate of Exemption and are exempt from sending the completed AGAR to the external auditor for 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 Council provided for the exercise of public rights from 19/7/19 to 6/9/19, however the period for the exercise of public rights did not cover the first 2 weeks (ie the first 10 working days) of July. Recommendation: To allow the Council to positively answer assertion 4 'We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations' the exercise of public rights must cover the first 2 weeks (ie the first 10 working days) of July.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	The publication requirements for the Audit and Accounts Regulations 2015 have been met and information is clearly available on the Council's website.
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 audit report was considered by the Council at their meeting on 19/9/19.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	An action plan in response to the audit report was put in place.
	Confirmation of appointment of Internal Auditor	At their meeting on 11/3/20 the Council appointed SALC as their internal auditor for 2020.

13.External audit for the year ending 31 March 2019	Verifying that the external audit report has been considered by the Council	Council declared itself exempt from external audit.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	N/A
14. Additional Comments	Annual meeting - held in accordance with legislation	The Annual Meeting was held on 15/5/19 with the first item on the agenda being the election of chairman.
	Correct identification of trustee responsibilities	N/A
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	The Internal Auditor was able to confirm that the documents were readily accessible on the Council's webpage.
	Verifying that the council is registered with the ICO	Council is registered with the ICO under reference Z2723879
	Verifying that the Council is compliant with the General Data Protection Regulation requirements Are the following in place: <ul style="list-style-type: none"> • Audit / Impact Assessment • Privacy Notices • Procedures for dealing with Subject Access Requests • Procedure for dealing with Data Breaches • Data Retention & Disposal Policies 	The council is partially compliant with the General Data Protection requirements having published the following documents on their website: Privacy notice, Data and Document retention policy, Subject Access Request, Data Retention Policy and Lawful process for processing data. Recommendation : To be fully compliant the Council should also publish an Audit/Impact Assessment and Procedure for dealing with Data Breaches.

Signed.....*Linda Harley*

Date of Internal Audit Visit28/5/20.....

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On behalf of Suffolk Association of Local Councils