



Internal Audit Report Year ending: 31st March 2019

Name of Council:	Bradfield St George Parish Council
Income:	£5,677.49
Expenditure:	£3,865.49
Precept Figure:	£5,400.00
General Reserve:	£14,332.78
Summary:	<p>For the year 2018-19, the council was effectively without a Clerk who was on long-term sickness. Whilst Council took positive actions to control expenditure, the internal auditor, undertaking the audit on the year ending 31st March 2019, has highlighted a number of weaknesses which demonstrate that the council has failed to accord with proper accounting and governance practices ('proper practices') referenced to in statute.</p> <p><i>It should however be noted that Council, being aware of these weaknesses has appointed a new Clerk/RFO (effective 1st July 2019) who will be producing an audit plan which will take into account measures to ensure that matters raised within this internal audit report and outstanding matters from the internal audit report for 2017/18 are fully considered by the council at the earliest opportunity.</i></p>



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 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 used and clearly annotated to provide details of the council's transactions.
	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 carried out and the cashbook was found to be in order.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	<p>Council carried out a review of its Standing Orders at its meeting of 4th July 2018.</p> <p>Recommendation: during the annual review of its Standing Orders, Council should consider adopting the Model Standing Orders produced by NALC in 2018 which take into account changes in legislation since those produced in 2013 – in particular Procurement; Management of Information and Responsibilities under Data Protection Legislation. This will ensure that its Standing Orders are compliant with changes in legislation.</p>
	Evidence that Financial Regulations have been adopted and reviewed regularly	Council carried out a review of its Financial Regulations at its meeting of 4 th July 2018. The adopted Financial Regulations are based on the NALC model produced in 2016 and are compliant with current legislation.
	Evidence that a Responsible Financial Officer (RFO) has been appointed with specific duties	<p>It is stated that the Council was effectively without a Clerk from May 2018, with Councillors undertaking, to the best of their ability, the role of RFO with limited access to financial records.</p> <p>It is however noted that the employment contract for the Clerk, employed as of 1st July 2019, states that she is also the Responsible Financial Officer.</p> <p><i>Comment: in accordance with proper practises, Council has been mindful that all authorities need to appoint an officer to be responsible for the financial administration of the authority in accordance with section 151 of the Local Government Act 1972.</i></p>
	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations as adopted in July 2016 and reviewed in July 2018 have been tailored to the council.
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	A selection of expenditure items were selected, and cross checked against cash book, invoices, minutes and bank statements and the following is noted: whilst evidence was seen of minutes authorising such payments and cheques

		<p>raised as per the cashbook, there was limited evidence to show that signatories had seen all of the invoices relating to the expenditure incurred. Council should be aware that in order to have measures that safeguard public money, there should be a straightforward and clear audit trail for each payment from the authorising of an expenditure through order, invoice, cashbook, payment authorisation and bank statements.</p> <p>Recommendation: there should be evidence that Councillors have seen the actual invoice/request for payments (initials); that they have authorised the payment (signing of the cheques to be paid lists) and that they have signed the relevant cheque stubs (initials). This is to protect the RFO as well as fulfilling an internal control objective to ensure the safeguarding of public money.</p> <p><i>Comment: in accordance with proper practises, council has responded in the negative to 2 of Section 1 of the Annual Governance Statement 2018/19.</i></p>
	VAT correctly identified and reclaimed within time limits	<p>VAT is identified in the cash book. The claim for the year under review in the sum of £141.52 is still to be submitted.</p> <p>A claim for £178.82 for the period 1st April 2017 to 31st March 2018 was reclaimed during the year under review with an audit trail evidenced.</p>
	Legal Powers identified in minutes and/or cashbook	<p>There is no identification of the powers used in either the cashbook or minutes other than reference to LGA 1972 s137.</p> <p>Recommendation: Council should note 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 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.</p>
	S137 separately recorded, minuted and within statutory limits	<p>Payments made under this power for the year under review totalled £400.00 in the form of a grant to the Village Hall to assist with the running expenses of the hall.</p> <p><i>Comment: Council might wish to minute the use of S137 of the LGA 1972 (as amended by the Local Government and Housing Act 1989 s36) in granting donations noting that it is a capped expenditure and one which gives the</i></p>

		<p><i>Council the power to incur expenditure which in their opinion is in the interests of and will bring direct benefit to their area or any part of it or all or some of its inhabitants. The benefit obtained must be commensurate with the expenditure incurred and the annual expenditure must not exceed the total electorate multiplied by the annual statutory limit per elector.</i></p> <p><i>Payments to the Village Hall might be more appropriately allocated against s19(3) of the Local Government Miscellaneous Provisions Act 1976, s.133 (power to make grants to voluntary organisation that wishes to provide facilities at village halls).</i></p>
	Payments of interest and principal sums in respect of loan	The Council has no Public Works Loan(s).
4. Risk Management	Is there evidence of risk assessment documentation.	<p>There is evidence within the papers submitted for audit, and in the minutes, that the council has carried out an assessment in general terms on the matters which could possibly prevent a smaller relevant body from functioning.</p> <p><i>Comment: in accordance with proper practices Council has carried out risk assessments which have identified and assessed the key risks facing the authority and has provided evidence of the steps taken to control the risk.</i></p>
	Evidence that risks are being identified and managed.	With reference to the Accounts and Audit Regulations, Council carried out an assessment on the financial management of the Council in terms of internal controls, insurance cover and internal audit at the meeting of 4 th July 2018 and produced a checklist which has detailed the management of the risk and actions required to control the risk.
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	<p>Appropriate Insurance cover is in place:</p> <p>Employers Liability £10million</p> <p>Public Liability £10million</p> <p>Fidelity Guarantee £25,000 which is within recommended guidelines of year-end balances plus 50% of the precept for the forthcoming year.</p>
	Evidence that insurance is adequate and has been reviewed on an annual basis.	<p>Whilst Council renewed its insurance there is no minute to reflect that an annual review took place.</p> <p><i>Comment: In accordance with Council's Financial and Management Internal Controls, the Council might wish to formally record that a review of the insurance cover has been completed and appropriate insurance is in place to help manage the potential consequences of a risk occurring.</i></p>

	Evidence that internal controls are documented and regularly reviewed	<p>There was no minute stating that the Council's internal controls had been reviewed and that they were effective for the Parish Council.</p> <p>Recommendation: In accordance with the Accounts and Audit Regulations 2015, Council should formally document its internal controls and review the effectiveness of its system of internal control on an annual basis which should include the consideration that its systems of internal controls are adequate, effective and wholly appropriate for the affairs of the Council.</p> <p><i>Comment: in accordance with proper practises, council has responded in the negative to 2 of Section 1 of the Annual Governance Statement 2018/19.</i></p>
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	<p>There was no minute to show that the Council had carried out a review of the effectiveness of internal audit.</p> <p>Recommendation: in accordance with the Accounts and Audit Regulations 2015, should take steps to ensure that it reviews the scope of Internal Audit within its risk assessment on an annual basis.</p> <p><i>Comment: in accordance with proper practises, council has responded in the negative to 6 of Section 1 of the Annual Governance Statement 2018/19.</i></p>
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	<p>The budget for the year 2018-2019 was discussed at the meeting of 3rd January 2018 but there is no minute to show the actual budget set. Budget papers seen within the files submitted for internal audit show a budget of £5,970 was set.</p> <p><i>Comment: Council should consider formally minuting the budget that has been set which will provide the basis for monitoring progress during the year by comparing actual spending against planned spending.</i></p>
	Verifying that the Precept amount has been agreed in full Council and clearly minuted.	<p>The precept in the sum of £5,400 was agreed at the same meeting with the amount being evidenced in the minutes seen.</p>
	Regular reporting of expenditure and variances from budget	<p>There was no reporting of progress against budget during the year under review.</p> <p>Recommendation: As per Proper Practises, Council should be aware that one of the key stages in the production of the Council's budget is the review of progress against the budget regularly throughout the year. Council should</p>

		be mindful of its own Standing Order 17c which requires the RFO to supply, on a quarterly basis a statement which summarizes: the receipts and payment for each quarter; the aggregate receipts and payments for year to date; balance held at the end of each quarter being reported and which includes a comparison with the budget for the financial year and highlights any actual or potential overspends.
	Reserves held.	Council's final accounts show general reserves in the sum of £14,332.78. <i>Comment: Council should be mindful that Proper Practices advise that smaller authorities have no legal powers to hold revenue reserves other than those for reasonable working capital needs, or for specifically earmarked purposes. Council might wish to consider whether it might be beneficial to review its general reserves and consider splitting them out between restricted (capital) reserves, earmarked and general reserves.</i>
6. Income controls	Is income properly recorded and promptly banked?	Income is entered into the cashbook on the date of receipt and banked in accordance with the Council's financial procedures.
	Is income reported to full Council?	There is no reporting of income received to council. <i>Comment: see recommendation under Budgetary Controls above.</i>
	Does the Precept recorded agree to the Council Tax Authority's notification?	Whilst there is evidence that the monies paid into the council's bank account equalled the precept set, there is no full audit trail from precept being served on the charging authority to remittance advice showing both instalments of the precept paid and receipt of same in the council's bank accounts.
7. Petty Cash	Is a petty cash in operation?	Council does not operate petty cash.
8. Payroll controls	Do all employees have contracts of employment?	The new Clerk's Contract of Employment, effective 1 st July 2019, was verified at the Annual Internal Audit as carried out on 20 th July 2019.
	Are arrangements in place for authorising of the payroll and payments by the Council?	PAYE is operated in accordance with HM Revenue and Customs guidelines. SALC is contracted to carry out the payroll function.
	Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	PAYE is operated in accordance with HM Revenue and Customs guidelines however it was noted that during 2018-2019, Council had PAYE liabilities during the year which incurred interest due to late payment.

		<i>Comment: council should take steps to ensure that all sums due to HM Revenue and Customs are made in accordance with the agreed timescales.</i>
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	The internal auditor was unable to verify that a declaration of compliance was in place with the Pensions Regulator and notes that the minutes of the meeting of 2 nd May 2018 state that that this matter is ongoing. <i>Comment: Council should ensure that it records evidence that it has complied with its duties as an employer with regards to automatic enrolment and that it has completed and submitted a declaration of compliance to the Pension Regulator.</i>
	Are other payments to employees reasonable and approved by the Council?	All expenses paid are against itemised invoices submitted to the Council.
9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises	An Asset Register is maintained and covers the fixed assets owned by the Council. Council has assets recorded as totalling £15,057 which shows no movement for the year under review. At year-end the asset register is maintained in accordance with proper practices.
	Verifying that the Asset Register is reviewed annually	The Asset Register for the period ending 31 st March 2019 was approved by the Council at its meeting of 17 th July 2019 but there is no evidence to show that the asset register was reviewed during 2018-2019.
	Cross checking of Insurance cover	A number of items as listed under the Asset Register were reviewed against items under insurance. <i>Comment: the RFO might wish to consider implementing an annual review of the asset register which will include reporting back to Council that a review of the insurance cover has been completed and appropriate insurance is in place to help manage the potential consequences of a risk occurring.</i>
10. Bank Reconciliations	Regularly completed and reconciled with cash book	There is no reporting of bank balances at each meeting and no evidence to show that bank reconciliations are carried out other than at year-end. Recommendation: to ensure good financial practice, Council should implement a system whereby the bank reconciliation is carried out in accordance with council's own standing orders and independently verified by a Councillor which not only safeguards the Responsible Financial Officer but also fulfils an internal control objective.

	Confirm bank balances agree with bank statements	The year-end bank statements agree with the cash-book reconciliation: overall balance of £14,322.78. Community Account: £9,904.25 Deposit Account: £4,428.53
11. Year-end procedures	Appropriate accounting procedures used	Council operates on a Receipts and Payments basis.
	Financial trail from records to presented accounts	There is basic agreement between the Accounting Statements and the underlying final records as reproduced.
	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. The smaller authority has completed the following pages which were signed and authorisation by full Council at a meeting of 17 th July 2019: Exemption Certificate Governance Statement Accounting Statements
	Where an authority certified itself exempt in 2017/18, 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 2017/18, it was able to certify itself as an exempt authority which was confirmed at a meeting of council on 29 th May 2018.
	Was there the opportunity provided for the exercise of electors' rights?	The Internal Auditor was not able to find the details of the arrangements for the exercise of public rights for the period ending 31 st March 2018 on the public website used by the Council.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015, the Local Audit (Smaller Authorities) 2015 and the Transparency Code for Smaller Authorities	The Council has not complied with the publication requirements for smaller authorities with income and expenditure not exceeding £25,000. Recommendation: in accordance with the Accounts and Audit Regulations 2015, Council should ensure that the all of the following are published on its website for the year 2018/2019: Annual Internal Audit Report of the AGAR Section 1 – Annual Governance Statement of the AGAR Section 2 – Accounting Statements of the AGAR Certificate of Exemption

		Analysis of variances Bank reconciliation Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.
12. Internal audit for the year ending 31 March 2018	Verifying that the previous internal audit reports have been considered by the Council	Council failed to consider the Annual Internal Audit Report during the year under review. <i>Comment: in accordance with proper practises, council has responded in the negative to 7 of Section 1 of the Annual Governance Statement 2018/19.</i>
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	The following matters were raised in the internal audit for 2017 – 2018 and will form part of an audit plan to be submitted by the RFO to council: 1. Evidence that an RFO has been appointed 2. Evidence of the Legal Powers to pay identified in the minutes 3. Annual review of insurance against asset register 4. Annual review of effectiveness of internal audit 5. Quarterly receipt of financial reports 6. Annual review of asset register 7. Annual review of general reserves held 8. Publication in accordance with the Accounts and Audit Regulations 2015 9. Progress towards compliance with General Data Protection Regulations
	Confirmation of appointment of Internal Auditor	The appointment of SALC as the Internal Auditor was confirmed by full Council at its meeting of 2 nd May 2018.
13. External audit for the previous year	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.
14. Additional Comments	Annual meeting - held in accordance with legislation	The Annual Meeting was held on 2 nd May 2018 with the Election of the Chair being the first item on the agenda in accordance with the 1972 Act.
	Minutes - signed and held in accordance with legislation	The minutes submitted for internal audit were not signed nor were they consecutively numbered and were headed up APP Draft Mins. <i>Comment: in accordance with the Local Government Act 1972 Schedule 12 para 41 (1), Council should follow guidance which states that loose-leaf</i>

		<p><i>minutes are consecutively numbered and initialled by the person signing the minutes at the time of signature.</i></p> <p><i>It is noted that this will be corrected once the new Clerk, employed effective 1st July 2019, is in possession of previous minutes to ensure the page numbers reflect a complete audit trail.</i></p>
	Minutes – treatment of apologies	<p>The signed minutes submitted for internal audit merely record apologies received but do not state whether the apologies have been accepted by council.</p> <p><i>Comment: council should be aware that a councillor cannot continue in office if he/she fails to attend a meeting of the whole council for a period of six consecutive months and the reason for the absence has not been formally approved before the expiry of the six-month period (LGA 1972 s85).</i></p>
	Correct identification of trustee responsibilities	The Parish Council does not act as sole trustee for any Trust Funds.
	Verifying that the council is registered with the ICO	<p>During the year under review the Council was registered with the Information Commissioner’s Office (ICO) as a Data Controller - expiry dated June 2019.</p> <p><i>Comment: Council is aware that its registration has lapsed and is in the process of renewing.</i></p>
	Verifying that the Council is compliant with the General Data Protection Regulation (GDPR) requirements	<p>Council has taken limited steps to ensure compliancy with the GDPR requirements.</p> <p><i>Comment: Council might wish to record the completion of the following documents which will be needed to evidence compliance with legislation:</i></p> <p><i>Personal Data Audit - to ascertain the data the council is processing, what it is used for, where it is located and who has access to it.</i></p> <p><i>Data Protection Impact Assessment - a description of the processing and purpose of the processing which will identify any risks to the personal data, the rights and freedoms of individuals, and the measures and safeguards implemented to mitigate these risks.</i></p> <p><i>Subject Access Request Policy & Subject Access Procedure Policy – to provide the framework for dealing with requests from individuals who have the right</i></p>

		<p><i>to know what data is held on them, why the data is being processed and whether it will be given to any third party.</i></p> <p><i>Council should also ensure that a Privacy Policy, covering 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, is uploaded onto the website. Council has taken positive steps to ensure compliancy with the GDPR requirements and is monitoring matters to ensure the process is managed at all times.</i></p>
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Signed *V S Waples*

On behalf of Suffolk Association of Local Councils

Date of Internal Audit: 20.07.2019

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