



Internal Audit Report
Year ending: 31st March 2020

Name of Council:	Bradfield Combust with Stanningfield
Income:	£14507
Expenditure:	£12104
Precept Figure:	£13159
General Reserve:	£0
Earmarked Reserves:	£0

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	An excel spreadsheet is used to record all receipts and payments. It is well referenced.
	Cash book kept up to date and regularly verified against bank statement	The cashbook is up to date to 31/3/20 and verified against bank statements.
	Correct arithmetic and balancing	Arithmetic and balancing were found to be in order.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	Standing Orders were adopted by the Council on 23/3/20. They are not the NALC model Standing Orders. Recommendation: To adopt the Standing Orders 2018 issued by NALC which incorporate or reference the requirements of new legislation that has been introduced, including amendments to the Local Government Act 1972, the Local Government (Transparency Requirements), Public Contracts Regulations and changes to Data Protection Legislation.
	Evidence that Financial Regulations have been adopted and reviewed regularly	Up to date NALC model Standing Orders were adopted by the Council on 23/3/20.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	The Council minuted the appointment of the Clerk as the RFO on 13/5/19 and again when a new Clerk was appointed on 30/9/19.
3. Payment controls	Evidence that Financial Regulations have been tailored to the Council	Financial Regulations have been partly tailored to the Council but the square brackets [] showing alternative options have not been removed. Comment: to avoid any confusion the Council should fully tailor their financial regulations to the Council and delete the option in the square brackets, that they are not using.
	Supporting paperwork for payments, and appropriate authorisation	A sample of payments were examined and found to be in order with a full audit trail evidenced

	<p>Internet Banking transactions properly recorded/approved</p> <p>VAT correctly identified and reclaimed within time limits</p> <p>Has Council adopted the General Power of Competence and is it being correctly applied?</p> <p>S137 separately recorded, minuted and within statutory limits</p> <p>Payments of interest and principal sums in respect of loans, are paid in accordance with agreements</p>	<p>Council made payments to 3 Churches on 25/11/19 for maintenance/grass cutting, which Parish Council's do not legally have the power to do. However, the Council then noted in their minutes of 20/1/20 the NALC briefing on payments to churches, which assumes they are now aware of which payments can be made.</p> <p>Internet banking is not used.</p> <p>VAT is recorded separately in the cashbook. The new Clerk has advised that the VAT reclaim for 19/20 is being submitted.</p> <p>The Council adopted the General Power of Competence at their meeting on 23/5/19 and it is being correctly applied to authorise payments.</p> <p>Council have adopted the General Power of Competence which overrides payments made under S137.</p> <p>The Council does not have any loans.</p>
<p>4. Risk Management</p>	<p>Is there evidence of risk assessment documentation?</p> <p>Evidence that risks are being identified and managed.</p> <p>Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.</p>	<p>The audit review confirmed that the assessments provide a comprehensive analysis of the risks faced by the Council and the control measures in place to mitigate the risks identified.</p> <p>Risk Assessments are being identified and managed. It was minuted on 29/7/19 that the risk assessment and insurance for the bike event was confirmed.</p> <p>Council is responsible for play equipment and has shown good practice by having a monthly independent inspection by West Suffolk Council. This is noted in the minutes.</p> <p>Appropriate insurance cover is confirmed on the internal control document. No evidence seen of amounts for Public and Employers Liability.</p> <p>Comment: Council should check that £10 million of cover for Public and Employers Liability is held with appropriate fidelity insurance.</p>
	<p>Evidence that insurance is adequate and has been reviewed on an annual basis</p>	<p>This item is covered under the internal control document that was reviewed in March 2020.</p>

	Evidence that internal controls are documented and regularly reviewed	Completed internal control document seen dated March 2020.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	No evidence seen that an annual review of the effectiveness of the internal audit has been undertaken. 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.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	At their meeting on 21/1/19 the budget for 2019/20 was agreed but no amount was noted in the minutes. Comment: Council should note the amount precepted in the minutes and include a budget to support the amount requested.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The precept was agreed in full Council and has been clearly minuted, however the amount was not. See note above.
	Regular reporting of expenditure and variances from budget	Quarterly reports of expenditure and variances from budget are received from the RFO. The Council monitors actual performance against its budget during the year, taking corrective action where necessary.
	Reserves held	No reserves are held. However the Council has end of year balances of £15,157 so may like to consider transferring some of these into General and/or Earmarked reserves.
6. Income controls	General and Earmarked.	
	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?	Income is not always noted in the minutes. Recommendation: To ensure the Councillors are fully aware of the financial position of the Council, all items of income, expenditure and bank transfers should be noted in the minutes.

	<p>Does the Precept recorded agree to the Council Tax Authority's notification?</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>The precept recorded agrees to West Suffolk Council's precept demand for £13129.</p> <p>No amounts from CIL have been received.</p>
<p>7. Petty Cash</p>	<p>Is a petty cash in operation?</p> <p>If so, is there an adequate control system in place.</p>	<p>The Council does not use petty cash.</p> <p>N/A</p>
<p>8. Payroll controls</p>	<p>Do all employees have contracts of employment?</p> <p>Are arrangements in place for authorising of the payroll and payments by the Council?</p> <p>Verifying the process for agreeing rates of pay to be applied.</p> <p>Do salary payments include deductions for PAYE/NIC?</p> <p>Is PAYE/NIC paid promptly to HMRC?</p> <p>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?</p>	<p>Contracts of employment were not supplied to the audit team.</p> <p>The payroll is managed by SALC and authorised by the Council with amounts being minuted at each meeting.</p> <p>PAYE is operated in accordance with HM Revenue and Customs guidelines.</p> <p>At the meeting on 20/1/20 a letter confirming compliance from the Pensions Regulator was noted.</p>

	Are other payments to employees reasonable and approved by the Council?	All other payments to employees are reasonable and approved by the Council, noted in the minutes.
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 £374,730 has been correctly entered into Box 9 of Section 2 of the AGAR (Annual Return).
	Verifying that the Asset Register is reviewed annually	It was minuted that the asset register was reviewed on 23/3/20.
	Cross checking of Insurance cover	Insurance was in place for the year of accounts and the insurance has been cross checked against the asset register.
10. Bank reconciliation	Regularly completed and reconciled with cash book	The bank reconciliation reconciles with the cashbook and AGAR figures. The date on the reconciliation is 29/2/20. Comment: Information required on the Annual Bank Reconciliation is included in Governance and Accountability for Smaller Authorities in England with an example document under appendix 1. The annual bank reconciliation should be dated 31/3/20.
	Confirm bank balances agree with bank statements	The bank balance on the end of year reconciliation of £15156.79 agrees to the bank statement.
	Regular reporting of bank balances at council meetings	Bank balances are reported at Council meetings.
11. Year-end procedures	Appropriate accounting procedures used	End-of-year Accounts are prepared on a Receipts and Payments basis and were in good order.
	Financial trail from records to presented accounts	A financial trail from records to present accounts has been confirmed.
	Has the appropriate end of year AGAR documents been completed?	Section 1 The Annual Governance Statement and Section 2 The Accounting Statement have been completed. Comment : The figures in boxes 7 and 8 of the AGAR for 31/3/2019 are different and no explanation has been provided.

	<p>Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?</p> <p>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?</p>	<p>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.</p> <p>The authority demonstrated that it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations from 1st to 31st July 2019.</p>
<p>12. Internal audit for the year ending 31 March 2019</p>	<p>Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015</p> <p>Verifying that the previous internal audit reports have been considered by the Council</p> <p>Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit</p> <p>Confirmation of appointment of Internal Auditor</p>	<p>The publications requirements have been met in accordance with the Audit and Accounts Regulations of 2015.</p> <p>Council noted in their minutes of 17/6/19 that the internal audit report was considered by the Council.</p> <p>Most actions recommended in the internal audit report have been acted on.</p> <p>The council have noted in their internal control document that SALC is the internal auditor. Comment: It is good practice to minuted annually the appointment of the internal auditor for that audit year.</p> <p>Council has declared itself exempt from the external audit.</p>
<p>13. External audit for the year ending 31 March 2019</p>	<p>Verifying that the external audit report has been considered by the Council</p> <p>Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit</p>	<p>N/A</p>
<p>14. Additional Comments</p>	<p>Annual meeting - held in accordance with legislation</p>	<p>The Council held its annual meeting on 3/5/19, with the election of Chair being the 3rd item on the agenda.</p>

		<p>Recommendation: The first item on the agenda for the Council's AGM should be the election of the Chair.</p>
	<p>Correct identification of trustee responsibilities</p>	<p>The Council has no trustee responsibilities.</p>
	<p>Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation</p>	<p>Council is aware that they must publish the following items on their website. Some information has been lost when the host was changed.</p> <p>The Council must publish on a public website as required by the Accounts and Audit Regulations 2015, the Local Audit (Smaller Authorities) Regulations 2015 and the Transparency Code</p> <p>for Smaller Authorities the following documents:</p> <ul style="list-style-type: none"> • Certificate of Exemption, page 3 • Annual Internal Audit Report 2017/18, page 4 • Section 1 – Annual Governance Statement 2017/18, page 5 • Section 2 – Accounting Statements 2017/18, page 6 • 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. <p>Recommendation: The new Clerk will ensure the appropriate information is added to the website.</p>
	<p>Verifying that the council is registered with the ICO</p>	<p>The Council is registered with the ICO under reference Z2743993.</p>
	<p>Verifying that the Council is compliant with the General Data Protection Regulation requirements</p> <p>Are the following in place:</p> <ul style="list-style-type: none"> • Audit / Impact Assessment • Privacy Notices • Procedures for dealing with Subject Access Requests • Procedure for dealing with Data Breaches 	<p>The Council is partially compliant with the General Data Protection Regulation requirements having published a Data Protection Policy and a Privacy Notice.</p> <p>Recommendation: to be fully compliant the Council needs to adopt and publish the following documents:</p> <ul style="list-style-type: none"> • Audit / Impact Assessment • Procedures for dealing with Subject Access Requests • Procedure for dealing with Data Breaches

• Data Retention & Disposal Policies

• Data Retention & Disposal Policies

Signed.....*Linda Hardy*.....

Date of Internal Audit Visit3/6/20.....

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On behalf of Suffolk Association of Local Councils