



## Internal Controls v.2

Adopted	June 2020
Minute Reference	20/086/FPC
Review Date	December 2020

# Adequate and Effective Systems

## Review of Effectiveness

The authority has responsibility under regulation 5(1) *the Accounts and Audit Regulations 2015*, for conducting, at least annually, a review of the effectiveness of the system of internal control. The review is informed by the work of:

- The Council and its Committees (if applicable)
- The Clerk/Responsible Finance Officer
- The Internal Auditor
- The External Auditor

Annual review of the control systems enables the council to accurately complete the section 2 of the Annual Governance and Accountability return (AGAR).

*" we maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed it's effectiveness'*

## The Effectiveness of the System of Internal Control

The system of internal controls at Nash Mills Parish Council currently consists of:

1. Appointment of Clerk and Responsible Financial Officer
2. Adoption of Code of Conduct for Members and employees
3. Standing Orders and Financial Regulations
4. Adoption of Financial and Management risk assessment
5. Asset Register and annual review of accuracy.
6. Annual review of effectiveness of internal controls (December annually)
7. Annual review of the effectiveness of the internal auditor (May annually) **but also required in January 2020 to bring schedule up to date.**
8. Review of internal audit arrangements and implementation of any recommendations.
9. Review of the audit plan calendar (*appendix 1*)
10. Terms of Reference for the Internal Auditor (*appendix 4*)
11. Safe and efficient arrangements to safeguard public money
12. Regular scrutiny of financial records and proper arrangements for the approval of expenditure
13. Procedures in place to ensure that direct debits and standing orders are approved by Council
14. Adherence to the internal financial control systems detailed in the financial regulations and the attached appendix (*appendix 2*)
15. Scrutiny of calculations provided by payroll provider
16. Regular employer returns to HM Revenue and Customs
17. Completion of quarterly vat return and the RFO ensuring they are up to date in matters of VAT and other taxation issues as necessary

18. Regular budget monitoring statements provided to council
19. Preparation and dissemination of regular financial reports comparing actual expenditure against forecasts
20. Regular review of such reports by officers, and by members in Committee and Council.
21. Procedures for dealing with and monitoring the Council's Grants scheme.
22. Minutes properly numbered with a master copy kept in safekeeping
23. Procedures for document receipt, circulation, response, handling and filing
24. Procedures in place for recording and monitoring Members' Interests and Gifts and Hospitality received.

### **Scope and Responsibility**

Nash Mills Parish Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. In discharging this overall responsibility, Nash Mills Parish Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

### **Purpose of the Systems of Internal Control**

The system of internal control is designed to manage risk at a reasonable level rather than to eliminate all risks of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them effectively and economically.

### **Supporting Documents (available on request)**

*Appendix 1 Audit Plan Calendar*

*Appendix 2 Payment & Financial Controls Summary*

*Appendix 3 Review of the Effectiveness of the Internal Auditor*

*Financial Regulations*

*Financial and Management Risk Assessment.*

*JPAG 2019*

Appendix 1

**Audit Plan Calendar**

<b>Item</b>	<b>Month</b>
Council to approve terms of reference for Internal Auditor	January
Council to Appoint internal auditor	January
Council to review financial and management risk assessment.	January/May
Council to complete annual return	April/May
Internal Auditor to receive all accounts for the year end	May
Council to review any issues raised by auditor	May-July
Council to review that audit has been carried out in line with recommended practise (ethically and with integrity and objectivity)	May-July
Council to send annual return to external auditor	May-June
Electors able to exercise their rights	June/July
Council to review effectiveness of internal control	June
Councillors to receive report from external auditors	Sept
Council to review financial systems and control	December
Council to review audit plan	December
Council to review Financial Regulations	December
Please note that due to the Covid-19 crisis some of these timescales may be extended	

## *Appendix 2*

### **Payment & Financial Controls Summary**

1. Regular payments to be made via direct debit or standing order (salaries, garage rental, hall rental, clerk mobile, ICO subscription, Quikbooks subscription).
2. Annual sign off of DD payments by resolution.
3. All other payments to be made by online payment in the first instance, however our financial regulations allow for alternative methods of payment should the need arise.
4. Verification of new supplier's bank details to be obtained by the clerk with a test payment and a call back if deemed necessary.
5. The parish clerk holds authority to set up payments from Lloyds bank ready for authorisation by two other Cllrs.
6. All cheques or bank letters to be signed by Clerk plus two Cllrs.
7. Any signatory given online access agrees not to share password information.
8. Clerk to provide a monthly schedule of payments to be made to support the online banking authorisation.
9. Clerk to text Cllr 1 once all payments are loaded and ready to be authorised.
10. Cllr 2 to be notified once this first stage is completed.
11. Clerk to be advised once submission is complete.
12. Clerk to complete bank reconciliation to ensure that payments tally with monthly schedule of agreed payments.
13. Clerk to send a remittance advice to the supplier.
14. Monthly payment reports and budget reports to be provide to all Cllrs.
15. Additional sign off to be completed by an alternative Cllr periodically to prevent fraud.
16. Clerk to mark all invoices as paid once remittance has been sent.
17. Clerk to update financial spreadsheets once bank reconciliation has been finalised.

Appendix 3

**Review of Effectiveness of Internal Audit and Auditor (last reviewed Dec 2020 20/010/FPC)  
Agenda item June 2020**

<b>Meeting the standards</b>		
<b>Expected Standard</b>	<b>Evidence of Achievement</b>	<b>Is this standard achieved/needs</b>
1. Scope of internal audit	Scope of audit work takes into account risk management processes and wider internal control. Terms of reference and financial regulations define responsibilities in relation to preventing fraud. NMPC appointed Phillip Roden @ Etaerio for 2019/20audit Minute ref <b>20/011/FPC</b>	Need to approve auditor for 2020/21 later in 2020
2. Independence	Internal Auditor has direct access to RFO. Reports are made in own name to management. Auditor does not have any other role within the council.	yes
3. Competence	No evidence that internal work has not been carried out ethically, with integrity and objectivity. Internal auditor familiar with governance processes and accounting regulations for parish councils Qualification: ICAEW	Yes (previous experience on DBC audit panel when it was all audited by DBC before it was disbanded). Has been NMPC auditor for a number of years.
4. Relationships	Clerk/RFO and councillors are consulted on the internal audit plan and on the scope of each audit. Responsibilities for officers and internal audit are defined in relation to internal control, risk management and fraud and corruption matters.	Yes, during review of internal control audit plan is discussed. Clerk and the majority of Cllrs have attended training this year.

	The responsibilities of council members are understood, and training carried out as necessary.	
5. Audit Planning and reporting	The audit is a feature of a wider plan with regards to internal control. Policy and procedural reviews and Monthly reports and strong internal control procedures embed this approach within NMPC.	An annual audit plan is now in place (agreed with internal control policy at December meeting) The review of Internal control is now in place (December 2019) With a new Clerk/ RFO in place a rolling programme of policy, procedural and risk assessment reviews is being undertaken to ensure that the policies and procedures adopted are compliant and current.
<b>Characteristics of Effectiveness</b>		
<b>Expected Standard</b>	<b>Evidence of Achievement</b>	<b>Is this standard achieved/needs</b>
Internal audit work is planned	Planned internal audit work is based on risk assessment and designed to meet the body's governance assurance needs.	Yes plan in place and terms of reference/ letter of engagement to be agreed by council.
Understanding the whole organisation its needs and objectives	The annual review demonstrates how audit work will provide assurance in relation to the body's annual governance statement.	yes
Be seen as a catalyst for change	Supportive role of audit for corporate developments such as corporate governance review, risk management and ethics.	yes
Add value and assist the organisation in achieving its objectives	Demonstrated through positive management responses to recommendations and follow up action where called for.	Yes. Copy of report with the recommendations to be circulated once revised and council to be update in full prior to next audit being instructed.
Be forward looking	When identifying risks and in formulating the annual internal control plan, changes on national agenda are considered. Internal audit maintains awareness of new developments in the	Yes, Clerk regularly receives updates from advisory services regarding changes to procedural templates or regulations.

	services, risk management and corporate governance.	
Be challenging	Internal audit focuses on risks and encourages members to develop their own responses to risks, rather than relying solely on audit recommendations. The aim of this is to encourage greater ownership of control environment.	yes
Ensure the right resources are available	Adequate resource is made available for internal audit to complete its work. Internal auditor understands the body and the legal and corporate framework in which it operates.	Last year a much more detailed audit took place as the clerk was new in post with no handover. Rigorous systems have now been implemented in line with auditors recommendations. These systems will be reviewed in light of any finding from this year's audit.

To Be Attached.

Appendix 1 – Internal Auditor report 2019/20

Appendix 2 – External Auditor report 2019/20

Appendix 3 - Annual Governance Pages 2019/20

Appendix 4 – Clerk report on status of actions re recommendations.



## *Appendix 4*

### ***Terms of Reference for Internal Auditor***

The purpose of internal audit is to review and report to Nash Mills Parish Council on whether its systems of financial and other internal controls over its activities and operating procedures are effective. Internal audit is an independent, objective, assurance activity designed to improve the council's operations.

NMPC engages with Etaerio for the purposes of an internal audit service which is reviewed on an annual basis.

### **Roles and Responsibilities**

Etaerio will conduct the internal audit work for your council in relation to the 2020 Annual return and such subsequent annual returns as required by the council.

The work undertaken will specifically relate to the Annual Internal Audit Report and aiding the Council to fulfil its obligations under section 1 of the Annual Return. In conducting this work, we will comply with the requirements of

- 'Governance and Accountability for Local Councils- A Practitioners' Guide (England)'
- The Accounts and Audit (England) Regulations 2015 (as amended)
- Such other guidance and best practise that may be prevailing from time to time.

Additional internal audit work in relation to the Council's obligations under the regulations may also be undertaken by separate agreement.

### **Audit Planning**

Etaerio will plan our audit with due care to ensure that the appropriate level of resources is made available to conduct our work, and that the council can meet its statutory reporting obligations.

### **Reporting**

Etaerio will prepare a summary report on areas of non-compliance where such non-compliances are limited in nature and result in an unqualified internal audit report. Where it may be necessary to qualify an internal audit report, we shall prepare a detailed report on these areas on non-compliance that have led to a qualification.

Where necessary Etaerio will attend council meetings to discuss the audit report and findings and reserve the right to charge an additional fee should this service be required. This fee will be agreed in advance of any such meeting.

### **Independence and Correspondence**

Etaerio will ensure that staff conducting, and supervising audits are appropriately trained and qualified for the level of work undertaken. We will ensure that we maintain independence from the day to day activities of the council and we will not provide any additional consultancy or advisory services to the council which may compromise our audit independence.

**Access to information and Officers.**

In order to facilitate completion of the audit work NMPC will ensure that all documents are provided in a timely manner subject to reasonable notice being given. NMPC will ensure that access to documents and staff members is granted as appropriate and necessary.

**Remuneration**

The fee for audit work will be in accordance with the prior agreed fee. The fee includes all travel and out of pocket expenses. If additional audit time is required or additional services are requested, the fee for these will be agreed in advance and invoiced accordingly.

# Annual Internal Audit Report 2019/20

Nash Mills Parish Council

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation during the financial year ended 31 March 2020.

The internal audit for 2019/20 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Agreed? Please choose one of the following		
	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	✓		
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic and year-end bank account reconciliations were properly carried out.	✓		
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		
K. IF the authority certified itself as exempt from a limited assurance review in 2018/19, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2018/19 AGAR tick "not covered")			✓
L. The authority has demonstrated that during summer 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.	✓		
M. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.			✓

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

21/05/2020

Name of person who carried out the internal audit

Etaerio Ltd (Philip Rhoden)

Signature of person who carried out the internal audit

P.K. Rhoden

Date

08/06/2020

\*If the response is 'no' you must include a note to state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

\*\*Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).



**Section 1 – Annual Governance Statement 2019/20**

We acknowledge as the members of:

ENTER NAME OF AUTHORITY

our responsibility for ensuring that there is a sound system of internal control, including arrangements for the preparation of the Accounting Statements. We confirm, to the best of our knowledge and belief, with respect to the Accounting Statements for the year ended 31 March 2020, that:

	Agreed		'Yes' means that this authority:
	Yes	No*	
1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.	✓		<i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i>
2. We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	✓		<i>made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.</i>
3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.	✓		<i>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i>
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.	✓		<i>during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.</i>
5. We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	✓		<i>considered and documented the financial and other risks it faces and dealt with them properly.</i>
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	✓		<i>arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.</i>
7. We took appropriate action on all matters raised in reports from internal and external audit.	✓		<i>responded to matters brought to its attention by internal and external audit.</i>
8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements.	✓		<i>disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.</i>
9. (For local councils only) Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.	Yes	No	N/A
			✓
			<i>has met all of its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.</i>

\*Please provide explanations to the external auditor on a separate sheet for each 'No' response and describe how the authority will address the weaknesses identified. These sheets must be published with the Annual Governance Statement.

This Annual Governance Statement was approved at a meeting of the authority on:

DD/MM/YY

and recorded as minute reference:

MINUTE REFERENCE

Signed by the Chairman and Clerk of the meeting where approval was given:

Chairman SIGNATURE REQUIRED

Clerk SIGNATURE REQUIRED

**Other information required by the Transparency Codes** (not part of Annual Governance Statement)

Authority web address

AUTHORITY WEBSITE ADDRESS



Section 2 – Accounting Statements 2019/20 for

ENTER NAME OF AUTHORITY

	Year ending		Notes and guidance
	31 March 2019 £	31 March 2020 £	
			<i>Please round all figures to nearest £1. Do not leave any boxes blank and report £0 or Nil balances. All figures must agree to underlying financial records.</i>
1. Balances brought forward	121365	125975	Total balances and reserves at the beginning of the year as recorded in the financial records. Value must agree to Box 7 of previous year.
2. (+) Precept or Rates and Levies	28500	28365	Total amount of precept (or for IDBs rates and levies) received or receivable in the year. Exclude any grants received.
3. (+) Total other receipts	14293	21051	Total income or receipts as recorded in the cashbook less the precept or rates/levies received (line 2). Include any grants received.
4. (-) Staff costs	23504	26988	Total expenditure or payments made to and on behalf of all employees. Include gross salaries and wages, employers NI contributions, employers pension contributions, gratuities and severance payments.
5. (-) Loan interest/capital repayments	—	—	Total expenditure or payments of capital and interest made during the year on the authority's borrowings (if any).
6. (-) All other payments	14679	12815	Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).
7. (=) Balances carried forward	125975	135588	Total balances and reserves at the end of the year. Must equal (1+2+3) - (4+5+6).
8. Total value of cash and short term investments	125975	135588	The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – <b>To agree with bank reconciliation.</b>
9. Total fixed assets plus long term investments and assets	15808	16063	The value of all the property the authority owns – it is made up of all its fixed assets and long term investments as at 31 March.
10. Total borrowings			The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).
11. (For Local Councils Only) Disclosure note re Trust funds (including charitable)	Yes	No	The Council, as a body corporate, acts as sole trustee for and is responsible for managing Trust funds or assets.
			N.B. The figures in the accounting statements above do not include any Trust transactions.

I certify that for the year ended 31 March 2020 the Accounting Statements in this Annual Governance and Accountability Return have been prepared on either a receipts and payments or income and expenditure basis following the guidance in Governance and Accountability for Smaller Authorities – a Practitioners' Guide to Proper Practices and present fairly the financial position of this authority.  
Signed by Responsible Financial Officer before being presented to the authority for approval

SIGNATURE REQUIRED  
Date DD/MM/YY

I confirm that these Accounting Statements were approved by this authority on this date:

DD/MM/YY

as recorded in minute reference:

MINUTE REFERENCE

Signed by Chairman of the meeting where the Accounting Statements were approved

SIGNATURE REQUIRED

# Annual Internal Audit Report 2019/20

## Nash Mills Parish Council

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation during the financial year ended 31 March 2020.

The internal audit for 2019/20 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

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B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	✓		
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic and year-end bank account reconciliations were properly carried out.	✓		
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		
K. IF the authority certified itself as exempt from a limited assurance review in 2018/19, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2018/19 AGAR tick "not covered")			✓
L. The authority has demonstrated that during summer 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.	✓		

**M. (For local councils only)**

Trust funds (including charitable) – The council met its responsibilities as a trustee.

Yes	No	Not applicable
		✓

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

21/05/2020

DDMMYY

08/06/2020

Name of person who carried out the internal audit

Etaerio Ltd (Philip Rhoden)

Signature of person who carried out the internal audit

P.K. Rhoden

SIGNATURE REQUIRED

Date

08/06/2020

\*If the response is 'no' you must include a note to state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

\*\*Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).

### Schedule of Recommendations

**Client:** Nash Mills Parish Council

**Y/E:** 31 March 2020

*Recommendations generally reflect proper practices from the 'JPAG Practitioners' Guide' for smaller authorities & external auditor-issued guidance over the years.*

	Control	Recommendation(s)	RFO Comments
1	Proper bookkeeping.	<p>The following recommendations should be viewed in the context that this year's cash book was spreadsheet based, and maintained as part of dual running towards transition to a new accounting package.</p> <p>I recommend that the cash book includes a column for internal reference numbers for each cash book entry to match it to its supporting invoice etc., on which the reference number is also written.</p> <p>I recommend that a transfers column or columns be added to the cash book spreadsheet to more easily distinguish them from receipts and payments.</p> <p>Noting that these have been corrected for the AGAR, I recommend that where the values of cashbook entries are found to be different from the actual receipt or payment in the bank statement, they be amended (in the month) or an adjusting entry made (if detected subsequently) in the cash book (including suitable explanation if and as necessary), unless they are a timing difference meeting the requirements to be a reconciling item on the bank reconciliation, in which case they are carried forward as separately identified reconciling items until cleared.</p> <p>I recommend that the cash book itself includes columns or other method to analyse the different categories of receipts and payments (including to identify s137 items), and to make it easier to use the cash book as the prime record to record &amp; generate information.</p> <p>I recommend that the cash book itself includes the information such as descriptions and invoice as included on monthly payment schedules.</p>	<p>These recommendations would be satisfied by using a parish suitable accounting package.</p>

	Standing Orders and Financial Regulations adopted and applied; and payments controls.	<p>I note from the council's Jan-20 minutes that in relation to the 2018/19 internal audit recommendation to investigate items potentially representing unclaimed VAT on purchases that the action was to ask the auditor for clarification. I have therefore provided the clerk with the information available from the 2018/19 audit, and I recommend that these are investigated and if appropriate claimed on a future VAT return</p> <p>The council's financial regulations adopted 9-Dec-19 refer to three estimates being obtained for purchases of more than £100 but less than £3,000. One of the sampled purchases from the internal audit dated following this was above £100, and although consideration of the purchase was minuted, it appears three estimates were not obtained and the exceptions in the financial regulations do not appear to apply. I recommend that in these circumstances it is formally minuted why this was not reasonable and practical, or why an alternative to the usual process of obtaining estimates or quotations has been followed.</p> <p>Included in the sample of payments for internal audit testing was one item from an expense claim representing an Amazon purchase of materials. VAT may potentially have been reclaimable on this but would need a VAT invoice (not always provided as a matter of course through Amazon). I recommend that staff are reminded to if possible request a VAT invoice to support their expense claims</p>	<p>Clerk to follow up</p> <p>This relates to the new clerk laptop purchase. Cllr Briggs investigated and researched the options for the clerk with the correct systems and software. The quotes were not brought back to council for full council approval as council had agreed a maximum expenditure limit and the replacement was urgent.</p> <p>This had been previously notified to council and related to the warden not obtaining a VAT receipt – the process has now been explained to prevent further incidences.</p>
3	Risk management arrangements.	I recommend that when the annual review of the effectiveness of the council's system of internal control is minuted, the minutes specifically notes the financial year to which the review relates.	noted
4	Budgetary controls.	None.	
5	Income controls.	Noting that one instance was identified as part of the internal audit, and has been amended for the AGAR, I recommend that payments made representing a reduction in income, such as returning grant income previously received, reduce the relevant income line, rather than being included as a payment.	This was the way I expressed the repayment of the C/Cllr grant- I included it as a payment out instead of a minus grant figure.
6	Petty cash procedures.	None.	
7	Payroll controls.	As the payroll is outsourced, as part of monitoring this arrangement, I recommend that the RFO obtains an HMRC log in (liaising with the outsourced provider to ensure their operation of the payroll is not affected) to be able to provide an independent check, at least for annual internal audit purposes, that the payments to HMRC are correct and up-to-date.	Clerk to follow up



8	Assets controls.	Although very succinct wording, the asset register previously included the council's method of asset valuation 'policy' which as the asset register itself had been approved, approved the policy also. I recommend that the council's method of asset valuation again be included in the asset register.	Clerk to add to asset register
9	Bank reconciliation.	Further to the recommendation under 'proper bookkeeping', I recommend that if the bank reconciliation identifies differences between entries in cash book and entries on the bank statement, these be addressed in accordance with paragraph 5.26 in the 'JPAG Practitioner's Guide'.	This was the way differences were expressed on bank reconciliation – I expressed them in relation to the bank accounts whereas parish accounting expresses them in the cashbook instead.
10	Year-end procedures.	Based on the figures provided at the time of the internal audit, the level of general reserves as at 31-Mar-20 appears to be in excess of 12 months of precept. I recommend that the council satisfies itself that none of the general reserves represent earmarked reserves and that the level of general reserves is appropriate.  I recommend that when working up the numbers for the AGAR return, these are taken from the cash book in the first instance, and rounding is applied as a separate and final stage, to provide a clearer audit trail, and facilitate easier identification and correction of any issues.	This will be amended if council approve the new reserves policy at the June meeting.  Noted
11	Exempt Authority	None.	
12	Public Rights	None.	
13	Basic IT controls.	I recommend that the council's laptops be checked to ensure that data stored on them is encrypted, which depending on the Windows version may be possible by turning on the BitLocker feature included within Windows.	Clerk to investigate
14	Responsibility as a trustee.	None.	