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Internal Audit Report for Broxted Parish Council

4th May 2022

Introduction.
The Clerk and Council are to be congratulated on presenting a complete and comprehensive set of accounts and governance documents. However, you should note that my findings are based on a random sample of items, so Members should be aware that my work cannot be relied on to identify the occasional omission nor to disclose breaches of trust or statute, neglect or fraud which may have taken place and which it is the responsibility of the Members to guard against.

Observations.
I note that the Clerk is being reimbursed for expenditure on personal card. Financial regulation 6.20 stated 'Personal credit or debit cards of members or staff shall not be used under any circumstances.' As this cannot be avoided under some circumstances, the council should consider passing a resolution to suspend financial regulation 6.20 for each authorisation. This will make it clear that it was a conscious decision, not an oversight.

The Council's risk assessment is detailed, thorough and comprehensive. However, I note that on matters of insurance, the assessment states The Clerk, as RFO is responsible for ensuring the adequacy of insurance coverage. The RFO advises, but the decisions remain the council's responsibility.

Charity grants. At minute 22/02 7.7 the council made a grant of £200 to the parish church. Councillors are advised to read Legal topic note L01/18 before renewing this grant as the National Association of Local Councils do not consider that it is lawful to make any grant to the church.

Purchases on behalf of the Village Hall. I note that the Parish Council purchased and reclaimed the VAT on Village Hall fencing which was part-funded by a grant to the charity from the District Council. The Council should read VAT Notice 749 section 10.4 to establish their eligibility to reclaim VAT on money supplied to the charity.

Village hall committee approved at 22/03 7.5. Internal Auditor appointed at minute 22/02 7.3. Internal audit received and noted at minute 21/6 5.1.1. AGAR approved at minute 21/6 5.1. Precept set as £20,000 at minute 20/11 8.2

Internal Control	**Testing**		**Comments**
Proper bookkeeping	• Is the cashbook maintained and up to date? • Is the cashbook arithmetic correct? • Is the cashbook regularly balanced?	Y Y Y	Yes, Council uses VT Cashbook to maintain accounts. The package can account for VAT. Monthly with report to full council.

a) standing orders and financial regulations adopted and applied; and b) payments controls	Has the council formally adopted standing orders and financial regulations? Has a Responsible financial officer been appointed with specific duties? Have items or services above the de minimus amount been competitively purchased? Are payments in the cashbook supported by invoices, authorised and minuted? Has VAT on payments been identified, recorded, and reclaimed? Is s137 expenditure separately recorded and within statutory limits?	Y Y N/A Y Y Y	Financial regulations adopted February 2021 and match current guidance. Clerk is appointed on NALC SLCC standard contract which specified the duties of Proper Officer and Responsible Financial Officer. Invoices not sampled, but expenditure is reasonable for items identified Includes overpayment refund from previous year £720 is well within the free-spend limit.

Risk management arrangements	Does a review of the minutes identify any unusual financial activity? Do minutes record the council carrying out an annual risk assessment? Is insurance cover appropriate and adequate?	N Y Y	 Approved at minute 22/03 7.3 Standard Local Council policy ZurichYLL-2720416183. Cover is reasonable for the liabilities of the council.

	Are internal financial controls documented and regularly reviewed?	N	No statement of internal controls presented in the audit year.

Budgetary Controls	Has the council prepared an annual budget in support of its precept?	Y	Budget and precept approved at 21/11 8.2. Demand made at 22/01 4.1
	Is actual expenditure against the budget regularly reported to the council?	Y	At all meetings. Budget variance report noted at 21/7 6.4
	Are there any significant unexplained variances from budget?	N	

Income Controls	Is income properly recorded and promptly banked?	Y	
	Does the precept recorded agree to the Council Tax authority's notification?	Y	Information not currently available on PKF website
	Are security controls over cash and near-cash adequate and effective?	N/A	Cash not held

Petty cash procedures	Is all petty cash spent recorded and supported by VAT invoices/receipts?	N/A	No Petty Cash account
	Is petty cash expenditure reported to each council meeting?		
	Is petty cash reimbursement carried out regularly?		

Payroll Controls	Do all employees have contracts of employment with clear terms and conditions? Do salaries paid agree with those approved by the council? Are other payments to employees reasonable and approved by the council? Have PAYE/NIC been properly operated by the council as an employer?	Y Y Y Y	Adopted NALC SLCC standard terms and conditions Salary reviewed 21/10 7.9 Payroll signed-off at each council meeting. Annual PAYE statement for 2021 noted.
Assets controls	Does the council maintain a register of all material assets owned or in its care? Are the assets and Investments registers up to date? Do asset insurance valuations agree with those in the asset register?	Y Y Y	 Asset register last updated March 2022. Buildings register online last reviewed June 2020. There may be a minor £20 discrepancy in the declared value of the Knowles Bench

Bank Reconciliation	Is there a bank reconciliation for each account? Is a bank reconciliation carried out regularly and in a timely fashion? Are there any unexplained balancing entries in any reconciliation? Is the value of investments held summarised on the reconciliation?	Y Y N N/A	Two Accounts; business premium and community. Regular reports made to council. Eg 21/10 7.7

Year-end procedures	Are year-end accounts prepared on the correct accounting basis (Receipts and Payments or Income and Expenditure)?	Y	
	Do accounts agree with the cashbook?	Y	Accounts approved at minute 21/5 A4. Cashbook reports validated by non-signatories.
	Is there an audit trail from underlying financial records to the accounts?	Y	
	Where appropriate, have debtors and creditors been properly recorded?	Y	Simple cash accounting