

FAIRLIGHT PARISH COUNCIL

Internal Audit Report 2018-2019

Introduction

In accordance with the Internal Audit Plan, Controls and Procedures have been tested, with Fraud and Risk Issues reviewed. The tests were to the standards and practices defined in the Governance and Accountability for Smaller Authorities 2018 and meet the needs of the Council. I confirm that I do not have any role within the Council and have carried out my duties without bias.

The audit was completed on 02nd May 2019 and confirmed that the financial management and internal controls are in good order. No issues were found that require attention or noting on the annual return. The report below highlights the findings of the audit with reference to the Internal Control Objectives and Governance Statements in the Annual Return.

Items reported in Audits from 2017-18

Internal Audit

B. Financial Regulations, documentation and approvals.

- B.1 A list of payments for approval is signed by Councilors. It would also be good practice for Cllrs to initial invoices as seen when approving them. **Completed**
- B.2 Cheque stubs are initialled by Cllrs when signing but in the sample checked 2 of the stubs were not initialled. Cllrs should be reminded that initialling the cheque stubs is an important control. **Completed**

C. Risk Assessment

- C.1 Risk management could be improved if the Risk register format was consistent with that defined in Governance and Accountability for Smaller Authorities Guide 2017.
- C.2 Insurance –**The level of Fidelity cover** should be increased to be at least the maximum forecast bank balance levels for 2018. **Completed**

I. Bank Reconciliations.

- I.1 The National Saving Account has not been updated since Jan 2015 because no statements have been received. This remains a risk and should be resolved as soon as possible. Completed as of April 2019 by closing the account. Actual balances were not known at the time of audit but no further action can be taken to mitigate the risk. **Completed.**

External Audit . No items raised for comment or attention.

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A. Appropriate Accounting Records.

- A.1 The financial records are held using the RBS financial system. The financial ledgers are kept up to date. The data held for each transaction sampled was correct; the cash book and ledger is arithmetically correct and regularly balanced. VAT is properly accounted for. Financial reports produced agree to the financial records.

B. Financial Regulations, documentation and approvals.

- B.1 The Standing Orders and Financial Regulations were readopted in May 2018 and will be presented again for review in May 2019.
- B.2 Expenditure Approval. All items in the sample audit were supported by documented approval with an audit trail through the financial records. VAT was properly accounted for.
- B.3 A list of payments for approval is signed by Councilors. All invoices and cheque stubs are also signed and initialled by Cllrs when approving them.
- B.4 Agendas & Minutes were sent out in time and are well presented.

C. Risk Assessment

- C.1 The Council has a risk register which is reviewed annually and other risk assessments are updated during the year.
- C.2 Internal Audit Effectiveness. The council considers its controls at its annual meeting in May.
- C.3 Insurance – The Parish Council's Insurance in place is sufficient to cover its assets and financial risk.

D. Budgeting & Precept

- D.1 Budgetary Control – Annual budgets were prepared for 2019-20 in support of the precept.
- D.2 Reports of actual R&P versus budget for 2018-19 were presented to the Council on a regular basis and minuted as reviewed.

E. Receipts

- E.1 The precept recorded in the minutes agrees to the Council Tax authority's notification.
- E.2 Other income is banked as received.
- E.3 There is no VAT on income. VAT refund receipts are correctly accounted for.

F. Petty Cash – The Council does not use or hold petty cash.

G. Employee Costs

- G.1 Staff Wages – The payroll was managed by a bureau. The Clerk and other employees have contracts of employment. Payroll changes are authorised and minuted.

H. Assets

- H.1 Assets – An Asset register is maintained using insurance values as of March 2017. These values have been reported again in March 2019 without any revaluation.
- H.2 The register was approved in May 2018 and will be presented again for review in May 2019.
- H.3 The insurance cover is sufficient to cover the asset values as at 31 March 2019.

I. Bank Reconciliations.

I.1 Bank Reconciliations were completed on a monthly basis and presented to Council for review and signature. Reconciliations and statements are minuted as being reviewed by Councillors.

J. Accounting Statements.

- J.1 The accounts are maintained on a Receipts and Payments basis and agree to the cash book.
- J.2 All of the items chosen in the sample of payments from the cash book were supported by invoices authorised for payment and approved in the minutes.
- J.3 Reserves – Total reserves are £57K. Earmarked reserves of £30K are not formally reported but were noted as representing three specific projects by the Clerk. General reserves of £27K represent 57% of the precept.

K. Limited Assurance Review Exemption.

The Council did not exempt itself in 2017-18.

L. Exercise of Public Rights.

This item is not within the scope of the internal audit.

M. Trust Funds. The Council has confirmed that does not manage any trusts.

It is noted that the figures have been produced by the Clerk in accordance with the requirements and all supporting documents have been produced for the Internal Auditor. The Clerk's co-operation aided considerably the work of this internal audit. Thank you.

Keith Robertson FCMA
Internal Auditor
03rd May 2019