

# Keith Robertson Internal Audit Services

## FAIRLIGHT PARISH COUNCIL

### Internal Audit Report 2019-2020

#### Introduction

In accordance with the Internal Audit Plan, Controls and Procedures have been tested. The tests were to the standards and practices defined in the Governance and Accountability for Smaller Authorities 2019 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 12th May 2020 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 2018-19**

**Internal Audit.** No items raised for attention

**External Audit.** Noted use of the wrong form – no further action required.

#### **Internal Audit Report 2019-20**

##### **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. 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 2019 and will be presented again for review in May 2020.

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 VAT balances and claims were tested and were correct.

B.4 A list of payments for approval is signed by Councilors. All invoices and cheque stubs are also signed of initialled by Cllrs when approving them.

B.5 Agendas & Minutes were sent out in time are well presented.

##### **C. Risk Assessment**

C.1 The Council has a risk register which is reviewed annually. Not all risks are logged in the register but other risk assessment are updated during the year. Evidence of reviews was tested and confirmed to be in place. The Council may want to consider adding all its risks and mitigation into one document given that it does address all of these already.

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 and 2020-21 in support of the precept.
- D.2 Reports of actual R&P versus budget for 2019-20 were presented to the Council on a regular basis and minuted as reviewed. Any variances to budget are considered but not formally reported or minuted. Reserve balances are reported informally and understood by the Council. An analysis of open & closing total reserves and movements vs budget would help to understand what spend is funded by the precept or from reserves and where it may be necessary to budget for reserve increases funded by the precept for future years. The 5-year plan will guide this and I encourage the Council to review its budgeting of and the reporting of actual reserves to make its plans transparent.

**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. Tests of sample payroll transactions confirmed the controls are effective.

**H. Assets**

- H.1 Assets – An Asset register is maintained with values logged by asset. The register is upto date and contains historical and location data. The register will be presented for review in May 2020
- H.2 The insurance cover is sufficient to cover the asset values as at 31 March 2020.

**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 Balances reported on public works loans agreed to the statement
- J.4 Reserves – Total reserves are £61K. Earmarked reserves of £44K are reported by project. General reserves of £17K represent 32% of the precept which the Council consider as adequate. As noted in (D) above reserve planning for future years is important to ensure medium term funding is sufficient.

**K. Limited Assurance Review Exemption.**

The Council did not exempt itself in 2018-19.

**L. Exercise of Public Rights.**

The Clerk confirmed that the notification of the public rights was posted correctly.

**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  
13th May 2020