

# Keith Robertson

## Internal Audit

BUXTED 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 2<sup>nd</sup> June 2020 and confirmed that the financial management and internal controls are in good order. No significant 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.

#### **Prior Year audit comments and actions**

**External Audit.** No comments or actions required.

**Internal Audit.** It was noted that the Clerk/RFO were considering changes to report all reserves. Partially completed.

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

##### **A. Appropriate Accounting Records.**

A.1 The financial records are maintained in the RBS accounts package. The financial ledgers are kept up to date. The data held for each transaction is 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 were readopted in May 2019 , the Financial Regulations updated and approved in January 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 Agendas & Minutes are sent out in time are well presented.

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

C.1 A formal Risk Register was updated and reviewed. Risk assessments for reading room, playground and play equipment are held separately.

C.2 Internal Audit Effectiveness. The Council has a policy that confirms and details the internal audit controls it considers necessary. The controls in place are adequate and include checks and approval of payments and bank reconciliations at Council meetings.

C.3 Insurance – The Parish Council's Insurance in place is sufficient to cover its assets and financial risk. (Noted cover for Money held was increased from June 2020 with the Policy renewal)

## **D. Budgeting & Precept**

- D.1 Budgetary Control – Annual budgets are prepared in support of the precept. The values supporting the precept are valid but it is not transparent that current YTD actual data does agree to the ledger when reconciling for VAT. [It is recommended that the format be adjusted to confirm that Open Balances + Receipts – Payments adjusted for VAT does agree to the budget workings and to the ledger. It is also recommended that the budget includes all receipts and all payments including those flowing into and out of reserves with a budgeted reserves balance being stated.](#)
- D.2 Actual expenditure is compared with the budget each month with a summary of R&P vs budget from the RBS system presented to Councilors at meetings. A narrative is provided by the Clerk and any significant variances explained. [It is recommended as above that statements are amended to confirm agreement with total R&P stated in RBS and that a statement of all reserves is produced to agree to the closing bank balances.](#)

## **E. Receipts**

- E.1 Income is primarily from the annual precept. The precept recorded in the minutes agrees to the Council Tax authority's notification. Receipts for 2019-20
- E.2 Other income is almost all non-cash and is banked as received.
- E.3 There is no VAT charged on income and Hall hire fees are below the threshold where VAT may apply but if the turnover increases with new premises this should be revisited. 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 – Payroll is managed by bureaux. The Clerk & RFO have contract of employment and have defined pensions. The payroll controls are good and sample payroll records checked in the audit were correctly posted.

## **H. Assets**

- H.1 Assets – An Asset register is maintained using cost values. The register was updated in May 2020. The insurance cover is sufficient to cover asset values but it is difficult to match the insured value to the policy. An insured value column on the asset register would make this much clearer.

## **I. Bank Reconciliations.**

- I.1 Bank Reconciliations are completed on a monthly basis. The reconciliations are presented to the Council at the monthly meetings for review. Reconciliations and statements are initialled by Councillors who are not on the bank mandate when reviewed. Samples checked were confirmed as reviewed.

## **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 ledger were supported by invoices authorised for payment, approved in the minutes, cheque stubs were initialled and VAT was correctly processed. The minutes detail the payments to be approved and refer to a schedule filed with the minutes.
- J.3 Reserves total £310K Earmarked reserves of £172.8K are reported by project and also detail CiL balances. General reserves are £137.2K representing 133% of the precept. The financial reports at year end include reserves but the reports during the year and when budgeting do not. It has been recommended in (D) that this should change.

**K. Limited Assurance Review Exemption.**

The Council did not exempt itself in 2018-19.

**L. Exercise of Public Rights.**

This Council correctly published the notice of public rights and other AGAR documents for 2018-19.

**M. Trust Funds.** The Council has confirmed that it acts as the sole trustee for trust funds and has met its responsibility as a trustee. The scope of this audit does not include these trusts.

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

Keith Robertson FCMA  
Internal Auditor  
03<sup>rd</sup> June 2020