

# Keith Robertson

## Internal Audit

### BUXTED PARISH COUNCIL

#### Internal Audit Report 2020-21

#### 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 9<sup>th</sup> June 2021 via Zoom and confirmed that the financial management and internal controls are in good order with some attention needed to planning for reserves. 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.**

- Budgeting. It was recommended that the (budget) 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. [Not completed](#)
- Reporting of Actual results. It was recommended as above 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. [Completed](#)

#### Internal Audit Report 2020-21

#### **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 and Financial Regulations were readopted in March 2021.
- B.2 Expenditure Approval. All items in the sample audit were supported by documented approval with an audit trail through the financial records except for one item concerning a payment of £44280 for car park works. The approval for this was in the minutes of the Trust while the invoice was paid and approved by the Council. It was not clear if the Council or the Trust obtained quotes and contracted for the work. Invoices received and paid by the Council were not addressed to the Council. [The Council must be clear which organisation is agreeing, authorising and paying for items.](#)
- B.3 VAT was properly accounted.
- B.4 Agendas & Minutes are sent out in time are well presented. [It is recommended that the Council consider including the schedule of payments for authorisation on the face of the minutes or as an appendix to confirm what was actually approved.](#)
- B.5 Trust minutes and Council minutes must be clearly defined and separate.

## **C. Risk Assessment**

- C.1 A formal Risk Register was updated and reviewed.
- C.2 Internal Audit Effectiveness. 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.

## **D. Budgeting & Precept**

- D.1 Budgetary Control – Annual budgets are prepared in support of the precept. The budget for 2021-22 evaluated the precept needed to cover the costs to be incurred in 2021-22 but did not evaluate what reserve levels were appropriate when setting the precept. There are a very large Earmarked and General reserve balances which were not included in financial evaluation of the budget and precept. It is noted that EMR balances were reviewed by committee but the level of General reserves were not. The Council did recognise they were in a position of having sufficient reserves and did not increase the precept for 2021-22 but there was also a risk they are holding reserves beyond their needs, which was not evaluated.
- D.2 The Financial regulations require that a 3 year forecast and a budget for the current year include all R&P and all reserves. This point was included in the audit notes from 2019-20. *It is again 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 and that a broad 3 year projection of the reserve levels required is evaluated.* This will ensure that reserves held are planned for and appropriate. As a guide General reserves should be around 6 months and not more than 12 months value of the precept. Councils do not have the power to hold reserves without purpose.
- D.3 Actual expenditure is compared with the budget each month with a summary of R&P vs budget from the RBS system presented to Councillors at meetings. A narrative is provided by the Clerk and any significant variances explained.

## **E. Receipts**

- E.1 Income is primarily from the annual precept.
- E.2 Other income is almost all non-cash and is banked as received.

## **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 process for authorisations of payroll is good. No payroll records were checked in the audit.

## **H. Assets**

- H.1 Assets – An Asset register is maintained using cost values. The register was updated in April 2021. The insurance cover is sufficient to cover asset values.

## **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 and confirmed as reviewed in the minutes. Reconciliations and statements are usually initialled by Councillors, but due to meetings being held on due to Covid the bank recs were approved but not initialled.

**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, apart from the item for the Car Park noted in B2 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. Placing the schedule of payments in the face of the minutes would clarify what was approved in the meeting.
- J.3 Reserves total £309K Earmarked reserves of £212K are reported by project and also detail CiL balances. General reserves are £97K representing 92% of the precept. The General reserve is high.

**K. Limited Assurance Review Exemption.**

The Council did not exempt itself in 2019-20.

**L. Turnover <£25K Transparency code.** This does not apply to this Council.

**M. Exercise of Public Rights.** This Council did correctly publish the notice of public rights 2019-20.

**N. Publication of AGAR documents 2019-20.** These documents were correctly published.

**O. Trust Funds.** The Council has confirmed that it acts as the sole trustee for a trust and has met its responsibility as a trustee. The RFO maintains a cash book for the trust and completes charity returns. The trust's minutes are "ruled off" from the minutes of the Council in its meetings. There are no transactions of the trust in the accounts of the Council.

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  
10th June 2021