

Keith Robertson Internal Audit

CHIDDINGLY PARISH COUNCIL

Internal Audit Report 2019-20

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 05th June 2020 with 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

There were no comments or actions required arising from the 2018-19 internal or external audits.

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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 are 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 will be reviewed in 2020 and Financial Regulations were readopted in July 2019
- B.2 Expenditure Approval. All items in the sample audit were supported by documented approval with an audit trail through the financial records. One item paid between meetings was missed off the payments list but had been approved in prior meeting via grant applications and the cheque stub was initialled as approved. 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 is produced and was reviewed by the Council in May 2020. Playground and recreation area inspections are carried out and assessed separately. If these assessments were added to the risk register it would log in one document that these do happen.
- 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.

D. Budgeting & Precept

- D.1 Budgetary Control – Annual budgets are prepared in support of the precept including current year forecasts to inform the following year budgets. The budgets detail receipts and payments but not reserve movements. **It is recommended that the budget format be amended to include all receipts and payments and show if these are funded by the precept, other income or reserves and that movements in reserves and reserve balances are budgeted.** It is important to demonstrate what the precept funds including core spend, project spend and where relevant increases in reserves for future spend. It is also important to show that earmarked reserves held are for specific projects and that these are identified in the financial planning process.
- D.2 Actual R&P are compared in detail with the budget each month and in detail with narrative on 2 occasions per year. The narrative is provided by the Clerk and any significant variances explained. The narrative refers to reserves but the financial data does not include a reserves analysis. **It is recommended that the report formats be amended to include all receipts and payments, open and close bank/reserve balances and movements in reserves.**

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.
- 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 – Payroll is managed by bureaux. The Clerk has a contract of employment. Payroll controls are good. Payroll transactions sampled in this audit were correctly posted and approved.

H. Assets

- H.1 Assets – An Asset register is maintained using cost values. The register was updated in 2020. 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. Reconciliations and statements are initialled by Councillors who are not on the bank mandate when reviewed.

J. Accounting Statements.

- J.1 The accounts are maintained on a Receipts and Payments basis and agree to the cash book.
- J.2 Four items chosen in the sample of payments from the ledger were supported by invoices authorised for payment, Three were approved in the minutes, all cheque stubs were initialled and VAT was correctly processed.
- J.3 Reserves total £79.7K. Earmarked reserves of £51K are identified by project including 16.5K of CIL reserves. General reserves are £18K representing 46% of the precept.

K. Limited Assurance Review Exemption.

The Council did not exempt itself in 2018-19.

L. Exercise of Public Rights.

The council correctly issued the notice of public rights in 2018-19.

M. Trust Funds. The Council has confirmed that it does not act as a trustee.

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
05 June 2020