

Keith Robertson Internal Audit

CHIDDINGLY 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 10th May 2021 via video link with the Clerk/RFO 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

Internal Audit.

Budgeting: The 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. **Not completed.**

Reporting: that the report formats be amended to include all receipts and payments, open and close bank/reserve balances and movements in reserves. **Not completed.**

Limited Assurance Audit. There were no comments from PKF Littlejohn other than a requirement to restate locum clerk costs from Box 6 to Box 4. Those comment have now been withdrawn and no restatement is required.

Internal Audit Report 2020-20

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 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 and Financial Regulations were readopted 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 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..
C.2 Internal Audit Effectiveness. The Council has a policy that confirms 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 budget. The budget detail receipts and payments but not reserve movements. [It is again 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 all reserves and reserve balances are budgeted for.](#) It is noted that general reserves were (by default) set in the 2021-22 budget at 81% of the precept. Year end 2020-21 actual general reserves were 85% of the precept. These levels are very high and 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 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. There does not appear to be any text explaining significant variances or if spend is funded from reserves. [It is recommended that the clerk considers adding explanatory text to the RBS format R&P reports where needed.](#) The financial reports do not include a reserves analysis. Given that the general reserve levels are high, [opening, closing balances and movements in all reserves with text to explain any significant items is recommended.](#)

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 2020-21 and is up to date. 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.

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, all cheque stubs were initialled and VAT was correctly processed.
- J.3 Cil Reserves were used during the year to fund some spend. EMR reduced in the year and General reserves increased in the year. Total reserves at £77.5K are almost double the precept at which point the Council will need to show why it is holding reserves at that level. A review of the budget and reporting of reserves may help to plan reserve levels and explain what pipeline projects are in place that support the reserves held.

K. Limited Assurance Review Exemption.

The Council did not exempt itself in 2019-20.

L. Turnover not exceeding £25K – Not applicable to this Council.

M. Exercise of Public Rights. - The council correctly issued the notice of public rights for 2019-20.

N. AGAR publication. The council correctly published these documents.

O. 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
10 May 2021