

# Keith Robertson Internal Audit Services

## FAIRLIGHT 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 14<sup>th</sup> May 2021 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 2019-20**

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

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

#### **Internal Audit Report 2020-21**

##### **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 June 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 tested were correct.
- B.4 A list of payments for approval is signed by Councilors and is evidenced as an attachment to the minutes. All invoices are initialled by Cllrs when approving them. Cheque stubs are usually initialled but due to Covid were not all in 2020-21
- 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. The new Finance and Admin committee are reviewing the register and its content. Playground risks are assessed by contractor. Risk reviews are adequate.
- C.2 Internal Audit Effectiveness. The council considers its controls on going and at the annual meeting in May.
- C.3 Insurance – The Parish Council's Insurance in place is sufficient to cover its assets and cover is clearly linked to the asset register.

**D. Budgeting & Precept**

- D.1 Budgetary Control – Annual budgets were prepared for 2020-21 and 2021-22 in support of the precept. The process is adequate and include, in summary a review of reserves for 2021-22. Further reviews of the process for reserves and for 3 year planning is being considered by the Finance and Admin committee for 2022-23
- D.2 Reports of actual R&P versus budget for 2020-21 were presented to the Council on a regular basis and minuted as reviewed. Any variances to budget are noted and a clear statement of reserve movements and balances is reported.

**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 is 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 also states the insured values which agree to the schedule of cover.
- H.2 The insurance cover is sufficient to cover the asset values as at 31 March 2021.

**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. Sample test confirm the controls are applied.

**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 £73.9K. Earmarked reserves of £59.3K are reported by project. General reserves of £14.6K represent 23% of the precept which the Council considers as adequate. This is low but the Council has sufficient earmarked reserves that could be re-assigned in an emergency and so the risk here is low. As noted in (D) above reserve planning for future years is now being reviewed by the F&A committee and actual reserves are reported regularly to the Council.

**K. Limited Assurance Review Exemption.**

The Council did not exempt itself in 2019-20.

- L. Turnover less than £25K – Transparency.** This does not apply to this Council.
- M. Exercise of Public Rights.** The Council correctly published the notification of the public rights for 2019-20.
- N. Publication of AGAR documents 2019-20.** The Council correctly published the documents for 2019-20.
- O. 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  
14<sup>th</sup> May 2021