

Keith Robertson Internal Audit

ICKLESHAM 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 2020 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 Clerk and the Deputy Clerk/ RFO resigned during 2020-21. At the audit date a locum RFO was in place with Clerk duties being performed by Councilors. There was a period when no RFO was in place. This plus the complications of Covid contributed to a difficult period for the Council which did increase risk and potentially weaken controls.

The locum Clerk was able to complete the financial year end and produce the required financial records and statements all of which meet the internal audit requirements. With staff or some staff not in place in the latter part of the year risk increased but based on the sample of transaction checked I found no evidence of any significant or high-risk control issues. However, because not all of the documents requested were available for the audit meeting, I was not able to fully review all of the control processes. I can however conclude that based on information seen and references to documents in the minutes that no significant control risks apply as at the date of the audit. The way forward and the appointment of new staff will need to be carefully managed and close attention paid to controls by Councilors in 2021-22

The audit was completed on 24th June 2021 via Zoom with the locum RFO. The report below highlights the findings of the audit with reference to the Internal Control Objectives and Governance Statements in the Annual Return.

2019-20 Audit comments requiring action.

External Audit. The audited and signed 2019-20 statement was not published on the Council's website and I was not able to review this during the audit. I cannot confirm if any actions were necessary.

Internal Audit.

Insurance – The Parish Council's Insurance in place is sufficient to cover its assets and financial risk but does need a refresh and reconciliation to asset values recorded in the asset register. **Not completed.**

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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 as evidenced by reviews in the minutes. The data held for each transaction sampled was 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 on the website are logged as being readopted in May 2021 and Financial Regulations in June 2021 but there is no record in the minutes that this is the case.

B.2 Expenditure Approval. All items in the sample audit were supported by documented approval with an audit trail through the financial records.

- B.3 One of the sample items was for a grant for which a grant application was approved and was noted in the minutes. This was not included in the list of payments approved in the minutes. [All payments for approval should be included on the payments list.](#)
- B.4 Agendas & Minutes were sent out in time and are well presented except that items in B.1 above and C.1 are not consistent with the minutes.
- B.5 The process in place for on line banking requires an authorised user to log a payment and a second authorised signatory to approve the payment. I found no problems with approvals.

C. Risk Assessment

- C.1 Risk Assessments are carried out for risk areas within the Parish. A risk register was produced dated June 2020 that summarised all of the areas of risk faced by the Council and any actions required. [The Risk assessment was not formally approved and will be reviewed again in 202-21](#)
- C.2 Internal Audit Effectiveness. There were no minute reviews of internal audit controls other than when the AGAR for 2019-20 was approved in July. The defined controls in place are adequate and include checks for the approval of payments and bank reconciliations at Council meetings which are evidenced in the minutes and by sample checks in this audit.
- C.3 Insurance – The Parish Council’s Insurance cover was reviewed as sufficient to cover its assets and financial risk and is evidenced as such in the minutes [but it was not clear how t this aligned with the asset register.](#)

D. Budgeting & Precept

- D.1 Budgetary Control – An Annual budget was prepared in support of the precept; actual & forecast expenditure was compared with the budget 2020-21 to inform budget levels for 2021-22. The budget and precept were minuted as approved in January 2021.
- D.2 The three year plan was put on hold when Covid began. This will be reviewed again in 2021-
- D.3 Budget reserves. There were no budget reserve levels defined in the budget. At year end general reserve levels were high with EMR low. I cannot confirm if the budget process adequately addressed the reserves needed.
- D.4 Monthly reports of actual vs budget spend are presented to the Council and noted in the minutes. Variances are shown and any key variances are explained in Council meetings. Any spend that is not budgeted requires approval by resolution before the spend is authorised.

E. Receipts

- E.1 The precept recorded in the minutes agrees to the Council Tax authority’s notification.
- E.2 There is no VAT on income. VAT refund receipts are correctly accounted for. It is noted that at the time of the audit the Q4 VAT return had not been processed.

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 Maiden Consulting. Payments sampled in this audit confirmed the payroll records agreed to the financial accounts.

H. Assets

- H.1 Assets – An Asset register is maintained that lists all physical assets. The cost values agree to the asset register.
- H.2 It was not possible to confirm if the asset values aligned with the insurance cover.

I. Bank Reconciliations.

I.1 Bank Reconciliations are completed on a monthly basis. The reconciliations are presented to the Council at meetings for review. Reconciliations are minuted as reviewed and approved by Councillors. The Bank reconciliations as at 31-3-21 were confirmed as correct in this audit.

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 and approved in the minutes.

J.3 Reserves are adequate in total. EMR are low and defined by project. I was not able to confirm if the reserves levels are adequate to fund any projects planned or committed.

K. Exemption from limited assurance review. This does not apply to this Council.

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

M. Notice of public rights 2019-20. The Council correctly published the Notice for 2019-20.

N. Publication of 2019-20 AGAR documents. The Council did not correctly publish these documents. The unaudited and audited documents were not on the Council's website as at the date of the audit.

O. Trustees. The Council did not act as a trustee in 2019-20. There is no evidence of a change to this in 2020-21. The Locum RFO was not able to confirm the current status but I see no reason to consider it otherwise.

Keith Robertson
Internal Auditor
03 July 2021