

# Keith Robertson Internal Audit Services

## BREDE 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 19<sup>th</sup> April 2021 on a remote basis using video link and file sharing with the Clerk. The audit confirmed that the financial management and internal controls are good with no significant issues that require noting on the annual return. The Clerk and the Council have made improvements to the controls during 2020-21 are aware that some further work is needed which will be continued during 2021-22.

#### Items requiring attention in the 2019-20 audits

##### Internal Audit

#### **A. Appropriate Accounting Records.**

- A.1 Amend the Cash book to include all bank accounts and to automatically agree with other reports and provide a robust and clear audit trail in 2020. **Completed.**

#### **C. Risk Assessment**

- C.1 Amend the Risk Register to cover all risks. **Partly completed.** Further work is noted and will be completed in 2021-22.
- C.2 Insurance –reconcile individual asset values to the insured value. **Not completed** but work is in progress and the AR and Insurance links will be updated in 2021-22. Cover overall is in place.

#### **D. Budgeting & Precept**

##### **D.1 Budgetary Control.**

- D.1.1 Ensure actual Prior Year and Current YTD data when used agrees with the cash book **Completed**
- D.1.2 VAT is excluded from budgeted spend. **Completed**
- D.1.3 All Receipts and Payments and reserve movement are included in the budget. **Not Completed.** Income, Surplus an reserve budgets still need improvement.
- D.1.4 In broad terms a 3-year R&P forecast is considered (Per the Financial regulations). **Not Completed.**

##### **D.2 Reporting.**

- D.2.1 Reports must include all R&P and reserve movements. **Not Completed.** Income, Surplus and reserve reporting still need improvement but have improved in 2020-21
- D.2.2 Reports vs budget must exclude VAT but be reconciled to include all R&P including VAT. **Completed**
- D.2.3 Monthly reports given to Councilors show only the movements for the month but must also (quarterly) show YTD R&P actual vs budget **Completed** with further improvements noted in D.2.1 required.

**External Audit** – No comments by auditor.

## Internal Audit Review 2020-21

### **A. Appropriate Accounting Records.**

- A.1** The cash book is held in Excel. 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 were updated in May and the Financial Regulations in June 2020. Sample checks confirm the FR and SO are properly applied except for improvements in controls noted but these do not present a significant risk.
- B.2** Expenditure Approval. All of the items chosen in the sample of payments from the cash book were supported by invoices and VAT was correctly accounted for. The invoices were initialled to confirm seen by Cllrs. Expenditure authorisation is minuted and refers to payments detailed in the minutes. Cheque stubs were initialled and the on-line payment process has good controls.
- B.3** Agendas & Minutes are sent out in time are well presented.

### **C. Risk Assessment**

- C.1** A formal risk register is held but does not cover all risks. The register has been improved during the year and the Clerk is aware of work needed to improve it further **It is recommended that the Council includes all risk categories to the register.**
- C.2** Internal Audit Effectiveness. The Clerk and the Council have worked to improve controls during the year which are now good. There are further improvements needed and the Clerk will continue to update these in 2021-22.
- C.3** Insurance – The Parish Council’s Insurance cover is in total adequate to cover asset values listed in the asset register but it was not possible to reconcile individual asset values to the insured value. **This does present a low risk and the Clerk will review this in 2021.**

### **D. Budgeting & Precept**

- D.1** Budgetary Control – The annual budget prepared in support of the precept for 2021-22 was better than in 2020-21 but does still need improvement. The Clerk is aware of this and plans to introduce new budget processes for 2022-23.. Improvements are need to ensure:
- **Budgets are zero based.**
  - **All Receipts and Payments and reserve movement are included in the budget.**
  - **In broad terms a 3-year R&P forecast is considered (Per the Financial regulations).**
- D.2** Reporting. Actual expenditure is reported and is compared to the budget with actual data agreeing to the accounts but the (monthly) **reports do not include receipts, Surplus or reserve movements and balances. These improvements were noted in 2019-20 and do need to be implemented as soon as possible.**
- D.3** Income – The precept recorded in the minutes agrees to the Council Tax authority’s notification.

### **E. Receipts**

- E.1** Income primarily from the Precept, Grants and CIL and is received by bank transfer.

- F. Petty Cash** – There is no petty cash system operated with no petty cash held.

## **G. Employee Costs**

- G.1** Staff Wages – The Clerk prepares the payroll. The Clerk is the only employee.
- G.2** The Clerk has a signed contract of employment with any changes to terms agreed by the Council.
- G.3** Salary and NHI/Tax payments are presented to Councilors along with a list of payments for approval at Council meetings with the relevant printed documents from the payroll system.. Samples for payments reviewed in this audit were correct.

## **H. Assets**

### **H.1** Assets

- H.1.1** An Asset register is maintained. The cost values logged in the register agree with the AGAR. There were no assets purchased in 2020-21.
- H.1.2** The AR is now held in an Excel doc rather than a word doc. It is noted that an arithmetic error in 2019-20 required the asset values to be amended for 2020-21.
- H.1.3** Insurance values stated on the register broadly agree to the policy schedules but as noted in 2019-20 it was not possible to reconcile the insured value details to the AR. **Asset insured values on the register need to be reconciled to the Policy.**

## **I. Bank Reconciliations.**

- I.1** Bank Reconciliations are completed on a monthly basis and are correct. Statements are presented to the Cllr signing the bank rec who also initials the statement as seen.

## **J. Accounting Statements.**

- J.1** The accounts are maintained on a receipts and payments basis and agree to the financial reports and the Annual Return.
- J.2** There is an audit trail through the financial records with all items sampled being properly reported and approved.
- J.3** Reserves total £107.4K. Earmarked reserves are £79.4K and have been substantially reviewed and re-set during 2020-21 to represent current projects and appropriate levels. General reserves being £28K which is appropriate for the Council. **It is recommended that reserve reporting does include open bal, movements and close balance reporting for each reserve.**

**K. Limited Assurance Review Exemption.** The Council did not exempt itself in 2019-20

**L. Exercise of Public Rights.** The Notice of Public rights was correctly published on the Council's website.

**M. Trust Funds.** The Council is a Custodian Trustee of the Village Hall and does not manage or is involved with any trust funds or the management of the Hall. It performs its duties as custodian trustee correctly but can answer NA to Box M as this refers only to funds managed 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  
20<sup>th</sup> April 2021