

HERSTMONCEUX PARISH COUNCIL

Internal Audit Report 2018-19

Introduction

In accordance with the Internal Audit Plan, Controls and Procedures have been tested, with Fraud and Risk Issues reviewed. The tests were to the standards and practices defined in the Governance and Accountability for Smaller Authorities 2018 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 24st May 2019 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.

The RFO resigned at the close of 2017-18 and a new RFO was appointed and has been in post for all of 2018-19. In the transition the accounting system was changed to Scribe. Processes and reporting was reviewed and changed where considered necessary. The accounting basis was also changed from I&E to R&P with prior year data restated as R&P on the AGAR.

Items reported in Annual Return Audits from 2017-18

Internal Audit – There were no items noted for action.

External Audit – There were no comments or items for action

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A. Appropriate Accounting Records.

A.1 The financial records are maintained using Scribe software. The financial ledgers are kept up to date. The data held for each transaction sampled was is correct; the cash book and ledger is arithmetically correct and regularly balanced. VAT data sampled was properly accounted for. Financial reports produced agree to the financial records.

B. Financial Regulations, documentation and approvals.

B.1 The Standing Orders and the Financial Regulations were re adopted in May 2019.

B.2 Expenditure Approval. All of the items chosen in the sample of payments from the cash book were supported by an audit trail, invoices were initialled as authorised for payment, approved in the minutes and cheque stubs were initialled.

B.3 Agendas & Minutes are sent out in time are well presented.

C. Risk

C.1 A formal Risk Register and Risk Assessment is maintained and is reviewed annually.

C.2 Internal Audit Effectiveness. The controls in place are adequate and are under review as the new RFO updates processes. The Council is aware of the controls and is diligent in applying these.

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 – The process for reviewing and setting the budget and the precept are thorough and well documented. Annual budgets are prepared in support of the precept, with historical comparisons and forecast data included. Budget data is held in summary and at detailed levels. *The RFO may wish to consider separating day to day R&P budgets from Major project R&P when budgeting for both R&P and reserve movements.*
- D.2 Actual expenditure is compared with the budget and regularly reviewed by the council. The reports are at an account code level. *The RFO may consider summary reports after the Council has become accustomed with new detailed level reports. Any significant variances are explained.*
- D.3 Reserve levels. R&P reports do report spend funded from reserves. *A report of all reserve balances (General and Earmarked) in addition to the R&P is recommended to ensure clarity of reserves levels.*

E. Receipts

- E.1 Income is from the annual precept, allotments, hire fees and other sources. Most income is received by bank transfer. Any other income is banked when received.
- E.2 The process for VAT refund receipts is correctly accounted for. No transactions were sampled in the audit.
- E.3 Debtor balances are no longer reported in the R&P system. The procedure for debtor controls from allotment income was not covered in this audit.

F. Petty Cash – No petty cash is held or transacted.

G. Employee Costs

- G.1 Payroll is managed by a Payroll Bureau. All employees have contracts of employment. The process for the approval of changes to salary levels monthly payments is correct. No payroll transactions were sampled in this audit.

H. Assets

- H.1 Assets – An Asset register is maintained using both cost values and insured values. The register was last updated in May 2019. The insurance cover is sufficient to cover asset values. The asset register values agree with the AGAR.

I. Bank Reconciliations.

- I.1 Bank Reconciliations are completed by the RFO using the financial systems, are checked and signed off by a nominated Parish Councillor. Bank reconciliations are reported to the Council on a Quarterly basis and the reconciliations are minuted as reviewed, in the minutes of the Full Council.

J. Accounting Statements.

- J.1 The accounts are produced on a Receipts and Payments basis. The Annual Return for 2018-19 was completed on a R&P basis with prior year data re-stated. Financial reports are presented to the Council on monthly and quarterly basis including comparisons to budget and agree to the cash book.
- J.2 Receipts and payments details are provided to Cllrs.
- J.3 There is an audit trail through the financial records with all items sampled being properly reported and approved.
- J.4 Reserves balance and reserve movements could be improved by reporting all reserve balances to agree to Box 7 & 8 on the AGAR.

It is noted that the figures have been produced by the RFO in accordance with the requirements and all supporting documents have been produced for the Internal Auditor. The RFO's co-operation aided considerably the work of this internal audit. Thank you.

Keith Robertson FCMA
Internal Auditor
24th May 2019