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BECKLEY PARISH COUNCIL

Internal Audit Report 2017-2018

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 2017 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 04<sup>th</sup> June 2018 and confirmed that the financial management and internal controls adequate with some improvements recommended. 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.

Comments and actions from the 2016-17 Audit.

**External Audit – No actions required.**

**Internal Audit 2016-7**

**C. Risk Assessment.** It was recommended that a formal risk register be kept so that all risks are identified and actions to mitigate risk are agreed and logged. **Not Completed.**

**F. Budgeting & Precept**

**F.1** Budgetary Controls. It was recommended that a specific and defined Receipts, Payments and Reserves budget is prepared which agrees with the precept (**completed**) and that this budget is used for financial reporting during the year. (**Not Completed formally**).

**F.2** Financial Reporting. It was recommended that actual vs budget reports are produced at least quarterly and as defined by the financial regulations. (**Not Completed**)

Internal Audit Report 2017-18

**A. Appropriate Accounting Records.**

**A.1** The financial records are maintained using an Excel spreadsheet. The financial ledgers are updated quarterly. The data held for each transaction is correct; the cash book and ledger is arithmetically correct and 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 re adopted in May 2018.

**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 were sent out in time and are well presented. The minutes were signed by the chairman.

## **C. Risk Assessment**

- C.1 A formal Risk Register is not produced. The Council does have its playground risk assessed and events are risk assessed. The Council is aware of other risk areas but does not formally monitor these. There is no overall formal assessment of risk held in a risk register. [It is again recommended that a formal risk register be kept so that all risks are identified and actions to mitigate risk are agreed and logged.](#) The Clerk confirmed that a new risk register will be presented for consideration by the Council in 2018.
- C.2 Insurance – The Parish Council's Insurance cover is sufficient to cover its assets listed in the asset register.

## **D. Budgeting & Precept**

- D.1 Budgetary Control – The budgeting process does exist but is informal. A budget document detailing income and spend for regular and project activity was produced for 2018-19 and this agreed to the precept agreed. A statement of the levels of budgeted earmarked and general reserve levels would further improve the budget process. [It is recommended that the budget setting process includes a documented review with Forecast for the current year and budget for the coming year. \(This is currently a verbal process\). Example formats are available in the Governance and Accountability for Smaller Authorities publications.](#)
- D.2 Financial reports are produced on a Quarterly basis and show actual spend. There are no reports produced that compare actual to budget spend. This is not consistent with guidelines or the financial regulations. It is also noted that this is a small council and that the Clerk and Council does discuss and understand informally their financial position. This does however need to be more formal and transparent. [I again recommend that actual vs budget reports are produced at least quarterly and as defined by the financial regulations, and that these also report on reserve levels.](#) The Clerk has confirmed that quarterly receipts and payments reports vs budget will be produced in 2018-19

## **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 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 Clerk has a contract of employment. The Payroll is managed by the Clerk via the HMRC on line systems. Changes to salary levels and monthly payroll payments are approved by the Council and minuted. The payroll and HMRC records agree with the financial ledgers and are correctly accounted for.

## **H. Assets**

Assets – The Asset Register for 2016-17 was based on best estimates and was work in progress. The Register as at 31<sup>st</sup> March 2018 has been updated and agrees to the annual return with some assets having been removed or revalued since 2016-17. The insured value is now shown on the register and agrees to the insurance cover as of March 2018.

## **I. Bank Reconciliations.**

- I.1 Bank Reconciliations are completed on a quarterly basis. The reconciliations are presented to the Council at meetings for review. The format of the bank reconciliations has been updated and is now consistent with a standard format. The bank reconciliations are signed as correct by Cllrs at meetings. [It is recommended that a copy of the bank statement is provided along with the reconciliation when it is reviewed and signed.](#)

**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. Cheque stubs sampled were all initialled by Councilors and VAT was correctly processed.
- J.3 Reserves – Earmarked reserves are informally considered but are not reported to the Council in the financial reports. The value of earmarked reserves is understood and with the general reserve balanced is adequate.

It is noted that a number of effective improvements have been made to the controls during the year 2017-18. The figures have been produced by the Clerk in accordance with the requirements and 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  
04<sup>th</sup> June 2018