

FRESHWATER PARISH COUNCIL

INTERNAL AUDIT REPORT 2021-22

1. INTRODUCTION

All Local Councils in England are required to complete an annual return summarising their financial records at the end of the financial year. The relevant section of the Annual Return needs to be completed by an Internal Auditor who shall be independent of the Council. The Councils External Auditor needs to place reliance on the work of the Internal Auditor and provides guidance on the minimum level of testing required to provide this assurance.

2. SCOPE OF AUDIT

The audit includes for examination on a test basis of evidence relevant to the amounts and disclosures as contained in the accounts. This examination has included the following-

- Matching of financial statements to invoices and receipts
- Examination of budget preparation & precept setting
- Inspection of bank statements and receipts procedure
- Matching of payment records to invoices
- Examination of Risk Assessment
- Compliance with Transparency Code

3. FINDINGS

- 1) The payroll is serviced in house through Payroll Manager 20 software and pension contributions through Nest. All deductions are made and paid quarterly.
- 2) The accounting records, bank statements and bank reconciliation for the year ended 31st March 2021 were examined and agreed. All payments made are presented to the Council for approval and are detailed in the Council minutes. The bank statements are reconciled each month which is considered good practice. Errors with carried forward figures from previous years have been investigated and a balancing figure of £757.17 has been agreed by the Council. This is included in the expenditure figure and amounts to an adjustment of less than 1%. All actions have been agreed and minuted.
- 3) Standing Orders and Financial Regulations were reviewed and adopted for 2021/22
- 4) VAT had been accounted for correctly and refunds from HMRC are being claimed.
- 5) Insurance policies are in place with items of high value detailed. However, the Fixed Asset Register is not up to date. The last entry is for 2017/18.
- 6) The electronic payments and receipts system is robust and all expected income had been received and documented. Temporary cash surpluses are held in an investment account with Barclays and the balance at the end of March 2022 stands at £213,445.08

- 7) The Council had prepared an annual budget in support of its precept which was considered and agreed at the Council meeting on 1st February 2022 following a consultation event.
The precept was set at £295,287 for 2022/23.
- 8) The Annual Return requires the Internal Auditor to be satisfied that the Council considers the risks to not achieving its objectives. A Financial Risk Assessment was reviewed by the Finance Committee at meeting on 21st September and approved by full council in October. It was agreed to review the assessment on a 6 monthly basis, which is considered good practice.
- 9) The 2021-22 financial year saw turnover once again exceed £200,000 and therefore the 2021-22 accounts are correctly kept on an income and expenditure basis. Year-end accruals for both expenditure and income had been produced and included for in the Annual Return.
- 10) The approval of the internal audit and AGAR, along the relevant dates for inspection of the accounts, should be documented in the correct order in a set of minutes and while the order is correct the dates are not included. However, the notice of dates for inspection is available.
- 11) The Local Government Transparency Code requires Town and Parish Councils to publish certain information on its website. While some of the required items are available on the website, a number of items require updating or uploading. The items missing include:
 - Expenditure over £500 (although it is believed this is in hand)
 - Details of local council land, in the correct format
 - Grants to community groups (this was agreed but not implemented)
 - Outcome of External Audit
- 12) The External Audit report for 2020/21 was received in October 2021 and the recommendations have been noted and implemented.

CONCLUSION

While minor adjustments are needed to fully comply with the Transparency Code, I am of the opinion that the internal financial procedures of the Council are robust. Therefore, the recommendations are as follows:

- Fixed asset register is regularly updated.
- Website updated to fully comply with the Transparency Code.
- Ensure the minutes detailing approval of internal audit and AGAR are fully compliant.

Having regard to the above I believe I have adequate assurance to complete and sign the relevant section of the Annual Return.



Maxine Warr
20th June 2022