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### **Internal Audit Report for Moreton, Bobbingworth and the Lavers Parish Council**

I am pleased to report that I have completed my Internal Audit for the Parish Council for the period 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022. The Audit was carried out on 29<sup>th</sup> April 2022 and 16<sup>th</sup> June 2022.

Members should be aware that my work cannot be relied upon to identify the occasional omission or insignificant error, nor to disclose breaches of trust or statute, neglect or fraud which may have taken place and which are the responsibility of the Members of the Council to guard against.

Members will be pleased to know that I did not find anything major in my audit to report and that I found the record keeping to be of a very good standard.

I would like to record my appreciation to the Clerk of the Council, Gurdip Paddan for her invaluable assistance during the Internal Audit.

*Ann C Wood*

Ann C. Wood LL.B.Hons, DMS, Cert.HEd.(LPS)  
15<sup>th</sup> August 2022

## **Items Raised by the 2020/2021 Audit**

1. The minuted item where the precept is set should state the actual amount of the precept and not just the percentage rise.

***The meeting on 12<sup>th</sup> January 2021 minuted the actual amount of the precept***

2. There is a column headed S126, which relates to VAT claims and it should either be taken out or re-named S137. The payments made in the year which should be in a column headed S137 payments, are in a column headed Grants. These grants are S137 payments and the title should be rectified.

***The S137 grants are now shown in a column marked Donations. This needs to be renamed S137 Grants***

3. The Council introduced the item of Any Other Business in November 2020. The NALC has advised against the use of this item for over a decade and it is recommended that the Council reconsiders this decision. Other Councils use "Matters for Future Meetings" or "Matters for Information" which make it clearer that items under this heading cannot be matters for decision.

***This item has now been removed from agendas and minutes***

4. The sum insured for the noticeboards and the grit bins seems quite low and should be reviewed.

***There is no evidence that the sums insured were reviewed***

## **Items Raised by the 2021/2022 Audit**

1. The General Reserves held by the Council are higher than the figure recommended by PKF Littlejohn, of 50% of income. The Council's Locum Clerk did advise the Council about this on 21<sup>st</sup> September 2021. The Council should consider introducing a Reserves Policy
2. The bank balances are noted at each meeting but it is not clear whether monthly balance to bank statement comparison reports are presented. This should be addressed by the Council
3. A list of policies (including the Standing Orders and Financial Regulations) is available on the website but none of the documents have the dates that they were adopted/reviewed on them
4. The column in the accounts headed Donations, contains a payment under S137 of the LGA 1972. The payment

made in the year should be in a column headed S137 Grants and the title should be rectified. It should be noted that this issue was also raised in the 2020-2021 audit

5. It should be noted that the asset value listed in the Asset Register should be the same as that recorded on the AGAR. However, there is no total on the Register, which seems to date from the 2020/2021 year
6. The Council is insured with Zurich Municipal. The policy has not been seen and in view of the comment from the Internal Audit for 2020/2021 (which does not seem to have been addressed) and the comment regarding the Asset Register, this should be reviewed by the Council as a matter of urgency

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| <b>Population</b>                  | Approx. 1151   |     |   |
| <b>Councillors</b>                 | 14   |     |   |
| <b>General Power of Competence</b> | Does the Council have the General Power of Competence?                 | No  | The Council operates under S137 of the LGA 1972   |
| <b>LCAS</b>                        | Has the Council attained any of the LCAS levels?                       | No  |   |
| <b>Reserves</b>                    | Are the general reserves reasonable for the activities of the Council? | No  | The general reserves held by the Council (£21913.00) are higher than the figure recommended by PKF Littlejohn, the External Auditor, of 50% of income. The Council's Locum Clerk did advise the Council of this on 21 <sup>st</sup> September 2021. The Council should consider introducing a Reserves Policy |
|                                    | Are earmarked reserves identified?                                     | Yes |   |
| <b>Sole Trustee</b>                | Is the Council a sole trustee of any charity?                          | No  |   |

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| <b>Accounting Basis</b> | <b>Receipts and Payments</b>                 |  |   |
| Bank Accounts           | Unity Trust Bank – 20345583                  |  | £22679.16   |
|                         | Unity Trust Bank – 20345570                  |  | £454.19   |
| Petty Cash              | Not Applicable                               |  |   |
| Income                  |  |  | Precept - £17242.00   |
|                         |  |  | This agrees to the figure published by PKF Littlejohn                           |
|                         |  |  | Other Income - £1157.48   |
|                         |  |  | This includes VAT refund and other income                                       |
| VAT                     | The Council is not registered for VAT        |  | VAT claim made on 20 <sup>th</sup> April 2022 of £312.84                        |
| ICO Registration        | Data Protection Registration Number Z3034375 |  | Registered 1 <sup>st</sup> February 2012. Expires 31 <sup>st</sup> January 2023 |

| <b>Internal Control</b> | <b>Testing</b>                               |     | <b>Comments</b>   |
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| Proper bookkeeping      | • Is the cashbook maintained and up to date? | Yes | The Council uses a spreadsheet to manage the accounts and the cashbook is kept up to date.  |
|                         | • Is the cashbook arithmetic correct?        | Yes |   |
|                         | • Is the cashbook regularly balanced?        | Yes | The bank balances are noted at each meeting but it is not clear whether monthly balance to bank statement comparison reports are presented. |

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| Standing Orders and Financial Regulations | Has the Council formally adopted standing orders and financial regulations? | Yes | <p>The Standing Orders have been adopted and were reviewed on 18<sup>th</sup> May 2021. However, the document on the website has no date on it and even if no changes were made, the date reviewed should be noted on the document</p> <p>The Financial Regulations have been adopted and were reviewed on 18<sup>th</sup> May 2021. However, the document on the website has no date on it and even if no changes were made, the date reviewed should be noted on the document</p> |
| Other Policies                            | Has the Council formally adopted other policies?                            | Yes | A list of policies is available on the website but as above, none of the documents have the dates that they were adopted/reviewed   |

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| Payments Controls | Have items or services above the de minimus amount been competitively purchased?             | N/A | <p>No sample was completed on this occasion and this should be undertaken in the 2022-2023 audit</p> <p>A claim made for the 2021-2022 year for £312.84 was made on 20<sup>th</sup> April 2022.</p> <p>However, the column in the accounts headed Donations, which contains a payment under S137 of the LGA 1972. The payment made in the year should be in a column headed S137 Grants and the title should be rectified</p> |
|                   | Are payments in the cashbook supported by invoices, authorised and minuted?                  | Yes |   |
|                   | Has VAT on payments been identified, recorded and reclaimed?                                 | Yes |   |
|                   | Is s137 expenditure separately recorded and within statutory limits?                         | Yes |   |
|                   | Tenders exceeding the £25,000 threshold have been advertised on the Contract Finders website | N/A |   |

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| Risk management arrangements | Does a review of the minutes identify any unusual financial activity? | No | The minutes of the Council meetings for the year 2021/2022 were read and no unusual financial activity was noted |
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|                    | Do the minutes record the council carrying out an annual risk assessment?   | Yes | A financial/reputational risk assessment was carried out during the year on 18 <sup>th</sup> May 2021 but the document that was agreed was not present   |
|                    | Is insurance cover appropriate and adequate?                                | N/K | Risk assessment should include reference to the General Data Protection Regulations 2018<br><br>The Council is insured with Zurich Municipal policy number YLL-2720413583 – Item PC.010 on 18 <sup>th</sup> May 2021. The policy has not been seen and in view of the comment from the Internal Audit for 2020/2021, this should be reviewed as a matter of urgency<br><br>Fidelity Cover = recommended guidelines of year end balances + 50% of the precept |
|                    | Are internal financial controls documented and regularly reviewed?          | Yes |  |
|                    | Has the council adopted a Code of Conduct?                                  | Yes | The Council has adopted a Code of Conduct, which was reviewed on 18 <sup>th</sup> May 2021 with no changes made  |
|                    | Was the Annual Parish Council Meeting held within the prescribed timeframe? | Yes | The Parish Council must meet annually. In an election year, this must be on the day when the councillors take office or within 14 days, or on any day in May in any other year. The meeting was held on 18 <sup>th</sup> May 2021 and the first item PC.001 was the election of the Chairman.  |
|                    | Was the Annual Parish Meeting held within the prescribed timeframe?         | Yes | A Parish Meeting must be held annually between 1 <sup>st</sup> March and 1 <sup>st</sup> June (both inclusive) A meeting was held on 18 <sup>th</sup> May 2021   |
| Budgetary Controls | Has the council prepared an annual budget in support of its precept?        | Yes | The Precept was agreed on 12 <sup>th</sup> January 2021 at item D.028. The actual amount of the precept is noted. A budget report was agreed and is  |

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|  | Is actual expenditure against the budget regularly reported to the council? | N/K | minuted in the same minutes at item D.029 but the document has not been seen<br><br>The receipts and payments are presented to the Council and minuted but it is not clear whether a comparison is produced. This should be reviewed in the 2022/2023 Audit |
|  | Are there any significant unexplained variances from budget?                | No  | Any variances in budget are explained in the Annual Accounts  |

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| Income Controls | Is income properly recorded and promptly banked?                             | Yes | All income is now received by bank transfer or online payment |
|                 | Does the precept recorded agree to the Council Tax authority's notification? | Yes | £17424.00   |
|                 | Are security controls over cash and near-cash adequate and effective?        | Yes | All income is now received by bank transfer or online payment |
|                 | Does the Council Review its fees on a regular basis?                         | N/A |   |

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| Petty cash procedures | The Council does not operate a petty cash system | N/A |  |
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| Payroll Controls | Has a Responsible Financial Officer been appointed with specific duties?       | Yes | The Clerk and Responsible Financial Officer was appointed from 1 <sup>st</sup> October 2021 and this was recorded in the minutes of the meeting on 21 <sup>st</sup> September 2021 item PC.071 |
|                  | Do all employees have contracts of employment with clear terms and conditions? | Yes | The Clerk is the only employee and a contract of employment has been seen. The contract covers payments for home office use and mileage, as well as pay and conditions                         |
|                  | Do salaries paid agree with those approved by the                              | Yes |  |

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|                | <p>Council?</p> <p>Are other payments to employees reasonable and approved by the Council?</p> <p>Have PAYE/NIC been properly operated by the Council as an employer?</p> | <p>Yes</p> <p>Yes</p> | <p>The Council has used a bookkeeping company to calculate salary and HMRC payments since October 2021 and regular payments are made to HMRC</p>  |
| Asset Controls | <p>Does the council maintain a register of all material assets owned or in its care?</p> <p>Are the assets and Investments registers up to date?</p>                      | <p>Yes</p> <p>No</p>  | <p>It should be noted that the asset value listed in the Asset Register should be the same as that recorded on the AGAR. However, there is no total on the Register and it seems to date from the 2020/2021 year</p> <p>The values used should not be those of the insurance. It should be noted that there should be no variation in Box 9 of the AGAR, unless assets have been bought or disposed of.</p> |

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| Bank Reconciliation | <p>Is there a bank reconciliation for each account?</p> <p>Is a bank reconciliation carried out regularly and in a timely fashion?</p> <p>Are there any unexplained balancing entries in any reconciliation?</p> | <p>Yes</p> <p>Yes</p> <p>No</p> | <p>These are presented to each meeting and agreed but the reconciliations themselves have not been seen</p> |
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| Year-end procedures | <p>Are year-end accounts prepared on the correct accounting basis (Receipts and Payments or Income and Expenditure)?</p> <p>Do the accounts agree with the cashbook?</p> | <p>Yes</p> <p>Yes</p> | <p>Accounts are prepared on a Receipts and Payments basis, as the Council is below the £200,000.00 threshold</p> |
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|  | Is there an audit trail from underlying financial records to the accounts?  | N/K | No audit trail was undertaken on this occasion because not all the bank statements were available |
|  | Where appropriate, have debtors and creditors been properly recorded?   | N/A |   |
|  | Were the Annual Accounts, the Annual Governance Statement and Annual Accounts and Accounting Statement signed by the Council? | Yes | Year End 31 <sup>st</sup> March 2022 signed on 17 <sup>th</sup> May 2022 at item PC.170           |
|  | Is there a Certificate of Exemption?  | Yes |   |

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| Auditor's Reports | Was the Internal Auditor's Report reported to the Council? | Yes | The formal written report was given to the Council and noted on 13 <sup>th</sup> July 2021 at item PC.056 but no plan of action was agreed<br><br>The Internal Auditor's appointment for two years from May 2020 was confirmed at item PC.009 on 18 <sup>th</sup> May 2021 |
|                   | Was the External Auditor's Report reported to the Council? | No  | The Council is exempt from a review by the External Auditor under Section 9 Local Audit (Smaller Authorities) Regulations 2015   |

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| Loan | Were any loans made to volunteer bodies during the year? | No |  |
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| Co-option              | The co-option of members should appear on an agenda as a separate item for the Council to action | Yes |   |
| Donation to the Church | Does the Council make any grants to the church?  | Yes | The Council has made grants to the church but considered NALC Guidance L01-18 regarding grants to churches at item PC.084 on 21 <sup>st</sup> September 2021 and made a decision not to continue the practice |