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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 1st April 2018 to 31st March 2019. The Audit was carried out on Thursday 27th June and Tuesday 2nd July 2019.

I note that the present Clerk was appointed from 1st October 2018 and that the previous Clerk continued to be employed until November 2018 to complete a handover period.

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, Julia Milovanovic for her invaluable assistance during the Internal Audit.

Ann C Wood

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27th June 2019

Items Raised by the 2017/2018 Audit

The Clerk has informed me that the Internal Audit for the 2017/2018 year was restricted to finance. There is no copy of the Annual Internal Audit Report available. There is a reference in the July 2018 minutes which states that the Internal Auditor reported no issues arising from the audit to the Clerk.

Items Raised by the 2018/2019 Audit

Recommendations

1. The Clerk should continue the enquiries with HMRC and see if making a VAT126 claim would be more appropriate for the Council. This is the ability to claim a VAT refund on non-business activities or exempt activities
2. The Internal Audit should be considered by the Council each year, at a meeting and minuted. If necessary, a plan should be drawn up to deal with any issues raised and this should be noted
3. The Council's Asset register needs to be re-visited and if necessary restated on next year's AGAR
4. There does not appear to be an Annual Parish Meeting held within the legal framework and this needs to be rectified
5. The Council should look at having regular bank reconciliations and a comparison between expenditure and budget. These need not necessarily be monthly but could, for instance be quarterly
6. The Council should consider carrying out a statement of internal control

Accounting Basis	Receipts and Payments		
Bank Accounts	Unity Trust Bank – 20345583		£28877.27
	Unity Trust Bank – 20345570		£1719.89
	Barclays Bank - 20645990		There is a cheque book for this account but it is unclear whether the account has been closed and this should be checked
Petty Cash	Not Applicable		
Income			Precept - £14771.00 Other Income including LCTS Grant - £377.00
VAT	I am informed by the Clerk that the Council is registered for VAT but that there may be some issues, as no claims have been made since 2014. There are no details relating to VAT even prior to 2014		The Clerk has spoken to HMRC to find the best way forward and has been told to write to them to ask what the formal position is for the Council. The Clerk's view, with which I concur, is that it will be more appropriate for the Council to complete a S126 Return, if this is possible.
ICO Registration	Registration Number Z3034375		

Internal Control	Testing		Comments
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 statements are presented.

Standing Orders and Financial Regulations adopted	Has the Council formally adopted standing orders and financial regulations?	Yes	Standing Orders and Financial Regulations were reviewed and adopted on 12 th March 2018 item C.606.
Other Policies	Has the Council formally adopted other policies? It is noted that there are very few policies in place, other than Financial Regulations and Standing Orders	No	The Annual Council Meeting on 13 th May 2019, shows a programme for further policies to be put in place during the 2019/2020 year. It is also noted that at the same meeting, a GDPR policy was approved.
Payments Controls	Has a Responsible Financial Officer been appointed with specific duties?	N/K	The new Clerk was appointed and this was recorded in the minutes of the meeting on 10 th September 2018 item C.681. No specific mention of the appointment as RFO is recorded.
	Have items or services above the de minimus amount been competitively purchased?	N/A	
	Are payments in the cashbook supported by invoices, authorised and minuted?	Yes	No sample was completed on this occasion but all invoices were present.
	Has VAT on payments been identified, recorded and reclaimed?	No	Claims have not been made since 2014 but the Clerk is speaking to HMRC about the situation.
	Is s137 expenditure separately recorded and within statutory limits?	Yes	There is a separate column for S137 payments but there are no payments recorded.

Risk management arrangements	Does a review of the minutes identify any unusual financial activity?	No	The minutes of the Council meetings for the year 2018/2019 were read and no unusual financial activity was noted.
	Do minutes record the council carrying out an annual risk assessment?	No	A financial/reputational risk assessment was not carried out during the year. The Council has agreed to undertake this in the next year and it will be reviewed in the 2019/2020 audit.
	Is insurance cover appropriate and adequate?	Yes	The Council is insured with Zurich Municipal

	Are internal financial controls documented and regularly reviewed?	No	An Internal Financial Control document should be investigated.
	Has the council adopted a Code of Conduct?	Yes	The Council has adopted the Epping Forest District Council Code of Conduct. Following a review, the revised Code was adopted on 14 th November 2016.
	Was the Annual Parish 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 14 th May 2018 and the first item C.623 was the election of the Chairman.
	Was the Annual Parish Meeting held within the prescribed timeframe?	No	A Parish Meeting must be held annually between 1 st March and 1 st June (both inclusive). While an open meeting did take in November 2018, this does not meet the requirements.

Budgetary Controls	Has the council prepared an annual budget in support of its precept?	Yes	The Precept was agreed on 15 th January 2018 item C.593. A budget report was agreed and is minuted in the same minutes.
	Is actual expenditure against the budget regularly reported to the council?	N/K	The receipts and payment are presented to the Council and minuted but it is not clear whether a comparison is produced
	Are there any significant unexplained variances from budget?	No	Any variances in budget are explained in the Annual Accounts

Income Controls	Is income properly recorded and promptly banked?	Yes	All the Council's income is paid directly into the bank
	Does the precept recorded agree to the Council Tax authority's notification?	Yes	

	Are security controls over cash and near-cash adequate and effective?	N/A	The Council does not receive cash payments, all payments being made directly into the account
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Petty cash procedures	The Council does not operate a petty cash system	N/A	
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Payroll Controls	Do all employees have contracts of employment with clear terms and conditions?	No	The Clerk is the only employee. A statement of employment has been seen. There are no payroll details for the 2018 year other than the payslips and the amounts shown to be paid to HMRC in the minutes and bank statement. The previous Clerk also worked for another Parish Council as the RFO and utilised their software for payroll but has been unable to supply any details of payroll etc. The current Clerk took over the payroll in January 2019 and is using Moneysoft Payroll Manager. Details of payroll for January to March 2019 were supplied.
	Do salaries paid agree with those approved by the Council?	Yes	
	Are other payments to employees reasonable and approved by the Council?	N/A	
	Have PAYE/NIC been properly operated by the Council as an employer?	Yes	
Assets controls	Does the council maintain a register of all material assets owned or in its care?	Yes	The Asset Register was not drawn up in the 2018/2019 year but the Clerk has supplied a list drawn up in March 2018. This will be reviewed in the 2019/2020 Audit
	Are the assets and Investments registers up to date?	No	This is to be addressed by the Council in the next year. However, it should be noted that the asset value listed in the Asset Register should be the same as that recorded on the AGAR. The values used should not be those of the insurance. This should be reviewed during the

			year and if necessary, the AGAR re-stated next year. It should be noted that there should be no variation in Box 9 of the AGAR, unless assets have been bought or disposed of.
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>N/A</p>	This does not appear to be done on a monthly or quarterly basis but only at the year end.
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>Is there an audit trail from underlying financial records to the accounts?</p> <p>Where appropriate, have debtors and creditors been properly recorded?</p> <p>Were the Annual Accounts and the Annual Return signed by the Council?</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>N/A</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> <p>Year End 31st March 2019 signed on 13th May 2019.</p>
Auditor's Reports	<p>Was the Internal Auditor's Report reported to the Council?</p> <p>Was the External Auditor's Report reported to the Council?</p>	<p>N/K</p> <p>No</p>	<p>There is a reference in the July 2018 minutes which states that the Internal Auditor reported no issues arising from the audit to the Clerk but it is unclear whether this was formally addressed by the Council.</p> <p>The External Auditor's Report is not applicable as the Council has a Certificate of Exemption</p>