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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 2019 to 31st March 2020. The Audit was carried out on Wednesday 17th June and Monday 22nd June 2020 and completed on 22nd January 2021.

There have been unfortunate delays in this year's Audit due to the lockdown circumstances that the country was placed under by HM Government from March 2020 and IT problems that I experienced later in the year with the receipt of e-mails.

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.

I would like it noted that the totally electronic means of auditing are not satisfactory and checking documents for specific actions and items (e.g. minutes, agendas etc.) is very time-consuming. Because of the restrictions laid down by HM Government during the Covid-19 Pandemic, this year the Clerk and I have obviously not been able to meet. I would recommend that this is done during the Audit for the 2020/2021 year.

Members will be pleased to know that I did not find anything major in my audit to report and that the Clerk has been particularly diligent in rectifying a number of problems. 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 assistance during the Internal Audit.

Ann C Wood

Ann C. Wood LL.B.Hons, DMS, Cert. HEd. (LPS)
22nd January 2021

Items Raised by the 2018/2019 Audit

Recommendations and Actions reported on 10th September 2019

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

This has now been clarified with HMRC and in future VAT 126 claims will be made as opposed to the Council being registered with a VAT number.

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

The report was noted at minute C.837 on 10th September 2019.

3. The Council's Asset register needs to be re-visited and if necessary restated on next year's AGAR

The Asset Register was re-drawn and noted on 13th May 2019 C.759

4. There does not appear to be an Annual Parish Meeting held within the legal framework and this needs to be rectified

The Annual Parish Meeting which is held in November is not within the legal timescale. In future the November meeting will be called the Open Parish Meeting and an Annual Parish Meeting will be held on the same night as the May Annual Council Meeting.

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

Expenditure against budget now forms a regular part of the Finance item on the Agenda. Similarly Bank Reconciliations are being provided.

6. The Council should consider carrying out a statement of internal control

A statement of internal control appears in the paperwork for the March 2020 meeting of the Council but no mention of it being formally adopted can be found in the minutes

Items Raised by the 2019/2020 Audit

Recommendations and Actions reported on 22nd January 2021

1. The Annual Parish Meeting which is held in November is not within the legal timescale. It was not notified through the Audit in time for a meeting in the 2019/2020 year and any change to the meeting date would now have to be in the 2020/2021 year, which is not the year under review. It has been agreed that the Annual Parish Meeting will be held on the same night as the May Annual Council Meeting. This should be covered in the 2020/2021 Audit.
2. The minuted item where the precept is set should state the actual amount of the precept and not just the percentage rise.
3. The date of the Annual Parish Meeting needs to be checked for the 2020/2021 Audit Year
4. It is noted that the Council ended the year with £4159.00 in earmarked reserves and £18747.90 in general reserves. The general reserves figure is quite high on a precept of £15510.00. I myself am not too concerned about the current amount in general reserves and would not recommend that the Council lowers its precept but I would suggest that the figure should be kept under review. If the Council were required to submit to the external auditor, this figure could be queried as it is more than the precept for the year.

Accounting Basis	Receipts and Payments		
Bank Accounts	Unity Trust Bank – 20345583		£19504.26
	Unity Trust Bank – 20345570		£3402.61
	Barclays Bank - 20645990		It was noted in the previous years' audit that there is a cheque book for this account. The Clerk has found some information which suggests that the account was closed but I have not seen this yet.
Petty Cash	Not Applicable		
Income			Precept - £15510.00 Other Income including interest - £1824.69 and VAT refund
VAT	The Council was registered for VAT		The Clerk has spoken to HMRC and it has been agreed that in future the Council will complete a S126 Return, which more appropriate.
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 and reconciliations are also reported and noted.

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 13 th May 2019, item C.755.
Other Policies	Has the Council formally adopted other policies?	Yes	As per the Annual Council Meeting on 13 th May 2019, a programme of policies to be put in place has started. A GDPR policy was approved at the above meeting and Equality & Diversity, Bullying & Harassment, Grievance and Disciplinary policies on 12 th November 2019.
	Has a Responsible Financial Officer been appointed with specific duties?	N/K	The 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.
Payments Controls	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	A sample was taken and other supporting invoices are present.
	Has VAT on payments been identified, recorded and reclaimed?	Yes	A claim has been made for back years and a claim for the current year will be made once the audit is completed
	Is s137 expenditure separately recorded and within statutory limits?	Yes	There is a separate column for S137 payments (labelled S126, which should be corrected) but there are no payments recorded.

Risk management arrangements	Does a review of the minutes identify any unusual financial activity?	No	All the minutes of the Council meetings for the year 2019/2020 were read and no unusual financial activity was noted.
	Do minutes record the council carrying out an annual risk assessment?	Yes	A financial/reputational risk assessment was addressed and agreed in May 2019 C.760

	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 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 13 th May 2019 and the first item C.755 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 2019, this does not meet the requirements. No evidence can be found of a meeting in May.

Budgetary Controls	Has the council prepared an annual budget in support of its precept?	Yes	The Precept was agreed on 14 th January 2019 item C.718. Whilst the percentage rise is noted in the minutes, the actual amount is not. A budget report was agreed and is minuted in the same minutes.
	Is actual expenditure against the budget regularly reported to the council?	Yes	The receipts and payment are presented to the Council and minuted
	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
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	Does the precept recorded agree to the Council Tax authority's notification?	Yes	£15510.00 This agrees with the figure published by PKF Littlejohn
	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 bank account

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?	Yes	The Clerk is the only employee. A statement of employment has been seen.
	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	The current Clerk took over the payroll in January 2019 and is using Moneysoft Payroll Manager. Details of payroll for April 2019 to March 2020 were supplied.
Assets controls	Does the council maintain a register of all material assets owned or in its care?	Yes	The Asset Register was re-drawn and noted on 13 th May 2019 C.759 The asset value listed in the Asset Register should be the same as that recorded on the AGAR. There should be no variation in Box 9 of the AGAR, unless assets have been bought or disposed of.
	Are the assets and Investments registers up to date?	Yes	

Bank Reconciliation	Is there a bank reconciliation for each account?	Yes	This is carried out monthly
	Is a bank reconciliation carried out regularly and in a timely fashion?	Yes	
	Are there any unexplained balancing entries in any reconciliation?	N/A	
Year-end procedures	Are year-end accounts prepared on the correct accounting basis (Receipts and Payments or Income and Expenditure)?	Yes	Accounts are prepared on a Receipts and Payments basis, as the Council is below the £200,000.00 threshold
	Do the accounts agree with the cashbook?	Yes	Sample only taken
	Is there an audit trail from underlying financial records to the accounts?	Yes	
	Where appropriate, have debtors and creditors been properly recorded?	N/A	Year End 31 st March 2020 signed on 7 th May 2020 at item C.953.
	Were the Annual Accounts and the Annual Return signed by the Council?	Yes	
	Exemption from the requirement for a limited assurance review under the Transparency Code for Smaller Authorities	Yes	
Auditor's Reports	Was the Internal Auditor's Report reported to the Council?	Yes	The report was noted at minute C.837 on 10 th September 2019.
	Was the External Auditor's Report reported to the Council?	No	The External Auditor's Report is not applicable as the Council has a Certificate of Exemption