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### **Internal Audit Report for Finchingfield 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 2022 to 31<sup>st</sup> March 2023. The Audit was carried out on 17<sup>th</sup> May 2023.

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.

The three matters highlighted from the previous year that were significant were addressed promptly by the Council. However, other issues although dealt with, appear not to have been continued. These are items that should be addressed and properly reported, as per the recommendation

I would like to record my appreciation to the Clerk of the Council, Kate Raymond, Cllr Bob Stanger and the RFO Kevin Money for their invaluable assistance during the Internal Audit, particularly as Kate and Kevin have only recently taken on the roles of Clerk and RFO

*Ann C Wood*

Ann C. Wood LL.B.Hons, DMS, Cert.HE  
11<sup>th</sup> June 2023

## Items Raised by the 2021/2022 Audit

1. A financial/reputational risk assessment was not carried out during the year. The Council should carry out and formally record the Risk Assessment in the minutes. The risk assessment should include reference to the General Data Protection Regulations 2018  
**A financial/reputational risk assessment was carried out and agreed at the meeting on 26<sup>th</sup> July 2022 at item 22/039**
2. A budget was discussed at item 20/149i on 26<sup>th</sup> January 2021 and the Precept was discussed on the same date at item 20/149ii. The minutes were not available for confirmation that these were agreed nor was the precept figure recorded  
**The next year's budget and amount of Precept were noted in the minutes**
3. The audit reports were not presented to the Council. The reports from both the Internal and External Auditors should be agenda items for consideration by the Council. The decisions made about what actions to take on the reports must be recorded in the minutes  
**The Internal Auditor's Report was reported to the meeting in July 2022 and the recommendations noted. The External Auditor's Report may have been reported to a meeting in September 2022 but the minutes are not available on the website**
4. The Financial Regulations were adopted in 2016 and do not appear have not been reviewed since. This should be addressed by the Council as a matter of urgency and will be reviewed in the 2022-2023 year  
**The matter was addressed and Financial Regulations were reviewed and adopted in July 2022**
5. The reserves at £66150.22 are on the high side for a Council precepting £44742.00. The Council should adopt a Reserves Policy and should identify any earmarked reserves  
**This was agreed that a Reserves Policy would be put in place but it does not appear on the website. Also, as there was not any accounts/balance sheet, it was not possible to see what reserves the Council has**
6. The bank balances are noted at each meeting but monthly balance to bank statement comparison reports are not presented  
**This was agreed at the beginning of the 2022-2023 year and was a minuted item but since September/October 2022 no longer appears as a minuted item**

## Items Raised by the 2022/2023 Audit

1. In the previous year, it was noted that the reserves at £66150.22 were on the high side for a Council precepting £44742.00. It was recommended that the Council should adopt a Reserves Policy and should identify any earmarked reserves. However, there is no record of this happening and the policy is not available on the website
2. In the previous year it was recommended that whilst the bank balances were noted at each meeting, monthly or quarterly balance to bank statement comparison reports were not presented. The Council agreed at the beginning of the 2022-2023 year that this would happen it appeared as a minuted item. Since September/October 2022, this no longer appears as a minuted item
3. There are a few issues contained in the body of the Report that should be considered by the Council. They are minor issues but if they are considered and some changes agreed, this would tidy up the Council's systems
4. **The Council as Sole Trustee** – The Council has undertaken its role as in previous years. However, it is noted that the meetings held by the Trust are items on the parish council agendas and appear to be included in the parish council meeting minutes. The meetings of the Trust must be completely separate and must have separate agendas and minutes and be posted on the website

<b>Electorate</b>	Approx 1000		
<b>Councillors</b>	9		
<b>General Power of Competence</b>	Does the Council have the General Power of Competence?	Yes	For the year under review, the Council did not operate under the LGA S137 as it had adopted the General Power of Competence
<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?	Yes	The reserves are within the amount recommended by PKF Littlejohn
	Are earmarked reserves identified?	No	There were no accounts/balance sheet available to see what the earmarked reserves may be
<b>Sole Trustee</b>	Is the Council a sole trustee of any charity?	Yes	<p>Finchingfield Village Hall Trust and Finchingfield Sports Field Charity Number – 301302 and 301302-1</p> <p>The Council has undertaken its role as in previous years. However, it is noted that the meetings held by the Trust are items on the parish council agendas and appear to be included in the parish council meeting minutes. The meetings of the Trust must be completely separate and must have separate agendas and minutes and be posted on the website</p>

<b>Accounting Basis</b>	<b>Receipts and Payments</b>		
Bank Accounts	Unity Trust Bank – Current Account		£5414.37
	Unity Trust Bank – Deposit Account		£27727.79
Petty Cash	Not Applicable		
Income			Precept - £47485.00
			This agrees to the figure published by PKF Littlejohn
			Other Income - £34121.00
			This includes BDC Street Cleansing, wayleave, interest, ECC Grass Cutting grant, VAT refund, donations and other income

VAT	The Council is not registered for VAT	The claim for the previous year was made in June/July 2022. No other VAT claim was made during the year, due to the Council being without a permanent RFO
ICO Registration	Data Protection Registration Number – Z2791198	Registration 2 <sup>nd</sup> August 2011. Renewal on 1 <sup>st</sup> August 2023

Internal Control	Testing		Comments
Proper bookkeeping	• Is the cashbook maintained and up to date?	Yes	The Council uses an Excel spread sheet to manage the accounts and the cashbook is kept up to date
	• Is the cashbook arithmetic correct?	N/K	There were no accounts/balance sheet available, so it was not possible to confirm
	• Is the cashbook regularly balanced?	N/K	It is very difficult to tell from the minutes what is being reported to the Council, as there are no recent minuted lists of receipts and payments, bank balances or noting of other financial information. The current Clerk is new to the sector and was not able to explain the previous minutes and the RFO has only recently been appointed

Standing Orders and Financial Regulations	Has the Council formally adopted standing orders and financial regulations?	Yes	The Standing Orders were adopted on 25 <sup>th</sup> January 2022 and not reviewed during the year under review but the Council is aware of the issue and will be addressing it  Financial Regulations were reviewed and adopted on 22 <sup>nd</sup> July 2022
Other Policies	Has the Council formally adopted other policies?	Yes	A list of polices is available on the website

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	Two samples were completed on this occasion and were found to be correct
	Has VAT on payments been identified, recorded and reclaimed?	Yes	The VAT has been identified and recorded and a claim for the previous year was made in June/July 2022. No other VAT claim was made during the year, due to the Council being without a permanent RFO
	Is s137 expenditure separately recorded and within statutory limits?	N/A	The Council does not operate under the LGA S137 as it has adopted the General Power of Competence
	Tenders exceeding the £25,000 threshold have been advertised on the Contract Finders website	N/A	

Risk management arrangements	Does a review of the minutes identify any unusual financial activity?	No	The minutes of the Council meetings for the year 2022/2023 were read and no unusual financial activity was noted
	Do the minutes record the council carrying out an annual risk assessment?	Yes	A financial/reputational risk assessment was carried out during the year and adopted on 26 <sup>th</sup> July 2022 at item 22/039  Risk assessment should include reference to the General Data Protection Regulations 2018
	Is insurance cover appropriate and adequate?	Yes	The Council is insured with Zurich Municipal – policy number YLL-2720443173. This is part of a three-year long-term agreement, which expires on 1 <sup>st</sup> June 2025. The policy has been seen and Public/Product Liability is £12 million and Employers Liability is £10 million

	Are internal financial controls documented and regularly reviewed?	N/K	Fidelity Cover = recommended guidelines of year end balances + 50% of the precept  An Internal Financial Control document may have been adopted but the minutes at the meeting where this may have been done were not available on the website
	Has the council adopted a Code of Conduct?	Yes	The Council adopted the LGA Code of Conduct on 26 <sup>th</sup> July 2022
	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 31 <sup>st</sup> May 2022 and the first item 22/001 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). The Parish Meeting took place on 12 <sup>th</sup> May 2022

Budgetary Controls	Has the council prepared an annual budget in support of its precept?	Yes	A budget was discussed at item 21/146 (b) on 25 <sup>th</sup> January 2022 and the Precept was discussed on the same date at item 21/146 (c). The amount of the Precept was minuted
	Is actual expenditure against the budget regularly reported to the council?	No	The receipts and payments are presented to the Council and minuted but a comparison may be produced but does not appear to be 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	Most payments are made by bank transfer and online payments
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	Does the precept recorded agree to the Council Tax authority's notification?	Yes	£47485.00
	Are security controls over cash and near-cash adequate and effective?	Yes	The majority of payments are made by bank transfer and online payments. Any cheques received are banked as soon as is practicable
	Does the Council Review its fees on a regular basis?	N/A	

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?	N/K	The current Clerk took on the role in January 2023 and has verbally confirmed that there is a contract. The RFO was appointed at about the same time on a contractual basis
	Do all employees have contracts of employment with clear terms and conditions?	N/A	The Clerk is the only employee
	Do salaries paid agree with those approved by the Council?	Yes	
	Are other payments to employees reasonable and approved by the Council?	Yes	The Clerk is paid a home office allowance and mileage
	Have PAYE/NIC been properly operated by the Council as an employer?	Yes	The Council uses P M Smith for the payroll calculation and a payroll slip was seen. Regular payments are shown as being made to HMRC
Asset Controls	Does the council maintain a register of all material assets owned or in its care?	Yes	
	Are the assets and Investments registers up to date?	No	It should be noted that the asset value listed in the Asset Register should be the same as that recorded on the AGAR. This appeared to be the case but the AGAR was not fully completed for submission



			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 from the previous year, unless assets have been bought or disposed of
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Bank Reconciliation	Is there a bank reconciliation for each account?	Yes	
	Is a bank reconciliation carried out regularly and in a timely fashion?	Yes	
	Are there any unexplained balancing entries in any reconciliation?	No	

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?	N/K	There were no accounts/balance sheet available against which to check the cashbook
	Is there an audit trail from underlying financial records to the accounts?	Yes	Two items were followed on an audit trail and were found to be correct
	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 2023 partly completed but not yet signed
	Is there a Certificate of Exemption?	N/A	
	Dates of the period for the exercise of Public Rights		20 <sup>th</sup> June 2022 to 29 <sup>th</sup> July 2022

Auditor's Reports	Was the Internal Auditor's Report reported to the Council?	Yes	A formal written report was given to the Council on 26 <sup>th</sup> July 2022 at item 22/047 and the issues raised appear to have been discussed and agreed
	Was the External Auditor's Report reported to the Council?	No	From a review of the minutes, there does not appear to be a report noted from the external audit. It is noted that the minutes for September 2022 are not available from the website and it is possible that this item may have been discussed at that meeting  The reports from both the Internal and External Auditors should be agenda items for consideration by the Council. The decisions made about what actions to take on the reports must be recorded in the minutes

Loan	Were any loans made to volunteer bodies during the year?	No	
PWLB	Are there any outstanding loans by the PWLB (or others) to the Council	No	

Donation to the Church	Does the Council make any grants to the church?	Yes	The Council should make certain that it is aware of the NALC L01-18 regarding grants to churches. The matter has been discussed with the Clerk and it is for the Council to make the decision on the matter. The fact that the Council is aware of the legal advice and has considered it before making its decision must be recorded in the minutes
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