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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 1st April 2021 to 31st March 2022. The Audit was carried out on 24th June and 1st July 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.

There were three matters highlighted that should be addressed promptly by the Council. I found the record keeping to be of a good standard.

I would like to record my appreciation to the Clerk of the Council, Claire Waters for her invaluable assistance during the Internal Audit, particularly as she has only recently taken on the role of Clerk/RFO

Ann C Wood

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1st July 2022

Items Raised by the 2020/2021 Audit

It is my understanding that previous audits have not actually included a written report to Council and therefore, I am unable to identify/comment on the 2020/2021 Audit.

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
2. A budget was discussed at item 20/149i on 26th 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
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
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
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
6. The bank balances are noted at each meeting but monthly balance to bank statement comparison reports are not presented

Electorate	957		
Councillors	9		
General Power of Competence	Does the Council have the General Power of Competence?	Yes	Agreed at item 21/161 on 22 nd February 2022 The Council does not now operate under the LGA S137 as it has adopted the General Power of Competence
LCAS	Has the Council attained any of the LCAS levels?	No	
Reserves	Are the general reserves reasonable for the activities of the Council? Are earmarked reserves identified?	No No	The reserves at £66150.22 are on the high side for a Council precepting £44742.00. The Council should consider a Reserves Policy and should identify any earmarked reserves
Sole Trustee	Is the Council a sole trustee of any charity?	Yes	Finchingfield Village Hall Trust and Finchingfield Sports Field Charity Number – 301302 and 301302-1 The Council has undertaken its role as in previous years. Further information will be considered in the 2022/2023 audit

Accounting Basis	Receipts and Payments		
Bank Accounts	Barclays Bank – Current Account		£38660.36
	Barclays Bank – Deposit Account		£27519.86
Petty Cash	Not Applicable		
Income			Precept - £44742.00

VAT	The Council is not registered for VAT	<p>This agrees to the figure published by PKF Littlejohn</p> <p style="text-align: right;">Other Income - £43661.51</p> <p>This includes BDC Street Cleansing, wayleave, interest, ECC Grass Cutting grant, VAT refund, an insurance claim and other income</p> <p>No VAT claim was made during the year, due to the Council being without a permanent RFO until January 2022</p>
ICO Registration	Data Protection Registration Number – Z2791198	Registration 2 nd August 2011. Renewal on 1 st August 2022

Internal Control	Testing		Comments
Proper bookkeeping	• Is the cashbook maintained and up to date?	Yes	The Council uses Scribe to manage the accounts and the cashbook is kept up to date
	• Is the cashbook arithmetic correct?	Yes	
	• Is the cashbook regularly balanced?	Yes	

Standing Orders and Financial Regulations	Has the Council formally adopted standing orders and financial regulations?	Yes	<p>The Standing Orders were adopted on 25th January 2022</p> <p>Financial Regulations were adopted in 2016 and do not appear have not been reviewed. This should be addressed in the 2022-2023 year</p>
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 but no claim was made in the year under review
	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 2021/2022 were read and no unusual financial activity was noted
	Do the 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 should carry out and formally record the Risk Assessment in the minutes. It will be reviewed in the 2022/2023 audit 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 st June 2025. The policy has been seen and Public/Product Liability is £12 million and Employers Liability is £10 million Fidelity Cover = recommended guidelines of

	Are internal financial controls documented and regularly reviewed?	No	year end balances + 50% of the precept An Internal Financial Control document should be investigated
	Has the council adopted a Code of Conduct?	Yes	The Council has adopted the Braintree District Council Code of Conduct on 17 th October 2017
	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 20 th May 2021 and the first item 21/18 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 st March and 1 st June (both inclusive). The Parish Meeting did not take place due to Covid-19 Regulations

Budgetary Controls	Has the council prepared an annual budget in support of its precept?	N/K	A budget was discussed at item 20/149i on 26 th 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
	Is actual expenditure against the budget regularly reported to the council?	N/K	The receipts and payments are presented to the Council and minuted but a comparison is not produced. This will 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

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	£44742.00
	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?	Yes	The current Clerk took on the role in January 2022 and a contract has been seen with the specific appointment as the RFO
	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, although no payroll slips were made available in the documentation. 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?	Yes	It should be noted that the asset value listed in the Asset Register should be the same as that recorded on the AGAR. The Asset Register was not available. The asset value on the AGAR is £1351116.00

			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.
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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?	Yes	
	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 st March 2022 signed on 31 st May 2022 at items 22/011b and 22/011c
	Is there a Certificate of Exemption?	N/A	
	Dates of the period for the exercise of Public Rights		20 th June 2022 to 29 th July 2022

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>No</p> <p>No</p>	<p>No formal written report was given to the Council</p> <p>From a review of the minutes, there does not appear to be a report noted from the external audit</p> <p>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</p>
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Loan	Were any loans made to volunteer bodies during the year?	No	
PWLB		No	

Donation to the Church	Does the Council make any grants to the church?	Yes	<p>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 should be recorded in the minutes</p>
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