



LetchWood Business Management
134 Witham Road,
Black Notley,
Essex CM77 8LN
Tel 07932 144777 e-mail info@letchwood.co.uk

Internal Audit Report for Noak Bridge Parish Council

4th June 2019

It is noted that the council has experienced long-term staffing difficulties, with three people in the post of Clerk in the audit year. The last Clerk left before the end of the audit year, and the councillors were charged with locating and presenting the information required for the audit. Given the frequent changes in staff, it is to the Council's credit that the systems coped as well as they did, and I can confirm that the council has fulfilled its statutory duties. However, the frequent changes in staff have made it difficult to follow the accounts, and it is recommended that the Council considers establishing a recognised accounting system that can be followed independently of its author. Many free accounting solutions are available, and they would allow the Councillors access to better quality management information.

Although the Council has adopted the new model standing orders, it remains to fill-in the blanks where times and dates are required, and to select where multiple options are given. This will be addressed in the current year.

When setting a precept, the council is required to first approve the budget on which it is based. Then as a separate resolution, approve the precept demand.

The Precept demand does not match the sum published by PKF. The demand is for £43,548, which agrees with the sums paid by the Borough Council, and with the 2018-19 sum printed on the current precept demand. PKF report the precept to be £45,380. A difference of £1,832. It has been confirmed that the demand was correctly submitted to the Borough Council who paid the correct amount to the parish. As the council was late in submitting their demand, PKF had used an assumed sum which has now been corrected. There is objective evidence that the council can tick 'yes' to box 1 (We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements), and box 3 (We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.)

Internal Control	Testing		Comments
Proper bookkeeping	<ul style="list-style-type: none"> • Is the cashbook maintained and up to date? • Is the cashbook arithmetic correct? • Is the cashbook regularly balanced? 	Y	The Council uses a spreadsheet to manage the cashbook, and although the arithmetic was correct and accurate, the logic was difficult to follow. The Account was balanced monthly and regular reconciliations were made and the results reported to council.

<p>a) standing orders and financial regulations adopted and applied; and</p> <p>b) payments controls</p>	Has the council formally adopted standing orders and financial regulations?	Y	Both were adopted at minute 18/386. The Council adopted a modified version of the current model standing orders in May 2018, but I note that most of the optional fields are left blank and where the model offers either / or fields, they have not been selected.
	Has a Responsible financial officer been appointed with specific duties?	Y	The current model financial regulations were adopted in May 2018
	Have items or services above the de minimus amount been competitively purchased?	N/A	The Council appointed two Clerks within the audit year, and it was noted that the standing orders made provision for Councillors to adopt the role while the council was without Proper and Responsible Financial Officers.
	Are payments in the cashbook supported by invoices, authorised and minuted?		Not checked. Invoice book was not available at the time of the audit, but the payments were reasonable in terms of cash and frequency.
	Has VAT on payments been identified, recorded and reclaimed?	Y	Outstanding VAT Claims from previous years have been collected and one VAT claim has already been made for April- October 2018.
	Is s137 expenditure separately recorded and within statutory limits?	Y	A separate fund for S137 grants is established, but no awards were made in the audit year. It is assumed that the Defibrillators were installed on property managed by the Parish Council.

Risk management arrangements	Does a review of the minutes identify any unusual financial activity?	N	Transactions reported in the minutes match-up to the cashbook and bank statements.
	Do minutes record the council carrying out an annual risk assessment?	Y	Annual assessment covers the governance, financial and physical risks as perceived by the council.
	Is insurance cover appropriate and adequate?	Y	Local Council insurance policy with standard clauses.
	Are internal financial controls documented and regularly reviewed?	Y	Statement of financial control approved in May 2018

Budgetary Controls	Has the council prepared an annual budget in support of its precept?	Y	Although there is no documented discussion, A preliminary and final budget spreadsheet has been prepared and annotated. The Council is advised to adopt the budget and the precept as explicit sums in separate minutes.
	Is actual expenditure against the budget regularly reported to the council?	Y	Monthly budget reports given.
	Are there any significant unexplained variances from budget?	N	

Income Controls	Is income properly recorded and promptly banked?	Y	Only one cash payment has been made, all other income received directly into the account.
	Does the precept recorded agree to the Council Tax authority's notification?	N	NBPC Demand and BBC payment £43,584 PKF report £45,380
	Are security controls over cash and near-cash adequate and effective?	N/A	

Petty cash procedures	Is all petty cash spent recorded and supported by VAT invoices/receipts?	N/A	The Council holds £10 cash, but this is not a float and should be banked.
	Is petty cash expenditure reported to each council meeting?		
	Is petty cash reimbursement carried out regularly?		

Payroll Controls	Do all employees have contracts of employment with clear terms and conditions?	Y	No Clerk in post at the end of the audit year, but previous employees were appointed on NALC SLCC standard terms and conditions
	Do salaries paid agree with those approved by the council?	Y	Salary conforms to SLCC NALC pay scales
	Are other payments to employees reasonable and approved by the council?	Y	Small claims for mileage and expense made.
	Have PAYE/NIC been properly operated by the council as an employer?	Y	Payroll managed by external company
Assets controls	Does the council maintain a register of all material assets owned or in its care?	Y	Updated annually
	Are the assets and Investments registers up to date?	Y	
	Do asset insurance valuations agree with those in the asset register?	Y	

Bank Reconciliation	Is there a bank reconciliation for each account?	Y	Two accounts held
	Is a bank reconciliation carried out regularly and in a timely fashion?	Y	Usually presented monthly
	Are there any unexplained balancing entries in any reconciliation?	N	

	Is the value of investments held summarised on the reconciliation?	Y	
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Year-end procedures	Are year-end accounts prepared on the correct accounting basis (Receipts and Payments or Income and Expenditure)?	Y	Income and expenditure accounting is followed
	Do accounts agree with the cashbook?	Y	
	Is there an audit trail from underlying financial records to the accounts?	Y	The audit trail is not clear, but this due to an unnecessarily complex way of managing the accounts rather than any intent to obscure or deceive.
	Where appropriate, have debtors and creditors been properly recorded?	N/A	Cash Accounting