



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

2nd July 2020

At the last audit, it was noted that the council has experienced long-term staffing difficulties, with three people in the post of Clerk in the audit year. The Council has been unable to recruit a Clerk and RFO in the audit year, and this has made it difficult for the Council to meet their governance obligations. It is to the Council's credit that they continue to deliver a service to the residents, and I can confirm that that the council has fulfilled its statutory duties. but the lack of a Clerk and RFO leaves the Councillors at risk and this should be reflected in the risk assessment.

The post of RFO is a statutory requirement, as is the requirement to appoint a Proper Officer. If the Council does not expect to appoint an officer in the immediate future, then consideration must be given to assigning these responsibilities to a named councillor as specified in standing order 15.

In the absence of a Clerk, the Minutes should identify their author.

The annual return and audit report noted and approved at minute 69/2019. Internal auditor appointed at minute 83/2019.

The Council acquired debit card in the Chairman's name in November and noted at minute 127/2019.

The Council should approve the budget first then set the precept that emerges from it.

I note that the VAT reclaim was recorded as income and entered in the wrong year, but an amended 2018-19 AGAR has addressed this and the matter was recorded at minute 126/2019.

At the last audit, it was noted that Council had adopted the new model standing orders but had not filled-in the blanks where times and dates are required. This has now been addressed.

| 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 which has been simplified in the audit year. The Account was balanced monthly and regular reconciliations were made and the results reported to council. |

| | | | |
|---|--|-----|---|
| a) standing orders and financial regulations adopted and applied; and b) payments controls | Has the council formally adopted standing orders and financial regulations? | Y | Both were adopted at minute 50/2019. Standing orders were revised in accordance with audit recommendations and adopted at minute 97/2019. |
| | Has a Responsible financial officer been appointed with specific duties? | N | There was no Clerk or RFO in post for the audit year, but it is noted that the standing order 15a and 16a have been amended to allow Councillors to manage the role in the absence of a salaried Clerk. |
| | 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? | N/A | 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 | VAT Claim made 1 st October 2019 |
| | Is s137 expenditure separately recorded and within statutory limits? | Y | No Section 137 expenditure in audit year. |
| 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. |
| | 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. The risk assessment makes frequent reference to the duties of Clerk and Responsible Financial Officer, but |

| | | | |
|-----------------------|--|-----|--|
| | Is insurance cover appropriate and adequate? | Y | does not reference the mitigation steps required for the continued absence of these roles. Transfer of insurance to A.J. Gallagher made at minute 114/2019. Standard local council cover provided by Came and Company and paid on 21 st May. |
| | Are internal financial controls documented and regularly reviewed? | N | Statement of financial control last approved in May 2018. |
| Budgetary Controls | Has the council prepared an annual budget in support of its precept? | Y | The Council noted and approved budget proposals at minute 146/2020 and based on a detailed projection on spending broken-down by cost codes. |
| | Is actual expenditure against the budget regularly reported to the council? | Y | Monthly reports given to Council. |
| | Are there any significant unexplained variances from budget? | N | |
| Income Controls | Is income properly recorded and promptly banked? | Y | No cash payments made; all income received directly into the account. |
| | Does the precept recorded agree to the Council Tax authority's notification? | Y | £44,420 on a tax base of 1024.7 and band D equivalent of £43.35 |
| | 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? | | The Council holds £10 cash, but this is not a float and should be banked. |
| | Is petty cash expenditure reported to each council meeting? | N/A | |

| | | | |
|------------------|---|----------------------------|---|
| | Is petty cash reimbursement carried out regularly? | | |
| Payroll Controls | <p>Do all employees have contracts of employment with clear terms and conditions?</p> <p>Do salaries paid agree with those approved by the council?</p> <p>Are other payments to employees reasonable and approved by the council?</p> <p>Have PAYE/NIC been properly operated by the council as an employer?</p> | N/A | <p>No Clerk has been in post during the audit year, but previous employees were appointed on NALC SLCC standard terms and conditions</p> <p>One final salary payment made on 21st May. No salary payments incurred in audit year.</p> <p>No payments made</p> <p>No PAYE/NIC payments made</p> |
| Assets controls | <p>Does the council maintain a register of all material assets owned or in its care?</p> <p>Are the assets and Investments registers up to date?</p> <p>Do asset insurance valuations agree with those in the asset register?</p> | <p>Y</p> <p>Y</p> <p>Y</p> | <p>Register of assets approved at minute 35/2019.</p> <p>Current version has updates to the end of the Audit year pending approval in 2020-21.</p> <p>Uses the same list.</p> |

| | | | |
|---------------------|---|---|-----------------------------------|
| Bank Reconciliation | Is there a bank reconciliation for each account? | Y | Two accounts held and reconciled. |
| | 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 | |

| | | | |
|--|--|--|--|
| | | | |
|--|--|--|--|

| | | | |
|---------------------|---|-----|--|
| 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 Council has adapted the spreadsheet to make it clear how the transactions are working, and the money can now be tracked. |
| | Where appropriate, have debtors and creditors been properly recorded? | N/A | Cash Accounting |