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Internal Audit Report for Southminster Parish Council

I am pleased to report that I have completed my Internal Audit for the Parish Council for the period 1st April 2022 to 31st March 2023. The Audit was carried out on 20th April 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.

I have raised some matters that should be considered by the Council during the 2023/2024 year. I have also recommended that the matters raised from the previous year's report are also considered and if they have not been addressed, should be so as soon as is practicable.

The financial reporting is of a very good standard,

I would like to record my appreciation to the Clerk of the Council, Joanna Jeffrey for her invaluable assistance during the Internal Audit.

Ann C Wood

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21st May 2023

Items Raised by the 2021/2022 Audit

There were 13 matters raised by the Internal Audit for 2021/2022 that do not appear to have been considered by the parish council. There does not appear to be a plan of action, agreed by the council, to address the matters raised.

Items Raised by the 2022/2023 Audit

1. Both the formal written reports from the Internal Auditor and the External Auditor must be an agenda item for the Council, wherein the reports should be noted and minuted. If there are any matters that need to be addressed, the council must agree a plan of action. The reports need to be minuted even if there are no matters to consider and no actions to take. The council must make certain that it addresses the matter raised by the 2021/2022 Internal audit as well as any matters raised by this Audit
2. Whilst the agreement by the council of the payments is recorded in the minutes each month, the list of payments is not. These should be listed in a table in the minutes or attached as an appendix to the minutes. They should also be available on the website
3. A review of the financial/reputational risk assessment was carried out during the year and agreed by the Audit Committee on 20th June 2022 at item 22/10. However, it did not appear as a minuted item by the full council. The Full Council meeting must formally record the Risk Assessment in the minutes
4. The bank balances are noted at each monthly meeting but monthly balance to bank statement reports are not presented. The Council should be receiving copies of the bank statements in order to check the reconciliations against the statements
5. It should be noted that the asset value listed in the Asset Register must be the same as that recorded on the AGAR
6. It is not apparent that the Council organised a Parish Assembly during the year and this must be addressed
7. A list of policies is available on the website but many seem to require review

Electorate			3000
General Power of Competence	Does the Council have the General Power of Competence?	No	The Council operates under S137 of the LGA 1972
LCAS	Has the Council attained any of the LCAS levels?	No	
Reserves	Are the general reserves reasonable for the activities of the Council?	Yes	The general reserves at £250709.04 at the year-end are very high but monies are due to be paid into an EMR fund
	Are earmarked reserves identified?	Yes	£245618.97
Sole Trustee	Is the Council a sole trustee of any charity?	No	

Accounting Basis	Receipts and Payments		
Bank Accounts	Unity Trust Bank – Current Account 20459770		£54894.20
	Barclays – Deposit Account 60825077		£176366.69
	Barclays – Deposit Account 60825085		£334935.06
Petty Cash			£3.05
Income			Precept - £140990.00
			This agrees to the figure published by PKF Littlejohn
			Other Income - £48173.84
			This includes interest, grants, VAT refund, allotments, football hire, buildings lettings and other income

VAT	The Council is not registered for VAT	VAT claims are made quarterly
ICO Registration	Data Protection Registration Number – ZA563855	Registered 22 nd November 2019 – Expiry 21 st November 2023

Internal Control	Testing		Comments
Proper bookkeeping	• Is the cashbook maintained and up to date?	Yes	The Council uses RBS Rialtas Alpha to manage the accounts and the cashbook is kept up to date The bank balances are noted at each monthly meeting but monthly balance to bank statement reports are not presented. The Council should be receiving copies of the bank statements
	• 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	The Standing Orders were reviewed and adopted on 29 th March 2023 at item 23/087 Financial Regulations were reviewed and adopted on 18 th July 2022 at item 22/67
Other Policies	Has the Council formally adopted other policies?	Yes	A list of polices is available on the website but many seem to require review

Payments Controls	Have items or services above the de minimus amount been competitively purchased?	N/A	Two sample were traced and found to be correct. However, whilst the agreement to these payments by the council is minuted, the list of payments does not appear in the minutes
	Are payments in the cashbook supported by invoices, authorised and minuted?	Yes	

	Has VAT on payments been identified, recorded and reclaimed?	Yes	The RBS software records VAT and produces monthly reports. VAT is claimed back quarterly
	Is s137 expenditure separately recorded and within statutory limits?	Yes	There is a separate column in the accounts for Grants and it is specifically labelled as S137 payments
	Tenders exceeding the £25,000 threshold have been advertised on the Contract Finders website	Yes	

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 review of the financial/reputational risk assessment was carried out during the year and agreed by the Audit Committee on 20 th June 2022 at item 22/10. However, it did not appear as a minuted item by the full council. The Council should formally record the Risk Assessment in the minutes Risk assessment should include reference to the General Data Protection Regulations 2018
	Is insurance cover appropriate and adequate?	Yes	The Council is insured with Hiscox Policy number 8188479. The policy has been seen and the Employers Liability and the Public Liability insurance are set at £10 million The Council is insured with Aviva for motor insurance – Policy Number 97MF18102418. Fidelity Cover = recommended guidelines of year end balances + 50% of the precept
	Are internal financial controls documented and regularly reviewed?	Yes	An Internal Financial Control document was agreed on 18 th July 2022 at item 22/167

	Has the council adopted a Code of Conduct?	Yes	The Council adopted the LGA/Maldon District Code of Conduct on 26 th September 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 16 th May 2022 and the election of the chairman was item 22/102 but it was not the first item
	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). There were no minutes available for the Annual Assembly, so the date of the meeting, if it was held is not known

Budgetary Controls	Has the council prepared an annual budget in support of its precept?	Yes	A budget was agreed for recommendation at a meeting held on 10 th November 2021 which was held by Zoom due to Government Covid Restrictions. The meeting was not minuted. The Precept was agreed on 4 th January 2022 at item 21/219e at £140990.00.
	Is actual expenditure against the budget regularly reported to the council?	Yes	The receipts and payments are presented to the Council and minuted but the list of payments is not available either in the minutes or on the website. A budget against spending comparison is minuted but again is not available on the website
	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 to the council are now made by BACS or online transfer. The small number of
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	Does the precept recorded agree to the Council Tax authority's notification?	Yes	cheques received for the allotments are banked as soon as is practicable £140990.00
	Are security controls over cash and near-cash adequate and effective?	Yes	See above
	Does the Council Review its fees on a regular basis?	No	The allotment and pitch fees have not been reviewed but will be shortly

Petty cash procedures	The Council does operate a petty cash system	Yes	The payments made are rare and the balance is currently £3.05. The council should review getting rid of this petty cash account if it is not used
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Payroll Controls	Has a Responsible Financial Officer been appointed with specific duties?		The current Clerk commenced employment on 19 th June 2017 and was appointed as the RFO
	Do all employees have contracts of employment with clear terms and conditions?	No	The Clerk is not the only employee (there is a cleaner and a Parish Warden) and no contracts of employment have been seen. It has not been possible to discuss other payments.
	Do salaries paid agree with those approved by the Council?	Yes	Microsoft Payroll is used
	Are other payments to employees reasonable and approved by the Council?	Yes	Repaid disbursements. Mileage paid to Clerk for training and to the Parish Warden
	Have PAYE/NIC been properly operated by the Council as an employer?	Yes	Paid monthly 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	<p>The Asset Register was last reviewed on 6th March 2022 but is due to be updated.</p> <p>It should be noted that the asset value listed in the Asset Register should be the same as that recorded on the AGAR. This does not seem to be the case and will be investigated and changed before the submission of the AGAR</p> <p>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</p>
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Bank Reconciliation	Is there a bank reconciliation for each account?	Yes	The bank reconciliations are presented to each meeting of the council. However, bank statements are not circulated and this should be put in place
	Is a bank reconciliation carried out regularly and in a timely fashion?	Yes	The reconciliations are undertaken monthly
	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	
	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 2023 has been completed but not signed
	Is there a Certificate of Exemption?	No	
Auditor's Reports	Was the Internal Auditor's Report reported to the Council?	No	A formal written report was given to the Council and circulated to the councillors. There is no agenda item to consider it nor any minute that a plan was agreed to address the 13 matters raised
	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
Co-option	The co-option of members should appear on an agenda as a separate item for the Council to action	Yes	The Council had an agenda item on 21 st November 2022 to co-opt two councillors and the co-option was minuted at item 22/221
Donation to the Church	Does the Council make any grants to the church?	No	

<https://e-voice.org.uk/southminster-parish-council/>