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Internal Audit Report for Tendring 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 12th May 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.

Members will be pleased to know that I did not find anything major in my audit to report and that I found the record keeping to be of a very good standard. The issues raised need to be considered by the Council during the financial year.

I would like to record my appreciation to the Clerk of the Council, Rachel Edwards for her invaluable assistance during the Internal Audit. This is particularly so as she has only recently taken over as the Clerk.

Ann C Wood

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29th May 2022

Items Raised by the 2020/2021 Audit

The Internal Auditor did not raise any matters in the 2020/2021 Audit

Items Raised by the 2021/2022 Audit

1. It should be noted that a Vice Chairman of a Council is not elected but appointed and that they do not sign a Declaration of Acceptance of Office because the office does not formally exist
2. The general reserves at £23667.36 are high for a council precepting £13000.00 a year and the Council should look at agreeing a reserves policy. PKF Littlejohn, the External Auditor, suggests a general reserve of 50% of precept. The Council should consider earmarking monies (such as S106 payments that will not be spent immediately), which would have the effect of reducing the level of the general reserve
3. Any grant paid with the precept by Tendring District Council should be entered into Box 3 and not Box 2 on the Annual Accounting Statement
4. The bank statements/reconciliations and the accounts/monthly balance/comparison reports are not presented to the Council meetings. The Council needs to investigate introducing the circulation of these documents and the minuting of the same
5. An Internal Financial Control document should be investigated

Electorate			Approx. 800
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? Are earmarked reserves identified?		The general reserves at £23667.36 are high for a council precepting £13000.00 a year and the Council should look at agreeing a reserves policy There are no earmarked reserves at the moment but monies have been identified for play area repairs which did not take place due to the Covid-19 pandemic
Sole Trustee	Is the Council a sole trustee of any charity?	No	

Accounting Basis	Receipts and Payments		
Bank Accounts	Barclays Bank Current Account – 30886386 Account closed on 26 th January 2022		£0.00
	Barclays Bank Deposit Account – 10584118 Account closed on 26 th January 2022		£0.00
	HSBC Current Account – 91502484		£23667.36
Petty Cash	The council does not run a petty cash account		
Income			Precept - £13060.00
			This does not agree to the figure published by PKF Littlejohn. The figure includes a grant of £60.00 from Tendring District Council, which was entered into the wrong heading

VAT	The Council is not registered for VAT	Other Income - £4362.12 This includes interest, grants and VAT refund. VAT had not been claimed for three years but was claimed and refunded in total during the year A VAT claim was made online in February 2022
ICO Registration	Data Protection Registration Number – ZB033124	Registered 24 th May 2021. Expires 23 rd May 2022

Internal Control	Testing		Comments
Proper bookkeeping	• Is the cashbook maintained and up to date?	Yes	The Council uses a spreadsheet to manage the accounts and the cashbook is kept up to date The bank statements/reconciliations and the accounts/monthly balance/comparison reports are not presented to the Council meetings. The Council needs to investigate introducing the circulation of these documents and the minuting of the same
	• 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 on 26 th April 2021 at item 04.21.1521 Financial Regulations were reviewed on 26 th April 2021 at item 04.21.1521
Other Policies	Has the Council formally adopted other policies?	Yes	A short list of policies is available on the website. Additional policies are being investigated

Payments Controls	Have items or services above the de minimus amount been competitively purchased?	N/A	No sample was completed on this occasion A claim was made for three years and the refund made in February 2022. There is a separate column on the spreadsheet for VAT There is a separate column in the accounts for Grants specifically labelled as S137 payments
	Are payments in the cashbook supported by invoices, authorised and minuted?	Yes	
	Has VAT on payments been identified, recorded and reclaimed?	Yes	
	Is s137 expenditure separately recorded and within statutory limits?	Yes	
	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?	Yes	A financial/reputational risk assessment was carried out during in April 2021 at item 4.21.1521 The risk assessment should include reference to the General Data Protection Regulations 2018
	Is insurance cover appropriate and adequate?	Yes	The Council is insured with Aviva Insurance Ltd through brokers BHIB – agreed at item 4.21.1521 in April 2021. This is part of a three-year long-term agreement. The policy has been seen and the Employers Liability is up to £5 million and Public Liability is up to £10 million Fidelity Cover = recommended guidelines of year end balances + 50% of the precept
	Are internal financial controls documented and regularly reviewed?	No	An Internal Financial Control document should be investigated
	Has the council adopted a Code of Conduct?	Yes	The Council adopted the amended Tending

	<p>Was the Annual Parish Council Meeting held within the prescribed timeframe?</p> <p>Was the Annual Parish Meeting held within the prescribed timeframe?</p>	<p>Yes</p> <p>Yes</p>	<p>District Council Code of Conduct on 23rd April 2018 at item 04.18.1091</p> <p>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 24th May 2021 and the first item 05.21.1529 was the election of the Chairman.</p> <p>A Parish Meeting must be held annually between 1st March and 1st June (both inclusive). The Annual Assembly took place on 26th May 2021</p>
Budgetary Controls	<p>Has the council prepared an annual budget in support of its precept?</p> <p>Is actual expenditure against the budget regularly reported to the council?</p> <p>Are there any significant unexplained variances from budget?</p>	<p>Yes</p> <p>No</p> <p>No</p>	<p>A budget was agreed at item 11.20.1459 on 23rd November 2020 The Precept was agreed on the same date at item 11.20.1460 at £13000.00.</p> <p>Not reported. This should be reviewed in the 2022/2023 Audit</p> <p>Any variances in budget are explained in the Annual Accounts</p>
Income Controls	<p>Is income properly recorded and promptly banked?</p> <p>Does the precept recorded agree to the Council Tax authority's notification?</p> <p>Are security controls over cash and near-cash adequate and effective?</p> <p>Does the Council Review its fees on a regular basis?</p>	<p>Yes</p> <p>No</p> <p>Yes</p> <p>N/A</p>	<p>All payments made are by bank transfer or online payment</p> <p>£13060.00. The figure includes a grant of £60.00 from Tendring District Council, which was recorded in the wrong heading</p> <p>All payments made are by bank transfer or online payment</p>

Petty cash procedures	The Council does not operate a petty cash system	N/A	
Payroll Controls	Has a Responsible Financial Officer been appointed with specific duties?	No	The current Clerk was appointed on 13 th December 2021 but this was not minuted. There is no specific mention of the appointment as RFO
	Do all employees have contracts of employment with clear terms and conditions?	Yes	The Clerk is the only employee and a contract of employment has been seen
	Do salaries paid agree with those approved by the Council?	Yes	The Clerk uses the HMRC app to calculate the payroll
	Are other payments to employees reasonable and approved by the Council?	Yes	An office allowance is made to the Clerk and reimbursements are made for items purchased
	Have PAYE/NIC been properly operated by the Council as an employer?	Yes	The Clerk submits to HMRC by RTI and payments are made regularly
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	The Asset Register dates from May 2019 and is currently being reviewed It should be noted that the asset value listed in the Asset Register should be the same as that recorded on the AGAR 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
Bank Reconciliation	Is there a bank reconciliation for each account?	Yes	The Council only has one bank account with HSBC, having closed two others with Barclays during the year
	Is a bank reconciliation carried out regularly and in a timely fashion?	Yes	A reconciliation is done every month but is not currently reported to the Council

	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?	N/K	No audit trail was undertaken on this occasion
	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 2020 signed on 11 th May 2020 at items 1414.10.2 and 1414.10.3. The Annual Accounting statement for the Audit year had been completed but not presented to the Council
	Is there a Certificate of Exemption?	Yes	The certificate had not been signed
Auditor's Reports	Was the Internal Auditor's Report reported to the Council?	Yes	A written report was given to the Council and noted at item 06.21.1555 on 28 th June 2021
	Was the External Auditor's Report reported to the Council?	No	The Council is exempt from a review by the External Auditor under Section 9 Local Audit (Smaller Authorities) Regulations 2015
Donation to the Church	Does the Council make any grants to the church?	No	