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Internal Audit Report for Castle Hedingham Parish Council

I am pleased to report that I have completed my Internal Audit for the Parish Council for the period 1st April 2019 to 31st March 2020. The Audit was carried out on Monday 24th and Friday 28th August 2020.

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 would like it noted that the totally electronic means of auditing are not satisfactory. I had hoped that as this is my first year as your Internal Auditor, I would have been able to meet with your Clerk to discuss this year's audit in more detail and the scope of the audit for the next two years. However, because of the restrictions laid down by HM Government during the Coronavirus Covid-19 Pandemic, this year it has not been possible to have a face-to-face meeting, nor to transport paper documents. I would highly recommend that this is done at the Audit for the 2020/2021 year.

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. Due to the above-mentioned restrictions, there are a higher than usual number of unknowns in the report but these have been noted for further investigation in the 2020/2021 audit.

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

Ann C Wood

Ann C. Wood LL.B.Hons, DMS, Cert. HEd. (LPS)
28th August 2020

Items Raised by the 2018/2019 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 2018/2019 Audit.

| Accounting Basis | Receipts and Payments | | |
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| Bank Accounts | Unity Trust Bank – Current Account | | £10703.48 |
| | Unity Trust Bank – Deposit Account | | £20147.59 |
| | Nationwide Treasurers Trust Account | | £57486.05 |
| | Cambridge & Counties 95 Day Account | | £25339.61 |
| Petty Cash | Not Applicable | | |
| Income | | | Precept - £26684.00 |
| | | | This agrees to the figure published by PKF Littlejohn |
| | | | Other Income - £25898.79 |
| | | | This includes interest, grants, VAT refund and other income |
| VAT | The Council is not registered for VAT | | |
| ICO Registration | Registration Number - unknown | | |

| Internal Control | Testing | | Comments |
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| 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 balances are noted at each meeting but it is not clear whether monthly balance to bank statement comparison reports are presented. |
| | • Is the cashbook arithmetic correct? | Yes | |
| | • Is the cashbook regularly balanced? | Yes | |

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| Standing Orders and Financial Regulations adopted | Has the Council formally adopted standing orders and financial regulations? | Yes | The Standing Orders were adopted in 2018 and a review should be done shortly. Financial Regulations were reviewed and adopted on 23 rd September 2019, item 1383.9.2 but do not appear on the website. |
| Other Policies | Has the Council formally adopted other policies? | Yes | A list of policies is available on the website |
| | Has a Responsible Financial Officer been appointed with specific duties? | N/K | The current Clerk appears to have taken on the role in February 2013 but there is no record of this in the minutes and there is no specific mention of the appointment as RFO. |
| 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 | No sample was completed on this occasion as vouchers were not present. |
| | Has VAT on payments been identified, recorded and reclaimed? | Yes | A claim was made and the refund made on 21 st June 2019 |
| | Is s137 expenditure separately recorded and within statutory limits? | Yes | There is a separate column in the accounts for Grants but it is not specifically labelled as S137 payments. |

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| Risk management arrangements | Does a review of the minutes identify any unusual financial activity? | No | The minutes of the Council meetings for the year 2019/2020 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 carried out during the year but did not appear as a minuted item. The Council should formally record the Risk Assessment in the minutes. It will be reviewed in the 2020/2021 audit. |
| | Is insurance cover appropriate and adequate? | Yes | The Council is insured with NFU Mutual for the buildings and Inspire via AXA through Came and Company for general insurance – Item 1364.12.6 on 20 th May 2019. The latter is part of a three-year long-term agreement. The policy has been seen but will be reviewed in more depth in the 2020/2021 audit. |
| | 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 has adopted the Braintree District Council Code of Conduct on 18 th June 2012. |
| | 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 2019 and the first item 1363.1 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 Annual Assembly took place on 22 nd May 2019 |

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| Budgetary Controls | Has the council prepared an annual budget in support of its precept? | Yes | A budget was agreed at item 1350.9.2 on 28 th January 2019 and a copy of the budget papers has been seen. The Precept was agreed on the same date at item 1350.9.3 at £26684.00. |
| | 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 it is not clear whether a comparison is produced. This will be reviewed in the 2020/2021 Audit |
| | Are there any significant unexplained variances from budget? | No | Any variances in budget are explained in the Annual Accounts |

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| Income Controls | Is income properly recorded and promptly banked? | N/K | As bank statements were not available, it has not been possible to confirm this and it will be reviewed in more depth in the 2020/2021 Audit. |
| | Does the precept recorded agree to the Council Tax authority's notification? | Yes | £26684.00 |
| | Are security controls over cash and near-cash adequate and effective? | N/K | As bank statements were not available, it has not been possible to confirm this and will be reviewed in more depth in the 2020/2021 Audit. |

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| Petty cash procedures | The Council does not operate a petty cash system | N/A | |
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| Payroll Controls | Do all employees have contracts of employment with clear terms and conditions? | N/K | The Clerk is not the only employee and no contracts of employment have been seen. It has not been possible to discuss other payments. The matter of Payroll Controls will be investigated in more depth in the 2020/2021 Audit. |
| | Do salaries paid agree with those approved by the Council? | N/K | |
| | Are other payments to employees reasonable and approved by the Council? | N/K | |
| | Have PAYE/NIC been properly operated by the Council as an employer? | N/K | |
| Assets controls | Does the council maintain a register of all material assets owned or in its care? | Yes | 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. 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. |
| | Are the assets and Investments registers up to date? | Yes | |

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| Bank Reconciliation | Is there a bank reconciliation for each account? | N/K | As the bank statements and vouchers were not present, it was not possible to look at the bank reconciliations This will be looked at in more detail in the 2020/2021 Audit. |
| | Is a bank reconciliation carried out regularly and in a timely fashion? | N/K | |
| | Are there any unexplained balancing entries in any reconciliation? | N/K | |

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| 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 | It was not possible to undertake an audit trail as the vouchers were not present |
| | 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. |
| Auditor's Reports | Was the Internal Auditor's Report reported to the Council? | No | No formal written report was given to the Council. A new Internal Auditor was appointed for three years at item 1403.9.2 on 9 th March 2020 |
| | 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 |
| Cemetery Fees | Does the Council Review its fees on a regular basis? | Yes | On 10 th February 2020, item 1398.11.2, the Council increased the Cemetery fees with effect from 1 st April 2020. The increase was 10% and it was noted that this was the first increase since 2016. The Burial Board/Council should consider reviewing its fees every year, consider a percentage increase each year and minute all the actions. |

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| Loan | Were any loans made to volunteer bodies during the year? | Yes | On 25 th November 2019, item 1389.9.2, the Council made a loan to the Village Shop of £1000.00 to be paid back at £100.00 per month. S19(3) Local Government (Miscellaneous Provisions) Act 1976 |
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| General Power of Competence | Does the Council have the General Power of Competence? | Yes | Agreed at item 1363.6.1 on 20 th May 2019 |
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