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Internal Audit Report for Earls Colne Parish Council

I am pleased to report that I have completed my Internal Audit for the Parish Council for the period 1st April 2023 to 31st March 2024. The Audit was carried out on 30th May 2024.

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 found that the Council had in my opinion worked very hard over the last year to start rectifying the matters highlighted by last year's Audit and excellent progress has been made.

Several matters have been raised in my report, which the Council must consider during the current year and a plan to deal with them should be agreed and recorded in the minutes. The Council should note that it does not have to explain any rise in the Precept to the District Council, as Local Councils are not rate capped

I would like to record my appreciation to the Clerk of the Council, Denise Ellison and councillors Ray Ranns and June Jemmett for their invaluable assistance during the Internal Audit.

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10th June 2024

Items Raised by the 2022/2023 Audit

The Internal Audit Report for 2022/2023 identified that the Council had failed to meet its statutory duty, due to the Clerk of the Council failing to perform her duties in full and the Council not having the experience or knowledge of their accounting responsibilities to identify that key tasks and controls were not being performed. There was evidence that some functions were being correctly addressed but the governance was being neglected by both staff and councillors.

The Internal Auditor was satisfied that this was caused by ignorance of proper procedure and that there was no malpractice implied. Although the financial records were weak, there was no evidence of theft or misappropriation of funds and the Clerk had left the Council's employ by mutual consent.

An inexperienced Clerk and the loss of experienced councillors combined to leave the council unaware of its responsibilities and duties. It was considered that the Council was now aware of the weakness of the management systems and had begun a programme of work to correct them. The Internal Auditor made six recommendations in his report, which were all considered

The Council has taken a number of steps following the report for the year and have made extremely good progress over the year

Items Raised by the 2023/2024 Audit

1. The Council did not consider a Financial/Reputational Risk Assessment during the year under review. This must be reviewed annually
2. The Annual Parish Council Meeting was held on 17th May 2023 and the first item was not the election of the Chairman. The election of a Chairman must be the first item considered at the Parish Council's Annual Meeting
3. A Parish Meeting/Assembly must be held annually between 1st March and 1st June (both inclusive). The Annual Parish Meeting was held on 14th October 2023, which outside the proscribed dates. However, it is noted that the meeting was held in May 2024, which will be during the 2024-2025 Audit Year
4. A review of the minutes shows consideration of a budget and a Precept Budget but the amount of the Precept was not recorded. Budget to expenditure comparisons are not recorded or minuted as being received/considered

5. The Council does not appear to have agreed an Internal Financial Control and this should be investigated
6. The Council does not know when it last adopted its Code of Conduct but as Braintree District Council has adopted the LGA Code of Conduct recently, this should be considered during the current year

Accounting Basis	Receipts and Payments	
Bank Accounts	Co-operative Bank – Current Account - 65130533	£16401.90
	Co-operative Bank – Deposit Account -	£33567.77
	Cambridge & Counties	£56559.07
Petty Cash	The Council runs a Petty Cash Account and is supported by vouchers	Balance at 31 st March 2024 £143.23
Income		Precept - £135000.00
		This does agree with the figure published by PKF Littlejohn
		Other Income £147540.81
		This includes bank interest, grants, hall hire fees, a bond maturing and switching from the asset register, S106 monies, VAT reclaim and miscellaneous income
VAT	The Council is registered for VAT - 638036243	Claims are made quarterly. A claim was made during the year for years when the VAT had not been claimed

ICO Registration	Registration Number – Z2813377	Registered 19 th August 2011. Expires 18 th August 2024
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Internal Control	Testing		Comments
Proper bookkeeping	• Is the cashbook maintained and up to date?	Yes	The Council uses the Scribe software to manage the accounts and the cashbook is kept up to date The bank balances are noted at each meeting, as are bank reconciliations
	• Is the cashbook arithmetic correct?	Yes	
	• Is the cashbook regularly balanced?	Yes	

Standing Orders and Financial Regulations adopted	Has the Council formally adopted standing orders and financial regulations?	Yes	The Standing Orders were reviewed and adopted on 17 th May 2023 at item 8 Financial Regulations were reviewed and adopted on the same date at item 8
Other Policies	Has the Council formally adopted other policies?	Yes	A list of policies is available on the website and all are currently under review
	Has a Responsible Financial Officer been appointed with specific duties?	Yes	The current Clerk was appointed on 3 rd July 2023 and specific mention was made of the RFO post in the contract
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	Two samples were completed from August 2023 and September 2023 on this occasion and found to be correct

	Has VAT on payments been identified, recorded and reclaimed?	Yes	VAT on payments is recorded and claimed quarterly
	Is s137 expenditure separately recorded and within statutory limits?	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 2023/2024 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 not undertaken during the audit year
	Is insurance cover appropriate and adequate?	Yes	The Council is insured with Zurich Municipal YLL-2720441623 and is part of a long term agreement in place until 1 st June 2025 The insurance cover for the Employers Liability is £10 million and the Public Liability insurance is £12 million
	Are internal financial controls documented and regularly reviewed?	N/K	The Council does not appear to have agreed an Internal Financial Control and this should be investigated
	Has the council adopted a Code of Conduct?	N/K	The Council does not know when it last adopted its Code of Conduct but as Braintree District Council has adopted the LGA Code of Conduct recently, this should be considered during the current year
	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

	Was the Annual Parish Meeting held within the prescribed timeframe?	No	<p>The Annual Parish Council Meeting was held on 17th May 2023 and the first item was not the election of the Chairman</p> <p>A Parish Meeting must be held annually between 1st March and 1st June (both inclusive). The Annual Parish Meeting was held on 14th October 2023, which outside the proscribed dates</p>
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Budgetary Controls	Has the council prepared an annual budget in support of its precept?	Yes	A review of the minutes shows consideration of a budget and the setting of the Precept on 15 th November 2023 at item 8. However, the amount of the Precept is not recorded
	Is actual expenditure against the budget regularly reported to the council?	Yes	The receipts and payments are presented to the Council
	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 are now received by bank transfer
	Does the precept recorded agree to the Council Tax authority's notification?	Yes	
	Are security controls over cash and near-cash adequate and effective?	N/A	Most payments are now made by bank transfer. Some cheques are received for hall hire fees and are banked as soon as practicable

Petty cash procedures	The Council does operate a petty cash system	Yes	
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Payroll Controls	Do all employees have contracts of employment with clear terms and conditions?	Yes	The Clerk is not the only employee. There is a Clerk's Assistant and four community workers. All have contracts and they are based on the NALC model contract. The contracts were not seen
	Do salaries paid agree with those approved by the Council?	Yes	There is a review of the salaries when increases are notified by the NALC
	Are other payments to employees reasonable and approved by the Council?	Yes	The Clerk receives payments for mileage
	Have PAYE/NIC been properly operated by the Council as an employer?	Yes	The Council uses the HMRC Basic Tools for the payroll calculation. Regular payments are shown as being made to HMRC and the Essex LGPS. There is only one person in the pension scheme
Assets controls	Does the council maintain a register of all material assets owned or in its care?	Yes	<p>The asset value listed in the Asset Register is the same as that recorded on 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>
	Are the assets and Investments registers up to date?	Yes	

Bank Reconciliation	Is there a bank reconciliation for each account?	Yes	Bank reconciliations are reviewed and noted at each meeting
	Is a bank reconciliation carried out regularly and in a timely fashion?	Yes	
	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 Two samples were undertaken from August and September 2023 and were found to be correct The documents submitted for the Year End 31 st March 2024 will be agreed and signed at the meeting in June 2024
	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?	No	

Auditor's Reports	Was the Internal Auditor's Report reported to the Council?	Yes	The Internal Audit Report for 2022/23 was considered and agreed on 21 st June 2023 at item 6.j
	Was the External Auditor's Report reported to the Council?	Yes	The report from the external audit for 2022/2023 was considered and noted at item 8.b on 15 th November 2023. The Audit was qualified
	Notice of Public Rights displayed?	Yes	The period of Notice for Public Rights was from 26 th June 2023 to 4 th August 2023

Hall Hire Fees	Does the Council Review its fees on a regular basis?	Yes	The Hall Hires fees were reviewed in the 2023-2024 year on 15 th November 2023 at item 10
Loans	Were any loans made to other bodies during the year?	No	
	Are there any PWLB Loans outstanding?	No	
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 £106612.90 are within the recommended limits of 50%-100% of precept
	Are earmarked reserves identified?	No	The earmarked reserves are not currently identified
Sole Trustee	Is the Council a sole trustee?	No	