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## **Internal Audit Report for Chigwell Parish Council**

**9<sup>th</sup> April 2019**

External auditor's published precept figures; 2018/19 £285,262    2017/18 £276,964,

In previous audits, it was noted that poor control over finance and procedure had caused significant problems, but very good progress had been made towards resolving the issues raised in the last audit. The progress has continued but Councillors need to remind themselves regularly that it remains their duty to oversee the administration and expenditure, for their protection as well as the protection of the officers.

The auditor has been copied into a complaint from a resident who was concerned about the timeliness of agenda publication and of budget allocation. The matter was noted in minute 18.213 and the auditor can confirm that the relevant information has been received.

Questions concerning the professional conduct of staff and appropriate conduct of members is outside the scope of this audit, but an inspection of the minutes and agendas does not show any sign of systemic failure in publication of meetings. The Council arrived at its budget through a proper process, and the precept was set accordingly.

I note that the use of cheques has been discontinued.

The general power of competence was approved in minute 18.120 October 2018, but in minute 18.131 a question about the Clerk's CiLCA qualification was raised. After consultation with the Essex Association of Local Councils, it was confirmed that the Clerk had already received the necessary certification.

### **Items re-raised from previous audit**

- In the light of agreement to adopt the community bus service and other enhancements to the service, and in the light of the salary scales for the Clerk and Responsible Financial Officer, the Council should review its status as LC2 above substantive. It is recommended that the council compares service delivery with the templates offered in the NACL SLCC guidance.
- When closing the meeting to press and public, the council should state the legislation used to close the meeting and do so by resolution.

### **Items from previous audit successfully resolved**

- The Council has adopted the new model standing orders in minute 18.199.

The Council reviewed Financial Regulation 5.1 in minute 18.98d and resolved to retain the requirement for credit checks on staff and councillors. The decision was amended in minute 18.118 to remove the requirement following the submission of a correctly presented request to revisit a decision made within six months.

### **Recommendations**

- Minutes of Committee meetings should be identified by a prefix, for example Finance Committee F18/22, Planning P18/22, Full Council will not require a prefix.
- 18.125 attendance at meetings the council should consider amending the sickness absence policy to include councillor's attendance and clarify the process for presenting apologies for absence. Apologies for absence should be accepted or rejected by resolution.
- The Council should formally adopt terms of reference for committees.

Internal Control	Testing		Comments
Proper bookkeeping	• Is the cashbook maintained and up to date?	Y	Council uses the RBS Omega system for financial management and has the sales ledger module for income. Sampled records for September.
	• Is the cashbook arithmetic correct?	Y	
	• Is the cashbook regularly balanced?	Y	

a) standing orders and financial regulations adopted and applied; and	Has the council formally adopted standing orders and financial regulations?	Y	Standing orders amended September 2019.  Financial regulations last amended in February 2019
b) payments controls	Has a Responsible financial officer been appointed with specific duties?	Y	The Parish employs a separate Proper Officer and Responsible Financial Officer
	Have items or services above the de minimus amount been competitively purchased?	N	
	Are payments in the cashbook supported by invoices, authorised and minuted?	Y	Payments are recorded in Omega and noted by full council in appendices to the agenda.
	Has VAT on payments been identified, recorded and reclaimed?	Y	VAT Claims are normally made quarterly. Last quarter claim pending year end closedown.
	Is s137 expenditure separately recorded and within statutory limits?	N/A	No s137 spend over £100 in current year.

Risk management arrangements	Does a review of the minutes identify any unusual financial activity?	N	The financial activity is reported in the minutes and Council note the payments and agree the balances and reconciliations at every meeting.
	Do minutes record the council carrying out an annual risk assessment?	Y	Financial risk assessment noted in minute 18.42c Risk Register reviewed in 18.98c and 18.153d. A revised assessment matrix is to be considered in April 2019
	Is insurance cover appropriate and adequate?	Y	Cover is adequate in scope has been amended to include recent acquisitions. Renewal approved in minute 18.227
	Are internal financial controls documented and regularly reviewed?	Y	Material and financial assets are reasonable. Financial Committee keeps policy under review.  Review of internal control was approved in minute 18.216e
Budgetary Controls	Has the council prepared an annual budget in support of its precept?	Y	Finance Committee considered a draft budget September -December at minutes FIN18.23 FIN18.43.  The Full Council approved a budget and precept in Minute 18.177c with the budget set at £455,761 and the precept set at £290,801.

	Is actual expenditure against the budget regularly reported to the council?	Y	Report generated from Omega accounts package and presented to the finance committee for approval, then presented to Full Council for adoption.
	Are there any significant unexplained variances from budget?	N	The Council has adopted and uses a virement policy.
Income Controls	Is income properly recorded and promptly banked?	Y	Omega purchase daybook used to record transaction.
	Does the precept recorded agree to the Council Tax authority's notification?	Y	The sums reported on the LLP Littlejohn site agree with the sum demanded of £285,262 for 2018/9.
	Are security controls over cash and near-cash adequate and effective?	Y	Cash sums are usually small, but high value payments are deposited immediately.
Petty cash procedures	Is all petty cash spent recorded and supported by VAT invoices/receipts?	Y	Top-up cheque issued at each meeting, the petty cash account should be produced at council meetings for endorsement and approval.
	Is petty cash expenditure reported to each council meeting?	Y	
	Is petty cash reimbursement carried out regularly?	Y	

Payroll Controls	Do all employees have contracts of employment with clear terms and conditions?	Y	It is noted that the council has assessed itself as a LC2 above substantive. In the light of new services being adopted, it is recommended that the council reviews its status in comparison with the NALC SLCC guidance.
	Do salaries paid agree with those approved by the council?	Y	Money Soft used and under maintenance agreement.
	Are other payments to employees reasonable and approved by the council?	Y	Mileage and overtime claims made and approved.
	Have PAYE/NIC been properly operated by the council as an employer?	Y	Council is awaiting software update for Making Tax Digital.
Assets controls	Does the council maintain a register of all material assets owned or in its care?	Y	The asset register has been reviewed in the audit year and a revised list is being issued based on the insurance asset register.
	Are the assets and Investments registers up to date?	Y	
	Do asset insurance valuations agree with those in the asset register?	Y	

Bank Reconciliation	Is there a bank reconciliation for each account?	Y	Bank statements and reconciliations are issued each month for all accounts in an appendix to the Agenda. Sampled September 2018
	Is a bank reconciliation carried out regularly and in a timely fashion?	Y	

	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. Year end close-down managed by software company.
	Do accounts agree with the cashbook?	Y	
	Is there an audit trail from underlying financial records to the accounts?	Y	Sampled September and January transactions which have a clear trail from purchase to payment.
	Where appropriate, have debtors and creditors been properly recorded?	Y	