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c/o Parish Clerk
80 Chapel Road
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15th April 2019

Dear Councillors

Internal Audit 2018/19

I attach my report and invoice.

My report explains the work undertaken. Please pass my thanks to Grahame for the very well organised presentation of the information required to undertake the internal audit.

I would like to draw your attention to the following:

- **Financial Regulations.** Para 11.1h says that contracts of value between £100 and £4000 require three estimates. It also says that contracts of less than £2000 require 3 quotations, which is inconsistent. The number that appears here needs to be higher than £4000. Your SO section 18 allows quotations for contracts of value up to £60,000 (although any quotations over £25,000 would need to be obtained through Contract Finder in accordance with FR para 11.1b).
- **Asset Register.** The Asset Register plays an important role in risk assessment/ insurance for the council and something in which councillors can play an active role. The current asset register includes a comprehensive list of the assets for which the council is responsible but the values in the columns needs some attention in order to provide the correct totals for the Annual Governance and Accountability return (AGAR) in future years and for insurance purposes. The AGAR Asset figure will need to be adjusted to reflect 'historic cost' but I would suggest this is done as part of the 2019/20 return once councillors have reviewed the whole Asset Register. I would suggest that the Fixed Asset Value column is used for re-sale value of land and replacement value of other assets. Values in the Insurance Value column need to be those the insurer is asked to include in Part C – All risks. It may be that the council chooses not to insure some items where the replacement value is higher than the insurance claim excess. The asset register can also play a role in long term budgeting so the Comments column could record inspection notes relating to refurbishment or replacement and cost estimates for work. It is advisable for councillors to make an annual inspection of their assets as part of an internal control process.

- **Internal Financial Controls.** Internal financial control is a crucial element of the mitigation of risks for a parish council. Having an RFO in addition to the clerk strengthens internal financial controls enormously. I am aware, from conversations with the clerk, that checks are being undertaken and irregularities are being spotted but I have a couple of suggestions to practices that will increase your evidence of financial scrutiny:
 - When signing cheques, councillors initial the source documents to evidence checking of payee name, amount and that any recoverable VAT has been separately recorded (as well as initialing the cheque stub);
 - The councillor (or the RFO) when checking the bank reconciliation against the bank statements, signs both documents (at least quarterly in accordance with FR 2.2);

If you would like to discuss anything in the report, please let me know.

Yours sincerely

Jan Stobart