

GREAT HORKESLEY PARISH COUNCIL INTERNAL AUDIT 2020/21

A Proper Bookkeeping

- Is the cash book maintained and up to date?
Yes. Clerk/RFO updates cash books at least monthly.
- Is the cash book arithmetic correct?
*Computerised accounting system (RBS Rialtas business system – Alpha)
New system agreed by council (22/07/20 min 12o) and input backdated to 01/04/2020*
- Is the cash book regularly balanced?
Computerised accounting system

B Financial Regulations, Standing Orders and Payment Controls

- Has the council formally adopted standing orders (SO) and financial regulations (FR)?
Yes. Constitution comprises SO and FR. FR approved without change at meeting 8 April 2020 (minute 13e). Constitution was reviewed at meeting 17 March 2021 and agreed no updates were required (minute7c)
- Has the council formally adopted any other policies?
Policies are published on the website [Governance & policy documents | Great Horkesley \(gneathorkesley-pc.gov.uk\)](http://gneathorkesley-pc.gov.uk)
- Has a Responsible Financial Officer been appointed with specified duties?
Yes. The clerk is the RFO with specified duties.
- Have items or services above a de minimis amount been competitively purchased?
The Constitution (part 3) specifies the powers that are delegated to the clerk; clerk can approve up to £300 for emergency repairs or essentials (para 2). In exceptional circumstances the clerk can (in consultation with one councillor), make a payment of up to 20% of council reserves. The Constitution (part 3) also includes delegated approval for VH spend of up to a £3000 (para 7a). For contracts, at least 1 quote or estimate is needed for amounts £100 to £1000; 3 quotes (priced descriptions of supply) for amounts £1000 to £60,000 and competitive tendering for over £60,000 (Part 4, para 11.1). Quotes for services expected to be in excess of £25,000 are obtained through Contracts Finder (11.1j). During the year, quotes were discussed for insurance renewal (20/05/20 min 5), car park resurfacing (22/07/20 min 9b, 16/12/20 min 11, 20/01/21 min 7). The car park resurfacing project is a contract in excess of £25,000 but below the £60,000 tendering threshold. My understanding is that Contract Finder only needs to be used if the tender brief is advertised publicly. The council made targeted approaches to preferred contractors so did not need to use Contract Finder.
- Are payments in the cash book supported by invoices, authorised and minuted?
The 'Financial Matters' item in the minutes records approval of receipts and payments re council business (Appendix B), refunds of hall retainers (Appendix C) and village hall payments (Appendix D). Each item on the approvals list has an ID number and REF (CP, DD or BACS) which are referenced to the PC Cash Book and source information. Receipts are also shown on the Appendix in red. The Appendix is signed by the chairman. There have been no cheque payments in the year. All payments have been made by BACS as set out in Part 4 of the Constitution (para 6.7 & 6.8). During COVID the Payments lists and source documents have been delivered to the chair for scrutiny. [During the year the clerk has been sole approver of online payments. The chair has online access to the bank accounts but the system of dual online authorisation of payments must be set up as soon as possible.](#) Source documents tend to have one set of initials as authorisation. The signatories also sign the transfer notification after the payment has been made. The Clerk carries out the control function to ensure there are

sufficient funds in the account and payments are within budget. Where necessary, a transfer from reserves is authorised (e.g., 20 May 2020 minute 5).

- Has VAT on payments been identified, recorded and reclaimed?
Yes. VAT reclaimed is in account code 115 which shows £2398.19 relating to 2019/20 VAT reclaim of £2366.02 and £32.17 which should be in code 515. VAT on payments is recorded in account code 515 and has a balance of £1154.18 which, after adjustment for £32.17, agrees to the VAT on 2020/21 payments of £1122.01 which will be reclaimed in 2021/22.
- Is s137 expenditure separately recorded and within statutory limits?
Grant awards for 2020/21 approved as part of precept discussion at meeting 21 January 2020 (6b): PCC £700, Friendship Club £240, Dedham Vale & Stour AONB £100, Guides £700. The grants and donations account code total of £1740 includes £800 paid under s137 expenditure which, together with chairman's allowance of £250 and £150 to Village News, is within the 2020/21 limit of £16506.88 (1984 x £8.32). The council agreed at its meeting 23 September that it would distribute grants for 2021/22 (minute 15f), closing date for applications 23/11/20. Grants were agreed at the meeting 20/01/21 (minute 8); PCC £700, Dedham Vale & Stour AONB £100.

C Risk Management

- Does a scan of the minutes identify any unusual activity?
S106 monies (10/06/20 min 9, 22/07/20 min 9, 25/11/20 min 12); Rural Housing Needs Survey (23/09/20 min 8, 25/11/20 min 9), Woodland Project (25/11/20 min 7), Village Sign (25/11/20 min 8, 17/02/21 min 6), Village Hall car park (22/07/20 min 9b, 20/01/21 min 7), holding funds in excess of £85k with one bank (28/04/20 min 11e, 17/03/21 min 10d).
- Do the minutes record the council carrying out a risk assessment?
Yes. An assessment of PC risks (not VH operations) agreed at meeting 8 April 2020 (minute 11a). The financial and safety implications of reopening the Village Hall were assessed at every meeting (for example 25/11/20 min 13). VH committee last updated its VH Fire Risk Assessment at its meeting on 13 March 2019 (minute 6vi). The Village Hall committee resolved to create a Health and Safety Checklist for the VH (13/03/19 minute 6v) but this action is still outstanding at the year end. A COVID risk assessment was prepared to use the hall for the May 2021 elections. Further assessments will be required to reopen the hall as a 'COVID safe' venue in 2021/22
- How is the Council assessing the risks presented by COVID19?
The council's last face-to-face meeting was 25 Feb 2020 (the meeting 17 March 2020 was not quorate). Virtual meetings held from April 2020 onwards. At the meeting on 8 May 2020 SO were amended in accordance with government and EALC guidance to ensure the council could continue to operate (minute 6). The detailed arrangements were set out in Appendix A. The village warden work suspended (minute 7) whilst assessing the risks. The village hall has been closed all year, but its reopening has been a standing item on each agenda. The council was very active in supporting their community by setting up a volunteer system to ensure a prompt response to the pandemic (minute 12b).
- Is insurance cover appropriate and adequate?
Yes. Various renewal options were reviewed at the meeting on 6 May 2020 (minute 11e) and 20 May 2020 (minute 5). Council approved a policy with Zurich Insurance for one year expiring 31 May 2021. Cover is for material damage and all risks to property, loss of money, Public liability, official's indemnity, employer's liability, libel & slander, fidelity guarantee, personal accident, and legal expenses.

- Are internal financial controls documented and regularly reviewed?
In addition to dual authorisation of payments, the main internal financial control undertaken by councillors is the checking and signing of the accounts and budget, by an appointed councillor on a quarterly basis mtg 6 May 2020 (minute 11d); mtg 25 Nov 2020 (minutes 16d and 16e); mtg 17 Feb 2021 (minute 9d); mtg 28 April 2021 (minute 11f). Bank Statements and transfers between funds are also initialled. A councillor signs the monthly salary calculations as part of approval for payment. In a usual year there would be some division of financial duties between the clerk and the VH Booking Manager which provides a control function, however there have been no hall bookings in 2020/21.
- Are all risks identified and actions undertaken to mitigate risks?
The annual risk assessment for council business identifies 7 areas of risk; Legal Matters, Assets, Finance, Documents and Records, Elected Members, Staff, The Public. It does not incorporate a risk assessment for VH day to day operations. It includes an up-to-date review of each of the risk areas, and the mitigating actions that need to be in place. The final paragraph of the assessment outlines 3 areas for attention in 2020/21 which are unchanged / not actioned from the previous year. They are 'a review of document retention periods', 'street lamp safety checking' and a risk assessment for the VH. I would also suggest a review of the replacement value of assets before the 2022 insurance renewal. The minutes record various mitigating actions e.g., bank account to be opened so FSCS limits not exceeded (28/04/20 min 11e), risk assessments for grounds maintenance contractor and village warden (10/06/20 min 10d & 13), consideration of safety for community tree planting event (16/12/20 min 7), Councillor's attendance at training days (December payments), annual PAT testing at the VH (17/03/21 min 14).

D Budgetary Controls

- Has the council prepared an annual budget in support of its precept?
Yes. The finance working party met on 30 December 2020 and a budget recommendation was presented to the full council meeting on 20 Jan 2021 (minute 6c) which records detailed discussions. A precept of £36919.70 was agreed, with a CBC grant of £864.
- Is actual expenditure against the budget reported to the council?
Yes. The RBS Alpha system produces a budget v actual report with different cost centres for Council Administration and the Village Hall. The clerk's salary is split between PC and VH cost centres – 60:40 to give the councillors a true picture of VH trading position. Budgetary position at end of each quarter is noted by council: 6 May 2020 (minute 11d); mtg 25 Nov 2020 (minutes 16d and 16e); mtg 17 Feb 2021 (minute 9d); mtg 28 April 2021 (minute 11f). When the council agrees a payment that is outside of its budget, the amount coming from reserves is minuted e.g., insurance (20/05/20 min 5), car park resurfacing (17/02/21 min 7)
- Are there any significant unexplained variances from budget?
The variances are reported each quarter and the clerk produces an excellent Annual Report which explains the finances and variances

E Income Controls

- Does the council have sources of income other than precept and VAT?
Yes. Grants, donations, furlough claims and interest. There have been no hall lettings this year: a net outgoing due to refunded deposits. This has been compensated by govt COVID grants.

- Is income properly recorded and promptly banked?
Other than one cheque (Feb 2021) and one cash amount (March 2021), all receipts this year have been by direct credit.
- Does the precept recorded in the cash book agree to the district council's notification?
CBC pays in 2 instalments but notification does not show a split of precept, and Rural Support Grant (RSG). The total of £35939 (2 x £17969.50 received April and September) from CBC agrees to the totals for 2020/21 of precept £35075 (rounded up from £35074.76) and RSG of £864
- Are security controls over cash adequate and effective
Yes. Only one cash receipt this year (a donation) which was immediately banked.

F Petty Cash Procedures

No Petty Cash (Constitution Part 4, para 6.5)

G Payroll Controls

- Do salaries paid agree with those approved by the council?
Yes. Council has 3 staff members: Clerk employed for 30 hours per week on SCP 19, VH Booking Manager for 13 hours per week and VH caretaker/cleaner works 10 hours per week. Following a salary review by the staffing and personnel committee, the council approved to move the clerk to SCP 28 starting 01/12/20 on the increased NALC salary scale (16/12/20 min 16). VH staff have been furloughed since March 2020 (fixed furlough initially and later flexible furlough). The council agreed to pay salaries in full and cover the 20% gap (30% on Sep and 40% in October). Salary amounts are not published in the list of payments for approval or financial summaries. A councillor initials the salary calculations source documents as authorisation, circling the amounts approved. A councillor has worked with the clerk to ensure staff costs are being calculated and reported accurately (20/01/21 min 8). The Village Warden and maintenance man are self-employed and paid on invoice.
- What controls exist over management of staff time and duties?
A staffing and personnel committee was formed (23/09/20 minute 13) and met on 15 Dec 2020 to review clerk pay scale and salary. A formal appraisal is planned when lockdown permits. Clerk reports to the chairman or vice chair on an ad hoc basis about her workload. Peaks and troughs are managed within the 30 hours per week. Clerk also undertakes day to day management of the VH staff and the self-employed village warden and maintenance contractor.
- Are other payments to the clerk reasonable and approved by the council?
Yes. Expenses are claimed monthly with salary. Travel expenses are reimbursed at 45p per mile (travel for banking and meetings) and items such as postage are reimbursed and a home working allowance.
- Has PAYE / NIC and pensions been properly operated by the council as an employer?
HMRC RTI BASIC Tools is used by the clerk; salaries are paid last day of each month. The PAYE deductions are calculated by the HMRC system and paid monthly to HMRC (employer and employee NI). All payments are made by BACS. None of the staff qualified for auto enrolment but clerk has opted in to LGPS. Pension deductions and payment to ECC is calculated by completion of the LGPS form. The clerk has calculated the furlough claims for the VH staff but these have not been checked.

H Asset Control

- Does the council keep an asset register of all material assets owned?
Yes. The asset register was approved at the meeting 8 April 2020 (minute 11b). Register records asset type, location, notes, cost / AGAR value, date, and a column recording the

total additions /disposals each year (annual return variance). The cost/AGAR column appears to be a mix of historic cost, where known, and some revaluations. An insurance valuation column has been added and colour coded to indicate where assets are kept to aid comparison to Insurance policy. The council is intending to change the format of the asset register (17/03/21 min 7b)

- Is the register regularly updated?

Register is updated as and when remembered and fully updated at the year-end.

Opening balance £518983.69, additions to the register during 2020/21 are numbered as lines 105 to 109 which total £682.85, so the AGAR line 9 figure is £519666.54.

- Do asset insurance valuations agree with those in the asset register?

The VH building was revalued in 2018/19 with an insurance value of £607530 (noted in the date column) and the contents (shaded pale green and entered in separate column) totals £25450. The sums insured in Part A of the 2020/21 Insurance Policy are Buildings £644528.58, contents £25500.

The sums insured in Part C – All Risks, of the insurance policy include some items that are included in the VH contents (pale green) i.e., Defibrillator in line 76, CCTV system in line 62 and Projector system in line 71.

On the asset register, noticeboards are coloured grey, bus shelters dark blue, street lights dark green, outside VH yellow, seats pale blue, and are totalled at the foot of the register which enables comparison with the sums insured in Part C. There are separate columns for clerk's home contents (mid blue) and warden's home contents (cream) which are also totalled. At a glance, street lights look to be over insured and the 'outside' VH items and bus shelters slightly under insured. The council is aware that the format of the asset register needs to be redesigned and I would also recommend that the replacement costs that appear in the insurance column of the register are reviewed and updated in time for the May 2022 renewal.

I Bank Reconciliation

- Is there a bank rec for each account?

Yes. 2 accounts (Community Account and Business Saver Account) both reconciled. Closing funds of £82767.56 includes capital reserves of £51444.19

- Is the bank rec carried out regularly on receipt of statements?

Yes. Every month as soon as the statement arrives

- Are there any unexplained balancing entries in any reconciliation?

No

J Year End Procedures

- Are year-end accounts prepared on the correct accounting basis (R & P / I & E)?

Yes. R & P basis

- Do accounts agree with the cash book and working papers?

Yes. Accounts are compiled from totals of the transaction columns of the 2 worksheets that make up the cashbook.

- Is there an audit trail from underlying financial records to the accounts?

Yes. Agree back to supporting paperwork. Source documents have not been numbered with ID this year but this will be reinstated for 2021/22 and the ID also entered into RBS as the reference number

- Where appropriate, have debtors and creditors been properly recorded?

Not required for R&P. Credit control – Clerk keeps a separate spreadsheet for invoicing of hall hire fees. The Hallmaster system records the bookings and tracks outstanding amounts. Invoices to be paid are kept in a separate folder and used to compile the lists

of payments to be approved by full council and by the VH committee. PC debtor at the year-end is for VAT reclaim due.

K Council Exempting itself from a limited assurance review

- Did the council meet the criteria?
No. Gross income and gross expenditure in 2019/20 exceeded £25000.
- Did the council exempt itself from the review? N/A
- Was the exemption certified at a meeting? N/A
- Was the appropriate notice displayed? N/A

L Web page Publication

The authority publishes information on a website/webpage, up to date at the time of the internal audit, in accordance with the Transparency code for smaller authorities.

[Financial reports | Great Horkesley \(greathorkesley-pc.gov.uk\)](https://www.greathorkesley-pc.gov.uk/financial-reports)

M Public Rights in Summer 2020

The council agreed the dates for the period for the Exercise of Public Rights commencing 24 July 2020 and ending 3 September 2020 and displayed the notice

<https://www.greathorkesley-pc.gov.uk/council/greathorkesley/finance/Notice%20of%20Public%20Rights%20and%20Publication%20Of%20Unaudited%20Annual%20Governance%20%26%20Accountability%20Return%202019-20.pdf>

N Publication of Annual Return 2019/20

The authority has complied with the publication requirements for 2019/20 AGAR (see AGAR Page 1 Guidance Notes).

https://www.greathorkesley-pc.gov.uk/council/greathorkesley/finance/Annual%20Governance%20and%20Accountability%20Return%202019-2020_0.pdf

O Trustees

- If the council is a trustee, has it met its responsibilities?
Not applicable. Great Horkesley PC is not a sole trustee.

Jan Stobart, FCCA
3 June 2021