

GREAT HORKESLEY PARISH COUNCIL INTERNAL AUDIT 2019/20

A Proper Bookkeeping

- Is the cash book maintained and up to date?
Updated monthly in time for each meeting
- Is the cash book arithmetic correct?
Excel spreadsheets are maintained with formulae to calculate totals
- Is the cash book regularly balanced?
An excel spreadsheet (GHPC Cashbooks final accounts) is maintained with 2 tabs to record separate cash books for council business and for the Village Hall (VH). Volume of transactions re VH far exceed PC business. Columns A to Q on both worksheets describe the receipts and payments, with a separate column for VAT on payments, and another column to record if the item has appeared on the bank statement (Y in the column). The totals on both worksheets are combined to enable reconciliation to bank statements. Formulae are set up to avoid transposition errors. Columns R to AT/AS are used to allocate each transaction to a heading, the totals of which then build the quarterly 'actual against budget' spreadsheet.

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. An amendment relating to The Public Contracts Regulations 2015, and use of Contract Finder for amounts over £25,000, was agreed at meeting 19 March 2019 (minute 9). Approved without change at meeting 8 April 2020 (minute 13e)
- Has the council formally adopted any other policies?
Yes. A to Z of councillor responsibilities (14/05/19 min 5g, 17/12/19 min 6 and 21/01/20 min 7). Health and Safety Policy and a Lone Worker Policy were adopted at meeting 17/12/19 (minute 10). Complaints Policy, Code of Conduct and Public speaking procedures were adopted at the meeting 21/01/2020 (minute 14).
- 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 VH heating repairs (16/04/19 min 10 and 14/05/19 min 9a), toilet cisterns (18/06/19 min 13), VH gates (17/09/19 min 14, 19/11/19 min 15), website (25/02/20 min 15e).

- 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 (chq, 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.
Most payments (other than hall deposit refunds) are made by BACS as set out in Part 4 of the Constitution (para 6.7 & 6.8). Two signatories both place their initials on the cheque stub (where pd by chq). Source document tend to have one set of initials as authorisation. The signatories 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. A transfer from reserves is authorised if operational funds are insufficient (e.g. meeting 14/05/19 minute 9b)).
- Has VAT on payments been identified, recorded and reclaimed?
Yes. VAT recorded in a separate column (N) in the cashbook worksheets. Figures are extracted and placed in a separate VAT worksheet and used as the basis for an annual claim. VAT refund for 2017/18 of £1478.16 was received in July 2019. VAT on payments for 2019/20 of £2366.02 will be claimed in 2020/21
- Is s137 expenditure separately recorded and within statutory limits?
Grants were agreed at the meeting 16/04/19 (minute 13e); Scouts £280, PCC £600, Friendship Club £240, Suffolk CC £100. Total s137 expenditure of £1220 is within the 2019/20 limit of £16597.28 (2044 x £8.12). 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.

C Risk Management

- Does a scan of the minutes identify any unusual activity?
Councillor vacancies (16/04/19 min 7 & 17, 17/09/19 min 9, 15/10/19 min 6, 19/11/19 min 6); Debit card application and signatory (18/06/19 min 12h, 16/07/19 min 13e); potential allotments (16/07/19 min 7); website cessation (17/09/19 min 13g, 15/10/19 min 11i, 25/02/20 min 15e), development proposals (19/11/19 min 11), Facebook page (25/02/20 min 9), Rural Housing Needs Survey (25/02/20 min 10).
- 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). VH committee 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 has still not been done. A risk assessment will be required to re-open the hall as a 'COVID safe' venue so this will need to be prepared in 2020/21
- 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). A virtual meeting was held on 8 April 2020 at which 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 hall was closed and the village warden work suspended (minute 7) whilst assessing the risks. The council has been 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. Council is in the final year of a three-year policy with Zurich Insurance which expires 31 May 2020. 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 16 April 2019 (minute 13d); mtg 16 July 2019 (minute 13d); mtg 15 Oct 2019 (minute 11g); mtg 25 Feb 2020 (minute 15f). Bank Statements and transfers between funds are also initialled.

There is some division of financial duties between the clerk and the VH Booking Manager which provides a control function: The Booking Manager keeps the lettings diary and issues invoices: the clerk receives payments and notifies the VHBM of settled and outstanding accounts, and chases unpaid bills. Caretaker advises clerk if hall left ok after a hire so deposit can be refunded by the clerk. Other internal control of VH processes have not been covered by this audit.

- 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 2021 insurance renewal. The minutes record various mitigating actions e.g. attendance at training (16/04/19 min 18, 19/11/19 min 16), fire officer inspection at hall (14/05/19 minute 9e) and resulting actions (18/06/19 min 14c), cyber insurance discussion (17/09/19 min 12), safety considerations for Great British Spring Clean (25/02/20 min 6).

D Budgetary Controls

- Has the council prepared an annual budget in support of its precept?

Yes. The budget recommendation was presented to the full council meeting on 21 Jan 2020 (minute 6c) and after discussion and amendments, a precept of £33.43 per band D property was agreed for 2020/21, an increase of 76%. The budget requirement is £103310.45 less income £37180.41 and use of reserves of £30191.28. This will be covered by a precept of £35074.76 and CBC grant of £864.

- Is actual expenditure against the budget reported to the council?

Yes. The accounting spreadsheet produces a budget v actual report each quarter for both the PC business and the VH. Figures are drawn from the 2 cashbooks. Although the whole clerk's salary and all the admin expenses are paid out of the PC cashbook, a percentage is attributed to the VH for the purposes of the budget v actual report. This is to give the councillors a true picture of VH trading position. The formulae are embedded in the linked spreadsheets. The council revised the 2019/20 budget for the VH at its meeting 18 June 2019 (minute 12g). Budgetary position at end of each quarter are noted by council: mtg 16 April 2019 (minute

13d); mtg 16 July 2019 (minute 13d); mtg 15 Oct 2019 (minute 11g); mtg 25 Feb 2020 (minute 15f). The PC actual v budget summaries are signed off by a councillor as evidence of financial monitoring.

- Are there any significant unexplained variances from budget?
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?
Hall Lettings: The council manages the village hall through a VH committee; however, the committee has not met this year. Hire fees have not been reviewed in 2019/20 (March 2020 meeting not quorate). Other income is grants, donations and interest.
- Is income properly recorded and promptly banked?
Most receipts are by BACS. Occasional cheques received; cash received rarely. Amounts received are kept securely and paid in immediately at the post office and recorded in the appropriate worksheet (either PC cashbook or VH cashbook)
- 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 £20717.79 (£10358.89 received April and £10358.90 September) from CBC agrees to the totals for 2019/20 of precept £19853.77 (and a 2p difference) and RSG of £864
- Are security controls over cash adequate and effective
Yes. Very little cash received

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. At the start of the year the Clerk was employed for 25 hours per week, with salary calculated for the year and spread as 12 monthly amounts. This was increased to 30 hours per week with effect from 1st July 2020 (16/07/19 minute 17). Two members of staff are employed part time re the Village Hall: a VH caretaker/cleaner and a VH Booking Manager. The VH caretaker/cleaner works 10 hours per week and the VH Booking Manager from 13 hours per week. It was agreed at meeting 19 Feb 2019 (minute 21) to increase Clerk and Booking Manager pay for 2019/20 as recommended by NALC. 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. The Village Warden and maintenance man are self-employed and paid on invoice.
- What controls exist over management of staff time and duties?
The council intended to set up a staffing committee (16/04/19 minute 21) but this committee did not meet. Clerk reports to the chairman on an ad hoc basis about her workload. Peaks and troughs are managed within the 30 hours per week. Clerk salary and admin totals are split notionally between PC and VH – 60:40 although not obviously based on actual work done as time sheets not kept. 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. A councillor signs the monthly salary calculations as part of approval for payment
- 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.

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 this year and colour coded to indicate where assets are kept to aid comparison to Insurance policy.
- Is the register regularly updated?
Register is updated as remembered and fully updated at the year-end. Opening balance £513847.11, additions to the register during 2019/20 are numbered as lines 87 to 104 which total £4898.26, disposal of LED replaced last year £461.66, and replacement of LED in lines 25 and 26 (£1052.52 – £352.54), so the AGAR line 9 figure is £518983.69.
- 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 2019/20 Insurance Policy are Buildings £625755.90, contents £15450, so the building was covered but the contents were underinsured. In the 2020/21 Insurance Policy, the Part A amounts have been increased to Buildings £644528.58 and 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, shed and contents yellow, clerk home contents pale blue and warden's home contents cream. It would be helpful if totals for each of these colours could appear on the register to enable easy comparison with Part C of the policy. I would also recommend that the replacement costs that appear in the insurance column are reviewed and updated during 2020/21. The clerk is looking at a different format for the asset register next year.*

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 £50909.83 includes a VH capital reserve of £34773.44
- 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?
Both accounts reconcile exactly at year end when PC and VH cash books are combined: VH cash book balance £30810.41, PC cash book balance £20099.42, uncleared cheque (#2551) £169.50 equals total bank statements £51079.33 (£49000 + £2079.33).

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 are numbered with ID and correspond to the cashbook worksheet. REF number is chq number, BACS or DD
- 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 booking. Spreadsheet records when amounts are received so outstanding hire fees can be chased. It also records details of retainers received and refunded. Retainers are only taken for hires where alcohol is consumed. 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 2018/19 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 Public Rights in Summer 2019

The notice shows the dates for the period for the Exercise of Public Rights commencing 1 July 2019 and ending 9 August 2019.

M Trust Funds

Great Horkesley PC is not a sole trustee.