

LAYER DE LA HAYE PARISH COUNCIL INTERNAL AUDIT 2018/19

A Proper Bookkeeping

- Is the cash book maintained and up to date?
Yes. An excel spreadsheet is maintained and updated each month. It contains separate worksheets for receipts and payments which have columns for types of transactions. The 'Year to Date' summary picks up the monthly totals (by transaction type) and slots them into monthly columns to build cumulative totals. The Year to Date summary also has a bank reconciliation section.
- Is the cash book arithmetic correct?
Yes.
- Is the cash book regularly balanced?
Yes.

B Financial Regulations

- Has the council formally adopted standing orders and financial regulations?
Yes. Both reviewed and adopted at meeting 14 May 2018 (minutes 18/84 & 18/85). Amendments to FR at meeting 9 July 2018 (minute 18/135) using NALC model document, with tailored thresholds.
- Has a Responsible Financial Officer been appointed with specified duties?
A councillor is the RFO but the duties are not specified. Clerk contract, without RFO duties, from August 2017. Hours and scale amended from June 2018.
- Have items or services above a de minimis amount been competitively purchased?
Financial Regulations (4.1) specify clerk, in conjunction with chairman, can approve up to £500 (4.1); 3 estimates for amounts £100 to £4000 (11.1 h). Paragraph 11.1h also requires 3 quotes for contracts below £2,000: this number must be higher than the £4000 estimates limit so will need to be amended. The FR are silent on a threshold for tendering, but this is covered in section 18 of SO which has a threshold of £60,000 for tenders. For contracts valued between £25000 and £60000, 3 quotes would be obtained through contract finder in accordance with The Public Contracts Regulations 2015 (11.1b). During year, quotes obtained for playground repairs (09/04/18 minute 18/74), goal post removal (minute 18/149), village sign (minute 18/190), finger post base (minute 19/28).
- Are payments in the cash book supported by invoices, authorised and minuted?
Yes. Finance item in the Minutes includes section to approve payments. Description and amounts are listed and totalled. The clerk prepares a monthly 'accounts for payment' summary, stapled to the source documents. The summary also includes income for the month and closing balances after the transactions. Two signatories sign the cheques and initial the cheque stub. There is no evidence that the source documents are scrutinised (by way of ticks / initials / signatures). Cheque number is written on the invoice. The cheque book includes a signed cheque dated 11/03/19 which has not been included as a payment in the 2018/19 cash book. This cheque relates to 2019/20 expenditure and will be included in the cash book in April 2019.

- Has VAT on payments been identified, recorded and reclaimed?
VAT is recorded in a separate column on the spreadsheet and also on a Tax Claim Refund sheet. The refund is reclaimed annually: total for 2017/18 of £2011.43 received in July 2018. VAT for 2019/20 claimed April 2019, total £935.42.
- Is s137 expenditure separately recorded and within statutory limits?
Council has adopted General Power of Competence. Donation to Church £650 made under this under this power.

C Risk Management

- Does a scan of the minutes identify any unusual activity?
Defibrillator (minute 18/73); Localism/ devolution (minute 18/121); Contested Election and unplanned additional cost (minute 18/132); Proposed race activity on council land (minute 18/149); Beacon used at Commemorative Event 11/11/18 (minute 18/153); Easter Egg Hunt and safeguarding risks (minute 19/26); Brexit! (minute 19/36).
- Do the minutes record the council carrying out a risk assessment?
Yes. Risk Assessment adopted at meeting 14 May 2018 (minute 18/86).
- Has the council finalised its GDPR policies?
Discussed at meeting 14 May 2018 (minute 18/91). Privacy statement in place.
- Have other policies been adopted?
Amended CCTV policy adopted at meeting 14 May 2018 (minute 18/94)
- Is insurance cover appropriate and adequate?
Yes. Renewal on 1st June 2018 approved at meeting 14 May 2018 (minute 18/98) through with Zurich Municipal. Part C schedule amended 3rd September 2018 to include Beacon. Phone box valued at £2,750, and street lights gifted by CBC do appear to have been added. As well as all risks, cover includes Public and employer's liability, money, official's indemnity, libel & slander, fidelity guarantee, personal accident, legal expenses.
- Are internal financial controls documented and regularly reviewed?
Finance item in the monthly minutes includes 'Statement of Account' item in which the RFO reports on a reconciliation between opening and closing balances and a review of actual against budget. By implication, the RFO is verifying the payments and approving the bank reconciliation but a signature on the bank statement itself would strengthen evidence. The dual control of signing cheques could also be evidenced by initialling source documents in addition to cheque book stubs. In general, there is a good division of duties between clerk and RFO as a financial control.
- Are all risks identified and actions undertaken to mitigate risks?
Yes. The 'financial and legal' risk assessment is comprehensive; it describes the risks and has columns for "measures taken" and 'recommended reviews / actions'. Most 'annual review' actions are evidenced by the minutes or by having insurance cover in place (although the policy does not appear to include business interruption cover as stated as a mitigating action). A couple of actions need to be tightened up i.e. signing of bank reconciliations / bank statements and review of insurance values at time of insurance renewal. The reference to home risk assessment can be removed as the clerk is now based at the hall. Minutes indicate the following mitigating actions being undertaken i.e. Training / Events item on monthly agenda (including councillor training), Information Exchange item on monthly agenda includes reports on various

assets needing attention; Playground Inspection Sep 2018 and March 2019 (minute 18/25 and 19/46); tree inspection (minute 19/22). There is a separate risk assessment for the operation of the beacon which is comprehensive.

D Budgetary Controls

- Has the council prepared an annual budget in support of its precept?
Yes. Long term planning projects discussed at meeting 11 June 2018 (minute 18/119). Budget for 2019/20 presented by RFO to the meeting 10 December 2018 (minute 18/204). Total estimated expenditure for 2019/20 is £16961, including a £2000 contingency. It was agreed at the meeting 14 January 2019 (minute 19/11) to increase the precept by 3.9%; form submitted to CBC has a spend requirement of £16810 being precept of £15894 and RG / LCTS grants of £916
- Is actual expenditure against the budget reported to the council?
Finance item in the monthly minutes includes 'Statement of Account' item in which the RFO reports actual against budget.
- Are there any significant unexplained variances from budget?
There were expenditure items during the year which were not included in the original budget (election, defibrillator and phone box) but the budget appears to have been restated across headings during the year to cover these costs. Final actual against budget for 2018/19 shows total actual expenditure £17821.97 against budget of £18989.94. There are no explanatory written notes to accompany the spreadsheet but there were verbal explanations at meetings.

E Income Controls

- Is income properly recorded and promptly banked?
There are no 'banked' receipts in the year, all direct credits (precept and interest.
- 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, general grant and localised council tax support. The total of £16179 (2 x £8089.50 received April and September) from CBC agrees to the totals expected by Layer de la Haye PC of precept £15190 General Grant / Localised CT support £989.
- Are security controls over cash adequate and effective
No cash is handled by the parish council

F Petty Cash No Petty cash is held. (Financial Reg 6.21)

G Payroll

- Do salaries paid agree with those approved by the council?
Clerk completed CiLCA in March 2018. Change to contract approved at meeting 14 May 2018 (minute 18/102) to increase monthly hours from 40 to 43 wef 01/06/18 and spinal point increase from SCP 23 to SCP 25 approved.
- Are other payments to the clerk reasonable and approved by the council?
Yes. The contract allows for reclaim of mileage at 45p per mile, parking, subsistence, office consumables and equipment (if agreed in advance). Each expense reclaim is paid by a separate cheque.

- Has PAYE / NIC and pensions been properly operated by the council as an employer?
HMRC RTI BASIC Tools is used; salary paid 26th of each month. The PAYE deduction were paid every 2 to 3 months last year and at the start of this year; the last 4 months of PAYE for 2017/18 were paid to HMRC in May 2018. PAYE is now paid to HMRC monthly so no amounts are outstanding at the end of 2018/19. Clerk does not qualify for auto enrolment and has decided not to opt in.
- What controls exist over management of staff time and duties?
Clerk maintains an employee payroll sheet which shows contracted hours and hourly rate to calculate monthly salary. There are regular office hours and meeting times that fit within the overall contracted hours. An annual staff appraisal is due in May 2019.

H Assets

- Does the council keep an asset register of all material assets owned?
Yes. Columns for description of asset, location, purchase date and cost, fixed asset value, insurance value, owners and comments. The figure used in the AGAR is the fixed asset value whereas it should be historic cost. The Tapestry and some of the land was gifted to the PC (zero cost). Opening Register total (fixed asset value) of £142361 includes values for 'gifted' assets totalling £27,700. The fixed asset value of the land is based on advice sought from a land agent (undated). The street lights are listed but no costs or values are attributed across any of the headings. The defibrillator and beacon are not included on the asset register.
- Is the register regularly updated?
Register is updated at the year end. New purchases had been added at their value, rather than their cost and the register 'value' of disposed items has been removed. The phone box purchased in the year cost £1 and this is the amount that should be added, not the insurance value of £2750. This was changed during the internal audit process.
- Do asset insurance valuations agree with those in the asset register?
No. The values in Part C of the Insurance policy do not agree with the asset register, presumably because the insurance company has inflation-adjusted the values over a number of years. It would be advisable for an asset review to be undertaken by the councillors. The review would consider actual replacement cost of assets and set insurance value accordingly. The Council may currently be over insured on some items (e.g. CCTV cameras) and under insured on others (e.g. war memorial). The insurance column of the asset register should not include resale values of land – the intention is that this column only relates to insurance of buildings and fixed assets.

I Bank reconciliations

- Is there a bank rec for each account?
Yes. 3 bank accounts: Current and Deposit Account at Lloyds plus a Virgin Charity Deposit Account.
- Is the bank rec carried out regularly on receipt of statements?
Yes. Monthly for Lloyds accounts. Virgin account has an account book that is updated; book has to be taken to Chelmsford. Interest on the account is paid in June and December. The last update is in Nov 2018 (balance £10599.62); I

would expect interest c£33 to have been credited in Dec 2018 (which will need to be accounted for in 2019/20). This account will be closed in 2019/20 and any final interest due paid into Lloyds.

- Are there any unexplained balancing entries in any reconciliation?
No.

J Year End

- 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. The spreadsheet, kept throughout the year, builds the totals for preparation of the accounts.
- Is there an audit trail from underlying financial records to the accounts?
Yes. All receipts and payments are referenced and easy to track.
- Where appropriate, have debtors and creditors been properly recorded?
R&P does not require these to be recorded. There are no creditors at the year end, chq in the cheque book relates to 2019/20 and will be sent in April. Only debtor at year end is VAT refund.

K Council Exempting itself from a limited assurance review

- Did the council meet the criteria?
Yes. Gross income and gross expenditure in 2017/18 were less than £25000.
- Was the exemption certified at a meeting?
No
- Was the appropriate notice displayed?
Yes. Certificate of Exemption completed 10 September 2019 and displayed.

(L not applicable).

M Trustees

- If the council is a trustee, has it met its responsibilities?
Not applicable

Jan Stobart, FCCA
15th April 2019