

TOLLESHUNT D'ARCY PARISH COUNCIL
INTERNAL AUDIT 2016/17

A Proper Bookkeeping

- Is the cash book maintained and up to date?
Manual cash books were maintained until May 2016. Correspondence indicates there were issues with previous year end accounts, including a difference between brought forward and carry forward balances. The locum clerk transferred to computerised records. Since coming into post in April 2017, the current clerk has re built the whole cash book for 2016/17 using the IMPACT accounting package, and allocated receipts and payments under headings that enable comparison with budget headings. For 2017/18, transactions will be entered on the IMPACT system once a month in preparation for council meetings. The intention is to transfer to the RBS accounting system once training is completed.
- Is the cash book arithmetic correct?
Computerised accounting system (IMPACT)
- Is the cash book regularly balanced?
Computerised accounting system: cash book balanced monthly when bank accounts reconciled

B Financial Regulations, Standing Orders and Payment Controls

- Has the council formally adopted standing orders and financial regulations?
Yes. SO and Financial Regulations were adopted on 5th January 2016. Not reviewed during 2016/17
- Have other policies been approved?
Complaints procedure agreed at meeting 31 May 2016 (minute 17). FOI, Compliment & Complaint, Grant application and Media policies agreed at meeting 27 September 2016 (minute 12).
- Has a Responsible Financial Officer been appointed with specified duties?
A new contract was approved at mtg 6 April 2016 (minute 163.4) when previous clerk retired. There were various changes in clerk during the year, and an appointment of interim burial clerk appointment Jan to March 2017. The current clerk contract from 15 April 2017 has the job title Clerk/ RFO and has RFO duties specified in the description of responsibilities. The Clerk / RFO is also the parish burial clerk which appears to be a verbal contract which earns salary in addition to clerk/RFO duties.
- Have items or services above a de minimis amount been competitively purchased?
Financial regulations (section 11.1h) requires 3 quotes for contracts between £500 and £2000, and 3 estimates for contracts between £100 and £500. Procurement of contracts valued above £2000 should invite tenders (section 11b). Standing orders section 11 refers to the Public Contracts Regulations 2006. Both FR and SO need to be updated to include reference to The Public Contracts Regulations 2015 and the threshold for tendering needs to be increased to more than £2000. During the year, the minutes record quotes being obtained for Three Wishes projects and benches (mtg 26 July minute 8a and 8c), Maypole (mtg 25 October 2016 minute 12b); Play area works (mtg 24 Jan 2017 minute 6b); tree works (mtg 21 Feb 2017 minute 11b and mtg 28 Mar 2017 minute 10))

- Are payments in the cash book supported by invoices, authorised and minuted?
Practices have changed slightly with different clerks through the year. Minutes include a Finance item at which amounts are approved for payment. All payments are by cheque – no direct debits. From 28 June minutes onwards, the approvals for payment include the cheque number, and include the VAT component (until November minutes). The two signatories signing a cheque both initial the chq stub but there is no evidence during 2016 of sight of the source documents. From 31st January onwards, the invoices are initialled, and the list of payments for approval is signed by the chairman. Source documents have a cheque number written on them by the clerk and are filed in order for a clear audit trail.
- Has VAT on payments been identified, recorded and reclaimed?
Yes. VAT for period 1 Oct 2015 to 31 July 2016 totalling £2684.90 was received in Sep 2016 and for the period 1 Aug 2016 to 28 Feb 2017 totalling £928.61 was received in Mar 2017. VAT on payments is recorded in a separate account by the IMPACT system and the VAT reclaim due is calculated on reports.. Unclaimed VAT at the year-end (for March 2017) will be claimed in 2017 and be reclaimed quarterly in future.
- Is s137 expenditure separately recorded and within statutory limits?
Grants paid are separately recorded in the cash book. A donation of £100 was paid in July to Tolleshunt D’Arcy PTA. It is not clear if this is a grant under s137 but is well within limits

C Risk Management

- Does a scan of the minutes identify any unusual activity?
Long standing clerk retired at the end of May 2016 – payment of £1000 (plus PAYE) gratuity agreed at mtg 5 April 2016 (minute 163.3). New clerk hospitalised (mtg 6 December 2016 minute 1) and emergency arrangements put in place (minute 11). Issues re communication with parishioners, and installation of play equipment acknowledged at Annual Assembly 18 April 2016 (minute 157); Receipt of transparency grant, used to pay the clerk for website administration – later recorded as needing updating (mtg 28 June 2016 minute 15c) and purchase new equipment when new clerk in post (minute 162.4 and 167.4); Three Wishes Project to inform council spending (mtg 28 June minute 13) and villagers reactions (mtg 26 July 2016 minute 4); CIF funding application (mtg 27 September minute 8);
- Do the minutes record the council carrying out a risk assessment?
Not during 2016/17 and not clear that one existed in previous years. Risk Register created 24 April 2017 and approved at Meeting 9 May 2017. A business plan and risk assessment for an event (Summer Ball 1st July 2017) was discussed at the mtg 28 Mar 2017 minute 11) but plans for the event have since been withdrawn.
- Is insurance cover appropriate and adequate?
Yes. Insurance renewed with Hiscox, through Came & Co on 1st October 2016. Cover for Buildings (sports pavilion) and other property damage, Contents of sports pavilion, Property away from the premises, Pavillion business interruption cover, Public liability, employers liability, internet and email, officials and trustee indemnity, legal protection, personal accident, crisis containment, business travel. An additional premium quote for the new play equipment is expected to be paid early in 2017/18. There is separate

insurance cover for the defibrillator, with Community Heartbeat, approved at meeting 21 Feb 2017 (minute 10c). The village hall (for which TDPC is sole trustee) is insured separately and was paid in Dec 2016.

- Are internal financial controls documented and regularly reviewed?
Monthly financial statements presented to councillors in April and May 2016 (Bank and petty cash reconciliations, plus Trust Fund account). Bank reconciliations (excluding petty cash) presented at mtg 28 June minute 14 a, and recorded as being seen at meeting 31 Jan 2017 (minute 8b). New clerk presents a monthly finance statement that records bank statement balances, restricted and designated reserves, uncleared cheques, and debtors (VAT due). Financial risk is low but it is anticipated that additional financial controls will be instigated in 2017/18 e.g. sight of bank statements, scrutiny of payroll and reports of budget against actual.
- Are all risks identified and actions undertaken to mitigate risks?
The risk assessment in in 4 sections: Finance & Administration, Assets, Liability and Legal obligations. It has columns for Area of risk, Risk level, Measures to mitigate risk, Review details / dates and comments. The areas of risk and mitigating actions are comprehensive. Consider adding sole trustee responsibilities under legal obligations. The references to the role of the internal audit may need to be revised and some other internal processes recorded. Minutes record some mitigating actions that took place in 2016/17 e.g. Play area safety inspection mtg 31 May 2016 (minute 11.1); training courses for councillors at mtg 28 June 2016 (minute 16); inspection of recreation ground (mtg 28 June 2016 minute 15d); However, council served with MDC enforcement letter re tree works (mtg 25 October minute 12b) and apparent inaction on the original play area safety report recorded at meeting 6 December 2016 (minute 10c). Work to improve play area minuted at mtg 31 Jan 2017 (minute 14b). Potential tripping risk reported at meeting 6 December 2016 (minute 10f) and action recorded at mtg 31 Jan 2017 (minute 5a).

D Budgetary Controls

- Has the council prepared an annual budget in support of its precept?
Precept for 2017/18 of £19129 agreed at mtg 6 December 2016 (minute 9) based on a comparison of 2016/17 budget against actual with supporting notes column.
- Is actual expenditure against the budget reported to the council?
Twice a year re 2016/17 figures: at the meeting 6 Dec 2016 where precept was set and at the meeting 9 May 2017 when annual return was signed. The new clerk will devise a system to report actual against budget on a monthly basis in 2017/18 to enable progress to be tracked.
- Are there any significant unexplained variances from budget?
All variances were explained at the yearend as part of the annual report summaries

E Income Controls

- Is income properly recorded and promptly banked?
Banked as and when practicable; Not many receipts as direct credits used.
- Does the precept recorded in the cash book agree to the district council's notification?
Yes. Total £16700 received from Maldon DC in April 2016.

- Are there other sources of income?
Grant for defibrillator; equipment purchased in the year. Grant from the Henry Smith Trust Fund, held in a separate account. This is a grant to be used to alleviate poverty in the parish. Some clarification is required about the terms and condition of this grant, whether it is PC funds (or the PC is acting as an agent), and the role / responsibility of the parish council for disbursement. Other income sources are fees for Burial Ground and fees for use of pitch and pavilion.
- Are security controls over cash adequate and effective
No cash transactions during the year. The closing balance of 47p has gone missing but is not a material amount. The intention is to close the petty cash account and instead use expenses forms for reimbursement of sundry items such as postage.

F Petty Cash Procedures

- Is all petty cash spent recorded and supported by invoices/receipts?
No. The financial statements accompanying the minutes in April and May show petty cash transactions which are not reflected in the accounts. The accounts show an opening and closing balance of 47p with no transactions during the year.
- Is petty cash expenditure reported to each council meeting?
Income and expenditure was reported to April and May 2016 meetings but does not appear to be accurate – there are no underlying vouchers to support the transactions. There were clearly issues with the previous system of accounting for petty cash but the amounts are not considered to be material
- Is petty cash reimbursement regularly carried out?
No transactions in the year.

G Payroll Controls

- Do salaries paid agree with those approved by the council?
*A variety of different hourly rates were paid to different members of staff during the year. Some minuted, others not. It is not always certain that hourly rates of pay were specifically approved by council during 2016/17 but the arrangements for 2017/18 are clearly set out in the new clerk / RFO contract dated 15 April 2017 which specifies salary at SCP 32 for 30 hours per month with automatic annual incremental increases. The agreed payments for burial clerk duties however, do not appear to be included in the clerk / RFO contract and should be documented.
Regarding 2016/17 - No salary calculations on file for April and May 2016 – assumed monthly salary £335.70 = £11.19 per hour for clerk/RFO duties plus receipts for burial ground duties, website maintenance and gratuity. Contract for new clerk of 30 hours per month on same basis agreed at mtg 17 May 2016 (minute 178). Locum clerk was paid £15 per hour (payment approved at meeting 28 June minute 14) and later paid at £11.66 per hour (change not minuted but perhaps included in that contract). Council agreed at their meeting 24 January 2017 (minute 5) to appoint Interim clerk from 16 December 2016 paid at SCP 26, £12.041 per hour on an hours worked basis. Interim burial clerk appointed at mtg 31 Jan 2017 (minute 8) - rates of pay and duties not minuted and no apparent contract of employment.*

- What controls exist over management of staff?
Changes throughout the year have presented challenges for staff management and the council are to be congratulated for maintaining an operational council in such difficult circumstances. Time sheets are not kept by the new clerk. The first month in post, being yearend, has not been representative of time needed for the job and there has not been an opportunity to discuss workload with the chairman. The contract includes an annual review (clause 5.2). There is a separate personnel committee to oversee arrangements.
- Are other payments to the clerk reasonable and approved by the council?
Yes. Travel expenses are allowed at 45p per mile if needed. Postage and other expenses are claimed and settled by cheque (included with salary cheque in April and May 2016). New contract dated 15 April 2017, includes a home office allowance of £18 per month in 2017/18.
- Has PAYE / NIC and pensions been properly operated by the council as an employer?
Payroll services provided by Diane Malley from 28 June 2016 (minute 14c). Payments were made to employees and HMRC through 2016/17 in accordance with summaries from Diane. Proper operation of PAYE depends on accurate reporting to Diane of amounts earned. It appears that at least one payment of burial fees may have been paid as expense reimbursement rather than salary. It is suggested that a councillor financial control function could be verification of amounts notified for payroll. For 2017/18, new clerk will send email to Diane each month notifying 30 hours worked at SCP 32 plus amounts for burial clerk duties. Diane will email back the calculation of gross, deductions and net. Diane will send a quarterly summary of amount due to HMRC which will be paid by cheque. The clerk has been given the option to opt in to a pension but has declined.

H Asset Control

- Does the council keep an asset register of all material assets owned?
An asset register was compiled by the new clerk for 2016/17 annual return purposes and it was approved at the meeting on 9 May 2017. No records could be found regarding the 2015/16 annual return total. The figure used for the 2016/17 annual return comprises – the 2016 insurance value of assets currently insured; 2015 insurance value of assets removed from insurance cover, cost of new equipment purchased in 2016/17 and nominal values for plots of land owned.
- Is the register regularly updated?
There have been no updates during 2016/17 - new asset register compiled for 2016/17 annual return purposes. In future years, the return will be updated as assets are purchased / disposed of and also reviewed as part of insurance renewal. A regular (at least annual) audit of assets is recommended as an internal control measure that can be undertaken by councillors to identify the need for repair or replacement, for both risk assessment, insurance renewal, and budget setting purposes.
- Do asset insurance valuations agree with those in the asset register?
No. Not all of the assets are insured; those valued below £2000 were removed from the insurance policy in 2015. New assets (play equipment and defibrillator) have been purchased since the insurance renewal in October. Clerk is seeking a quote for additional premium to cover the new play

equipment. For future years it is suggested that the asset register has 2 columns, one for the 'Annual Return Value' (which is a mixture of previous year insurance values and cost) and one for Insurance Value, to be considered as part of the 2017 insurance renewal.

I Bank Reconciliation

- Is there a bank rec for each account
Yes. There were 4 accounts (including petty cash). All are reconciled. The council is considering switching to Unity Bank to enable electronic banking and authorisation of transfers. Some outstanding queries about the ownership of funds in the Henry Smith Trust Account - to be resolved in 2017. The Perry Cash account will be closed.
- 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. All accounts reconcile exactly

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. All cross check
- Is there an audit trail from underlying financial records to the accounts?
Cheque numbers written on supporting paperwork for audit trail.
- Where appropriate, have debtors and creditors been properly recorded?
Not required for R&P. The only debtor at the yearend is VAT reclaim

K Trust Funds

Tolleshunt D'Arcy PC is the Sole Trustee of the Village Hall.

Separate meetings held 3 times a year.

VHMC appointed at meeting 28 June 2016.

VH business included in PC minutes (mtg 24 Jan 2017 minute 8) and (mtg 31 Jan 2017 minute 13a)

Hall hire rates reviewed at meeting 28 March 2017

Re-building project being considered.

Advice sought from RCCE adviser (mtg 31 Jan 2017 minute 5a)

Separate bank account in the name of the VHMC receives hire fees and pays bills

NOTE: parish councils as sole trustees can reclaim VAT on payments connected with running a village hall

Jan Stobart FCCA
16th May 2017