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## **Hockley Parish Council**

*Internal Audit Report 2020-21 (Interim)*

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*John Watson*

*For and on behalf of  
Auditing Solutions Ltd*

## **Background**

All town and parish councils are required by statute to make arrangements for an independent internal audit examination of their accounting records and system of internal control and for the conclusions to be reported each year in the Annual Return (AGAR). Auditing Solutions Ltd has provided this service to Hockley Parish Council since 2008-09.

Due to the continuing Covid-19 restrictions we were not able to attend at the Parish Council's offices to conduct this interim audit but were able, with the cooperation of the Clerk, to collect the relevant records from the Council and conduct the audit in our own office.

This report sets out the work undertaken in relation to the 2019-20 financial year, during the course of our first interim audit which took place on 31st October 2020.

## **Internal Audit Approach**

In undertaking our review for the year, we have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts/AGAR. Our programme of cover continues to be designed to afford appropriate assurance that the Council's financial systems remain robust and operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory regulatory framework. The programme is also designed to facilitate our completion of the 'Internal Audit Report' in the Council's AGAR, which requires independent assurance over a number of internal control objectives.

## **Overall Conclusion**

We have concluded that, on the basis of the programme of work undertaken to date this year, the Council has again maintained more than adequate and effective internal control arrangements. We thank both the Responsible Financial Officer and the Clerk for their assistance, which has ensured the smooth progress of our review process.

# Detailed Report

## Maintenance of Accounting Records & Bank Reconciliations

The Council is continuing to use the bespoke Omega software to maintain its accounting records. There is one operational current bank account currently maintained at Barclays Bank Plc. At present, two additional Barclays Bank accounts continue to be in place being a Business Premium account and a Base Rate Reward account. No periodic term deposits are currently held.

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. We have consequently: -

- Checked and agreed the opening trial balance detail in the financial software for 2020-21 with the closing detail contained in the 2019-20 Statement of Accounts and AGAR;
- Ensured that the financial ledgers remain “in balance” at the present date;
- Ensured that the cost centre and nominal ledger income and expenditure coding structure remains appropriate for purpose;
- Checked and agreed detail in the Barclays Bank Current account cashbook, examining a sample months’ transactions for July and August 2020 in full to relevant bank statements;
- Checked and agreed detail in the Barclays Bank Business Premium account cashbook, examining the transactions for the six months to 30th September 2020 in full to relevant bank statements;
- Checked and agreed detail in the Barclays Bank Base Rate Reward account cashbook, examining the transactions for the six months to 30th September 2020 in full to relevant bank statements;
- Noted that no journals have been required in the year to date; and
- Further noted that bank reconciliations are approved and signed off monthly by an appropriate member of Council.

We are pleased to note that cash book receipts and payment schedules are printed off on a regular basis, the former being presented to meetings.

### ***Conclusions and Recommendations***

***We are pleased to report that no issues have been identified in this area of our review process warranting formal comment or recommendation. We shall undertake further testing at our final visit, also ensuring the accuracy and accurate disclosure of the year-end balances in the AGAR.***

## Review of Corporate Governance

Our objective is to ensure that the Council has robust corporate governance documentation and processes in place, and that, as far as we may reasonably be expected to ascertain (as we do not attend Council or Committee meetings) all meetings are conducted in accordance with the adopted Standing Orders and no actions of a potentially unlawful nature have been or are being considered for implementation. We have:

- Commenced our review of the Council's minutes, examining those for the Full Council and its Standing Committee meetings (with the exception of Planning) for the six months to September 2020, where available, with a view to identifying whether or not any issues exist that may have an adverse effect on the Council's future financial stability, both in the short and longer term: we are pleased to report that no such issues appear to exist at present;
- Noted from this examination of the minutes that Standing Orders were amended and approved at the Council meeting on 27th July 2020 (minute FC 20/8.c.d. refers) and subsequently reviewed and approved at the Council meeting on 28th September 2020 (minute FC 20/29.b. refers);
- Further noted from this examination of the minutes that Financial Regulations were reviewed and adopted at the Council meeting held on 27th July 2020 (minute FC 20/8 f. i. refers); and,

We further note that quotations have been obtained for the installation of the water heater in the staff kitchen.

Finally, we note that the Council has correctly provided the proper opportunity for the exercise of public rights in respect of the 2019/2020 financial year in accordance with the requirements of the Accounts and Audit regulations with the appropriate information being available on the Council website.

### **Conclusions**

***We are pleased to report that no issues have been identified in this area of our review process warranting formal comment or recommendation. We shall continue to monitor the Council's approach to Governance at future visits.***

## **Review of Expenditure**

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and approved budgets;
- Payments are supported by appropriate documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and/or an acknowledgement of receipt, where no other form of invoice is available;
- That members are provided with, and approve, the regular schedules of payments made;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have commenced testing in this area, reviewing a sample of all payments individually in excess of £1,000, together with a more random sample of approximately every 20<sup>th</sup> cashbook transaction, irrespective of value, to 30<sup>th</sup> September 2020. Our sample comprised 33 payments in all totalling £35,659 and representing 58.84% of all non-salary expenditure to that date with no issues arising. We note that the majority of payments are now effected by online banking.

We have confirmed that VAT has been appropriately identified and coded to the control account for periodic recovery and that the claim for the six months to 30th September 2020 has been submitted online to HMR&C. We understand the Responsible Financial Officer will continue to submit claims on a six monthly basis.

We note that the Council holds three Debit Cards, payments on these cards being approved by Council as part of the invoice approval process. The Council also holds three Barclaycards and transactions on this card are also approved as part of the invoice approval process.

### **Conclusions**

*We are pleased to report that no issues have been identified in this area of our review process warranting formal comment or recommendation. We shall continue to monitor this area at future visits.*

## **Assessment and Management of Risk**

Our aim here is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks in order to minimise the opportunity for their coming to fruition. We have: -

- Noted from our examination of the current year's minutes that Council has undertaken a Risk Assessment Review for 2020-21 at their meeting on 27th July 2020 (minute FC 20/8 f. refers);
- Examined the arrangements in place for the regular inspection of playgrounds and playing fields noting that the Council continue to use the system of playground inspection previously introduced by the Responsible Financial Officer. We understand such inspections continue to be done on a regular basis with a formal record of the outcome being maintained indefinitely, that the inspection reports are dated and signed by the person conducting the inspection and that appropriate action is taken in respect of any issues arising from these reports. We again remind Council that there is no statute of limitation on time for a claim against a Council in the event of an injury sustained on Council play equipment, and
- Examined the Council's current year's insurance policy schedule which is effective until 31<sup>st</sup> May 2021 as the first year of a three year long term agreement. This insurance is provided by Aviva through BHIB Insurance Brokers. We note that Public Liability and Employer's Liability are covered to £10, million, and Fidelity Guarantee stands at £500,000. We note that the Council vehicle is also insured by Aviva.

### **Conclusions.**

*We are pleased to report that no issues have been identified in this area of our review process warranting formal comment or recommendation.*

## **Budgetary Control & Reserves**

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and level of precept to be drawn down from the District Council: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure.

We note that, at the time of our visit, Council had not yet commenced its budget and precept calculations for 2021-2022. We shall at our final visit review the work undertaken in this regard.

We are pleased to note that Responsible Financial Officer continues to present monthly accounting software based reports to the Resources and Policy Committee.

### ***Conclusions***

***No issues arise in this area of our review process at present, which was too early in the financial year for any formal conclusion to deliberations in relation to the budgetary requirement and precept for 2020-21; we shall consider this area at our final visit to ensure that a proper and appropriate exercise has been undertaken and that closing levels of Reserves are fit for purpose for a Council of this size.***

## **Review of Income**

The Council receives very limited income in addition to the precept, primarily from hall lettings, minimal bank interest, occasional grants and/or donations and periodic VAT recoveries.

Our objective in this area of our review process is to ensure that robust procedures are in place to ensure that all income due to the Council is identified and invoiced (where applicable) appropriately with recovery effected within a reasonable time span.

We understand that, due to Covid-19, there have not been any bookings in respect of the Hall in the period under review. We are pleased to note that the Council have purchased the Rialtos Hall booking system and that the Hall Manager has been trained in the use of this system. We note that, in the period under review, the Council received a payment of £10,000 from Rochford District Council in respect of loss of income from the Hall.

We understand that negotiations regarding a lease on an allotment site are still in progress and we will review this matter again at our final visit.

### ***Conclusions.***

***We are pleased to report that no issues have been identified in this area of our review process warranting formal comment or recommendation. We shall continue to monitor this area at future visits.***

## **Petty Cash Account**

The Council does not operate a petty cash account, any “out-of-pocket” expenses incurred by officers or members are reimbursed through the normal suppliers’ payments procedures.

## *Conclusions*

*We are pleased to report that no issues have been identified in this area of our review process warranting formal comment or recommendation.*

## **Review of Salaries**

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme in relation to the banding rates of deduction. To meet that objective, we have: - We have: -

- Reviewed the Council's payroll preparation procedures;
- Noted that the Council maintains a Staff Establishment List detailing SCP scale points;
- Noted that the payroll continues to be outsourced to J & M Payroll with input data being supplied by the Clerk;
- Confirmed, by reference to the July 2020 payslips, that each member of staff has received the correct gross salary in line with the Council's approved rates;
- Checked to ensure that Income Tax and NIC deductions have been made applying the appropriate PAYE codes and NIC Tables;
- Checked to ensure that the appropriate percentage deduction rate has been applied in respect of pension contributions;
- Verified that the appropriate net pay has been paid to each employee for the month under review in accord with the summary payments listing and relevant cashbook and bank statement entries; and
- Noted that J & M Payroll continue to arrange the payments to staff, HMR&C and the Essex Pension Fund having previously been placed in funds by the Council;

We are pleased to note that overtime sheets for the Clerk, the Responsible Financial Officer and members of staff are signed off as appropriate.

## *Conclusions*

*We are pleased to report that no issues have been identified in this area of our review process warranting formal comment or recommendation.*

## **Review of Fixed Assets**

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We note that the Council maintains an Asset Register.

We note that there have not been any amendments to the Asset Register in the period under review.

We have previously mentioned in this report that the Council is negotiating a lease in respect of an allotment site. We also understand that the Council is negotiating with Rochford District Council regarding the transfer to them of the public toilets in Hockley.

### ***Conclusions.***

***We are pleased to report that no issues have been identified in this area of our review process warranting formal comment or recommendation. We shall review this area at our final visit ensuring that the correct figure of Fixed Assets is reflected in the AGAR.***

## **Investments and Loans**

Our objectives here are to ensure that the Council is investing “surplus funds”, be they held temporarily or on a longer term basis, in appropriate banking and investment institutions, that an appropriate investment policy is in place, that the Council is obtaining the best rate of return on any such investments made, that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with the relevant loan agreements.

We understand that application has been made to open a one year business saver investment account with the Nationwide Building Society.

We are pleased to note that the Council adopted an Investment Policy at their meeting on 27th July 2020 (minute 20/8 f. iv. refers).

### ***Conclusions***

***The Council currently has no specific investments or term deposits: any “surplus” funds are, at the time of this report, held in the Tracker and Base Rate Reward accounts at Barclays Bank plc, detail of which we have checked and agreed as detailed earlier in this report. We shall review this area at our final visit.***