

RAYNE PARISH COUNCIL INTERNAL AUDIT 2020/21

A Proper Bookkeeping

- Is the cash book maintained and up to date?
Yes. Excel spreadsheet with several worksheets is maintained and updated each month. The transactions worksheet keeps a running total for cash book balances (all 3 accounts) and columns for each type of transaction, with a separate column for VAT. Other worksheets are budget v actual, Annual Return, bank reconciliation, VAT claim and Reserves.
- Is the cash book arithmetic correct?
The formulae for control totals are in place to ensure the transactions spreadsheet cross casts. Some formulae had become corrupted but were corrected during the internal audit.
- Is the cash book regularly balanced?
The formulae should ensure that the cash book balances. Care needs to be taken that these do not become corrupted and I am recommending a meeting with the clerk and RFO auditor to ensure everyone is familiar with the spreadsheet functions.

B Financial Regulations, Standing Orders and Payment Controls

- Has the council formally adopted standing orders and financial regulations?
Yes. Standing Orders were adopted at the meeting 01 March 2021 (minute 21/167.2.1). Financial Regulations were adopted at the precept meeting 16 November 2020 (minute 20/107.5) with an update to spend thresholds. Financial Standing Orders were also approved at the precept meeting 16 November 2020 (minute 20/107.4), amended for internet banking.
- Are other policies in place?
Yes. At the meeting on 1 June 2020 the council approved policies en bloc re Equalities, Privacy Notice, Public Consent Form, Photo Consent Form, Staff Consent form, and Social media (minute 20/018.3). At the meeting on 3 August 2020 the council approved policies en bloc re Press Media, Grievance and Disciplinary (minute 20/047.5); Retention and Disposal of records (minute 20/047.8); Health & Safety (minute 20/047.9), Personal Devices (minute 20/047.10). H&S policy was further reviewed in Feb 2021 (minute 21/151.2.1). At the meeting on 2 November 2020 the council approved policies en bloc re Complaints, FOI Publications Scheme and councillor Handbook (minute 20/093.2). Other policies approved: Bad Debt policy approved at precept meeting 16 Nov 2020 (minute 20/107.3); Memorial Policy and Virtual Meeting Policy approved at meeting 7 Dec 2020 (minute 20/117.2); Training policy approved at meeting 1 Feb 2021 (minute 21/151.2.2); Grant Policy, Data Breach and Info security, and Memorial Policy approved again at meeting 1 March 2021 (minute 21/167.2). Policies are on the Rayne PC website. [Files - Rayne Parish Council \(rayne-essex.gov.uk\)](https://rayne-essex.gov.uk) Some are dated to indicate when last updated; others are not.
- Has a Responsible Financial Officer been appointed with specified duties?
Yes. The clerk is also the RFO: this is specified in the job title and description of responsibilities. There is a formal re-appointment of the RFO at Precept meeting 16 Nov 2020 (minute 20/107.1).

- Have items or services above a de minimis amount been competitively purchased?
Financial Regulations (4.1) specify clerk, in conjunction with chairman, can approve items up to £500. Financial Regulation 11.1i specifies 3 estimates are needed for amounts £100 to £3000 and 3 quotes for amounts £3000 to £25,000. The implication is that tenders are required for contracts over £25,000 which agrees with section 18 of SO. During the year, the minutes refer to quotes being obtained for installation of bins (minute 21/141.1.2) and Ashes Memorial Walls (minute 21/058F, 21/156 and 21/172). The majority of payments are for less than £3000 which is the limit for estimates in FR 11.1i.
- Are payments in the cash book supported by invoices, authorised and minuted?
Finance item in each month's minutes includes list of payments for approval, payments made by DD/SO and receipts. The list shows the amount (including VAT), payee and details. Each item on the list has a minute reference that is also written on the source document. Invoices are validated on receipt by the clerk and placed in an invoice folder. The invoices are used to create the 'Payments to be authorised' schedule, which is embedded in the agenda. The amounts are set up on the Unity Bank system and the confirmation reference is also written onto the invoice. A screen share of the Unity payments awaiting approval is sent with scanned copies of the underlying documents to the RFO Auditor for scrutiny.
- Have amounts been repaid on loans?
Yes. Interest and capital of £10,306.50 (2 x £5,153.25) paid May and November 2020. Balance on loan at 31 Mar 2021 £192,533.86.
- Has VAT on payments been identified, recorded and reclaimed?
VAT is recorded in a separate column in the 'transactions worksheet'. Items are cut and pasted into the VAT claim worksheet where Suppliers VAT number is added. The VAT reclaim of £1775.47 was received on 14 Oct 2020, which differs from the 2019/20 VAT on payments of £1831.47 (£56 VAT on payment to Printerland made twice). Total VAT on payments in 2020/21 (per column BV) is £1422.40. At the time of internal audit this differed from the amount on the VAT reclaim tab. The discrepancy will be resolved before the claim is made in 2021/22.
- Is s137 expenditure separately recorded and within statutory limits?
One payment was made under S137 in 2020/21 – a Remembrance Day wreath of £50 on 2 Nov 2020. The grant of £1000 paid 3 August 2020 to PCC All Saints Church re Focus magazine had been agreed at Precept meeting 18 Nov 2019 (minute 19/128). The Precept meeting on 16 November 2020 approved the following grants (minute 20/106): VH Committee £75 towards annual cost of defibrillator, VH Committee £826.50 towards cost of cleaning and caretaking CIP toilets in school holidays and to PCC All Saints Church re Focus magazine £1000 in 2021/22.

C Risk Management

- Does a scan of the minutes identify any unusual activity?
Streaming of PC meetings (minute 20/018.2); Telephone Box relocation (minute 20/052.3, 20/068.3, 20/123.3); consideration of a Neighbourhood Plan (minute 20/030, 20/045); Nature Reserve Project (minute 20/068.4, 20/082.4, 20/097.4, 20/123.4); resignation and co-option of councillors (20/093.8, 21/136, 21/149 and 21/153); Ashes Memorial Walls Project (minutes 20/122, 21/139, 21/156)

- Do the minutes record the council carrying out a risk assessment?
Yes. Risk Assessment approved at Meeting 01 June 2020 (minute 20/018.3.5). The Council also has an Emergency Plan which was updated at meeting 5 Oct 2020 (minute 20/078.2) and again at meeting 1 Feb 2021 (minute 21/151.3) following localised flooding.
- Is insurance cover appropriate and adequate?
Yes. Third year of a 5-year policy commenced 1 June 2020 with Zurich Municipal approved at meeting 04 May 2020 (minute 20/009.2.2). General insurance policy cover for Public liability and official's indemnity, personal accident, employers' liability (staff and volunteers), loss of money, libel and slander, legal expenses and all risks damage to property. Separate policy for motor vehicle and the new mower with Came & Company, renewal 21 May 2020 (minute 20/009.2.2).
- How is the Council assessing the risks presented by COVID19?
The council met remotely on 23 March 2020 and agreed COVID19 preparations (minute 20/197). It was agreed to extend delegated powers to the clerk in consultation with a 'Coronavirus Working Group'. From 4 May 2020 meetings were held remotely. At the personnel committee meeting on 15 June 2020 there is reference to a workplace safety risk assessment. A COVID risk assessment was undertaken in June 2020 (based on BHIB guidance) with a checklist for reopening of CIP on 3 August 2020. Play facilities were closed and use was monitored (minute 20/036.2). VH reopening was noted at meeting 3 Aug 2020 (minute 20/052.2) and again at meeting 1 March 2021 (minute 21/173.1) following different periods of lockdown. A 'Safe, Well and Secure' initiative was undertaken in autumn (minute 20/092.4) to support local residents. The tasks and working arrangements of groundsmen was supervised to keep them COVID safe. One of the Groundsmen tested positive for COVID (minute 20/123.1) and the council assessed the home working arrangements of the clerk and updated the Health and Safety Policy at meeting 1 Feb 2021 (minute 21/151.2.1)
- Are internal financial controls documented and regularly reviewed?
The council appoints an RFO auditor (one of the councillors) precept meeting 16 November 2020 (minute 20/107.2). The RFO auditor takes a lead on the asset register, risk assessment and scrutinising payments for approval. From December onwards the bank reconciliation has been a standard Finance agenda item (from minute 20/124.2) to ensure all councillors are more aware of reserves available. Bank signatories have been changed following councillor resignation (minute 20/098.3) and additional signatories added (minute 21/174.4). Internal control could be strengthened by a better understanding of the spreadsheets and the way that they interconnect.
- Are all risks identified and actions undertaken to mitigate risks?
The risk register has columns for area of risk, impact / probability, insurance cover, management of risk, review and owner. The assessment is comprehensive in scope and the mitigations specified in the insurance cover and management of risk columns appear to be in place (note that on page 5 the management of risk measures are in the review column). The minutes include confirmation of actions being undertaken e.g., supervision and safe working environment for handyman (minute 20/021.1); councillor and clerk training is a standing agenda item with attendance at events and networks noted (minute 20/010, 20/038, 20/054, 21/159); during the year IT systems were updated and files stored securely on the cloud (minute 21/134.2). A councillor also does a

regular footpath inspection. Councillors also inspect and undertake work on a volunteer basis at the playing field and burial ground. Tree warden also assesses tree applications. VHMC (separate charity) is responsible for hall and play equipment).

The nature reserve renovations appear to be undertaken by staff, contractors and volunteers / councillors (20/097.4). This is a great community project but please be aware of the need for clarity around responsibilities and suitable risk assessments / insurance cover in place for volunteers.

D Budgetary Controls

- Has the council prepared an annual budget in support of its precept?
Yes. At the Precept meeting on 16 November 2020 the council went through the spreadsheet line by line and agreed a draft budget of £43826 (minute 20/105.1). They further agreed that, once the Collection Fund surplus and tax base are known, the increase in precept must not exceed 3.3% (minute 20/105.2) At its meeting on 1 Feb 2021, the council approved a precept of £46747, being a 2.39% increase on Band D council tax (minute 21/158.3) This superseded the agreement at the meeting on 4 Jan 2021 which had agreed a precept of £44247 (minute 21/141.3). Budgets are available on the website [Budget - Files - Rayne Parish Council \(rayne-essex.gov.uk\)](http://rayne-essex.gov.uk) The council has a 5-year business plan (minute 21/174.5) and a 12-month Action Plan (minute 21/133) which aids control over activities and budgeting.
- Is actual expenditure against the budget reported to the council?
The cash book includes a Budget v Actual worksheet that takes figures from the cash book. Some alterations were made to this worksheet during the internal audit as some of the formulae had become corrupted. There are no minuted references or discussions about variances until the full council meeting on 1 Feb 2021. The council agreed that the 2020/21 underspend be moved to an earmarked reserve entitled 'Ashes Wall and Equipment' (minute 21/158.4) and be consolidated with the Churchyard and Remembrance Wall EMR (minute 21/158.5)
- Are there any significant unexplained variances from budget?
Total underspend on budgeted expenditure for the year was £9,981.52, and income was £667.38 higher than budgeted (excluding impacts of VAT). COVID had a significant impact on planned expenditure.

E Income Controls

- Does the council have sources of income other than precept and VAT refunds?
Yes. Grass cutting contract with ECC, street cleaning contract with BDC, Encore Estate Management (EEM) contract, memorial plaques, grants, interest. The Foundry Qtr Management Fee (EEM) was increased by 2.4% (minute 20/032.5).
- Is income properly recorded and promptly banked?
Invoices are issued for work undertaken in accordance with maintenance agreements and for plaques and settlement is tracked. Most income is by direct credit. Cheques received are banked the same day where practicable.
- Does the precept recorded in the cash book agree to the district council's notification?
Yes. Precept total £45179 received as £22,590 in April & £22,589 in Sep 2020) plus Collection Fund Payment of £564 received with first instalment (£23154 and £22589).

- Are security controls over cash adequate and effective
Yes. Cash donations re dog poo bags are kept in box in locked filing cabinet. The clerk cannot open the cash box: there is a slot in the top for cash receipts. Keys are kept by chairman. When the box gets heavy, the chairman and one other councillor count it and both signed a counterfoil for the amount to be banked. The CIP has been closed for most of the year so this box has not been used.

F Petty Cash Procedures

- Is all petty cash spent recorded and supported by invoices/receipts?
A petty cash account is not maintained. Expenses are paid by personal credit card and reimbursed. In some years there is a cash income from sale of dog poo bags which is recorded when banked, however no amounts were banked this year.
- Is petty cash expenditure reported to each council meeting?
There are no cash payments
- Is petty cash reimbursement regularly carried out?
Not applicable

G Payroll Controls

- Do salaries paid agree with those approved by the council?
Yes. There are 3 employees: Clerk/RFO and 2 groundsmen. Clerk is employed on SCP20 for 14 hours per week. NALC automatic increases for 2020/21 agreed at meeting 5 October 2020 (minute 20/085.1) and backdated to 1 April 2020. At its meeting on 1 March 2021, the council agreed an increase in clerk salary of £2 per hour with effect from 1 April 2021 (minute 21/176.4). Groundsmen are both also part time for 12 hours per week. An increase of 55p per hour was approved at the meeting on 1 March 2021 (minute 21/176.2) with effect from 1 April 2021. Council approved increases are notified to the payroll company who calculate the new amounts and back pay
- Are other payments to the clerk reasonable and approved by the council?
Yes. Amounts occasionally purchased on personal credit card and reimbursed, separately from payroll.
- Has PAYE / NIC and pensions been properly operated by the council as an employer?
Payroll services are provided TP Jones. The clerk receives an email with the calculation of gross, deductions and net each month, plus amounts to be paid to HMRC. None of the staff meets criteria for automatic enrolment and none have opted in for pension provision.
- What controls exist over management of staff time and duties?
Two groundsmen are line managed by a councillor, who agrees their work programme. Workload, activity and wellbeing of the groundsmen are regularly reported to council e.g. (minutes 20/036.1 and 20/123.1) and the personnel committee keeps an 'issue tracker' to supervise tasks. Sadly, one of the groundsmen passed away during the year and recruitment began at the year end (minutes 21/157.1 and 21/173.1). Groundsmen complete time sheets which are reviewed by a councillor, and any overtime agreed and notified to clerk for payroll purposes. The clerk keeps track of time spent and tries to balance out peaks and troughs in workload but this has proved difficult through the pandemic.

Clerk and Groundsmen staff appraisals took place at end of July 2020 (minutes 20/036.1 and 20/052.1). The personnel committee has recommended a review of the clerk/RFO workload and job description (minute 21/176.3)

H Asset Control

- Does the council keep an asset register of all material assets owned?
Yes. The asset register was approved at the meeting on 1 March 2021 (minute 21/174.6). The register has been redesigned during the year. It has a summary sheet and separate worksheets for different types of assets, Community Land, Community Assets, Groundmen Sundries, Groundsmen Maintenance equipment, office equipment and street furniture. Each worksheet has columns for item, 'in care of', location, date acquired, historic cost, and a series of columns relating to risk and insurance.
- Is the register regularly updated?
Register is updated annually for year-end return. The approved asset register had not brought forward all the previous year AGAR figures so was adjusted as part of the internal audit. The total brought forward at 31/03/20 was £1,203,503 and after prior year correction re Ashes wall of £3000 and purchases of £2056 (noticeboard, bins and cabinet) the carry forward at 31/03/21 is £1,208,559
- Do asset insurance valuations agree with those in the asset register?
Land is not insured against Property Damage (covered instead by public liability insurance). The Ashes Wall needs to be insured against property damage but is included in the 'Land' section. The village hall building, playground, skate ramp, shelter and BMX track, included in the Community Assets section, are owned by the PC but insured by the VHMC. Also, the council chooses not to insure certain assets (e.g., groundsmen sundry tools and litter bins) where the excess would be more than the replacement cost of the asset. After taking all of the above into account a comparison can be made between the asset register and the property damage insurance cover. Part C all Risks of the policy lists items individually (e.g. photocopier, laptop) and in groups (street lights, benches etc). In most instances, the insured value in Part C is higher than the replacement value on the asset register, indicating cover is sufficient (albeit the new noticeboard may need to be added to the policy). The cover for the groundsmen maintenance equipment may need looking at to check cover for individual items; the separate motor policy may cover damage to the mower and tractor.

I Bank Reconciliation

- Is there a bank rec for each account?
Yes. There are 2 accounts at the year-end: current account and savings account (a third account was closed during the year). The spreadsheet has a bank reconciliation worksheet but there are no reconciliation differences as all transactions are by electronic banking.
- Is the bank rec carried out regularly on receipt of statements?
Yes. Every month against columns F and G of the Transactions tab.
- 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. Formulae on the Annual Return worksheet extract figures from the Transactions worksheet. Balances once formulae and lines 31 and 118 were corrected.
- Is there an audit trail from underlying financial records to the accounts?
Supporting paperwork is referenced with minute number and unique Unity Trust payment reference. Excellent audit trail
- Where appropriate, have debtors and creditors been properly recorded?
Not required for R&P.

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.

M Public Rights in Summer 2020

The council agreed the dates for the period for the Exercise of Public Rights commencing 1 September 2020 and ending 12 October 2020 and displayed the notice [Exercise of Public Rights.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).

O Trustees

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

Jan Stobart, FCCA
22nd April 2021