Report to Ramsey and Parkeston Parish Council

The Internal Audit of the Accounts for the year ending 31 March 2020

1. Introduction and Summary.

1.1 The Internal Auditor for the 2019/20 year was formally appointed by the Council at its meeting on 16 May 2019 (Minute 7 refers). Terms of Reference and an Audit Plan are in place and details of the information and documents required for the audit were issued to the Council's Clerk and Responsible Financial Officer (RFO), Mrs. Lin Keating, on 26 April 2020. It was agreed that the Internal Audit would commence from 28 May 2020.

1.2 The purpose of the Internal Audit was to review whether the systems of financial control and other controls over the activities of the Council were adequate, effective, and in line with current regulations. The Internal Auditor applied the standards stipulated by the JPAG Practitioner's Guide 'The Governance and Accountability of Smaller Authorities in England' with the core aims of reviewing the accounting and internal control systems in place to establish whether the Council has adequate and effective internal controls in place and has acted upon the recommendations put forward by the Internal Auditor in the 2018/19 Internal Audit Report.

1.3 The Accounts for the year confirm the following:

Total Receipts for the year: £86,405.38
Total Payments in the year: £66,625.20
Total Reserves at year-end: £95,454.55

1.4 The Annual Governance and Accountability Return (AGAR) to the External Auditors was examined and the following figures agreed with the Clerk/RFO for inclusion in Section 2 (rounded for purposes of the Return):

Balances at beginning of year (1 April 2019):	*Box 1: £75,675*
Annual Precept 2019/20:	*Box 2: £68,153*
Total Other Receipts:	*Box 3: £16,776*
Staff Costs:	*Box 4: £13,548 * Note 1*
Loan interest:	*Box 5: £0*
All Other payments:	*Box 6: £51,601*
Balances carried forward (31 March 2020):	*Box 7: £95,455*
Total cash/short-term investments:	*Box 8: £95,455*
Total fixed assets:	*Box 9: £216,764*
Total borrowings:	*Box 10: £0*

** Note 1: Includes Clerk's Refund of Salary overpayment relating to the year 2018/19. The Total Other Receipts (Box 3) has been adjusted accordingly for purposes of the Return.*

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1.5 Sections One and Two of the AGAR were approved by the Council at its meeting on 14 May 2020 and have been signed, dated and the Minute reference notated accordingly. The AGAR Guidance Notes (at item 3) state that 'the authority must approve Section 1, Annual Governance Statement, before approving Section 2, Accounting Statements. Although the items were in the correct order in the Agenda of the meeting, it was noted during the internal audit that the Minute reference for the Annual Governance Statement is 6(d) and the Accounting Statement is 6(c), which indicated that the AGAR requirement had not been met. The Clerk/RFO has agreed to correct the Minute references and enter the corrected references on the AGAR prior to its submission to the External Auditors.

1.6 The Annual Internal Audit Report for 2019/20 within the Annual Governance and Accountability Return (AGAR) has been completed by the Internal Auditor.

1.7 The previous Internal Audit Report (dated 22 May 2019), following examination of the 2018/19 accounts and supporting documentation, identified that there had been a significant breakdown in financial control in that year. These matters were reported to the Chairman, Vice-Chairman and the Clerk/RFO on 19 May 2019 and were detailed in the subsequent Internal Audit Report.

1.8 At a meeting held on 20 May 2019, the Chairman. Vice-Chairman and RFO/Clerk agreed that immediate action would be taken to address the issues raised by Internal Audit in order that effective and efficient financial control could be secured and maintained. The Council and the Clerk/RFO agreed to address the various learning points that had arisen in order to ensure that the Council could move forward with confidence in its financial operations and regain the high-level of financial administration and control that is expected and demanded of a local council.

1.9 This End-of-Year Internal Audit examined the effectiveness of the current governance and internal control arrangements operating within the Council, including the adequacy of the financial administration and control in place. Particular scrutiny has been given to the progress the Council has achieved in addressing the areas of concern raised in last year's review.

2. Governance, Standing Orders, Financial Regulations and other Regulatory matters *(examination of Standing Orders, Financial Regulations, Code of Conduct, Formal Policies and Procedures, Tenders where relevant. Acting within the legal framework, including Data Protection legislation).*

2.1 Standing Orders are in place and were reviewed and re-adopted without changes being made at the Council's meeting on 16 May 2019 (Minute 8.2 refers).

2.2 Similarly, Financial Regulations are in place and were reviewed and re-adopted without changes being made at the Council's meeting on 16 May 2019 (Minute 8.8 refers). Following receipt of the Internal Audit Report for the year 2018/19 (at its meeting on 27 June 2019) the Council agreed to make a revision to Financial Regulations. The revised Financial Regulations were formally adopted by the Council at its meeting on 25 July 2019 (Minute 7 refers).

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2.3 At the meeting held on 19 September 2019 the Clerk/RFO advised the Council that the National Association of Local Councils (NALC) had published new Model Financial Regulations in August 2019 and a revision was to be drafted for consideration (Minute 18b refers). The Clerk/RFO confirmed that the latest model Financial Regulations were reviewed and adopted by the Council on 17 October 2019 (Minute 17 refers). A copy of the Financial Regulations has been published on the Council's website.

2.4 The Clerk/RFO reported to Council on 21 November 2019 that the change of signatories on the Council's Bank Accounts, as authorised by the Council, had been confirmed by the Bank (Minute 18 refers).

2.5 The Council is registered with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller for the provision of council services under Data Protection legislation (Registration Z3600731, expiring 21 April 2021). Formal policies relating to Data Protection, Document Retention and Freedom of Information are in place and were considered and re-adopted without change at the Council's meeting on 16 May 2019 (Minutes 8.5, 8.6 and 8.9 refer).

2.6 The Council demonstrates good practice by maintaining a wide range of other formal policies and procedures, including a Complaints Procedure, Dispensation Policy, News Media Policy, Social Media Policy and CCTV Policy, all of which were reviewed and agreed at the meeting held on 16 May 2019 (Minute 8 refers).

2.7 The Council re-approved the Members Code of Conduct at its meeting held on 16 May 2019 (Minute 8.1 refers). The Council demonstrates good practice by formally re-adopting the Local Code of Conduct on an annual basis to demonstrate that the Council has a responsibility to discharge its duty to promote and maintain high standards of conduct within its area.

3. Accounting Procedures and Proper Book-keeping *(examination of entries in the Cashbook, regular reconciliations, supporting vouchers, invoices and receipts and VAT accounting).*

3.1 The previous Internal Audit identified that there had been a significant breakdown of financial control within the Council which resulted in salary claimed by and paid to the Clerk/RFO in excess of the amounts due to her. The overpayments arose because of the submission of incorrect invoices by the Clerk/RFO and the failure of the Council to ensure that the systems of control in place were enforced. The invoices submitted by the Clerk/RFO were not adequately checked and verified as correct by the Authorised Signatories and accordingly the over-claims for salary payments were allowed to progress.

3.2 Having identified the breakdown in financial control in 2018/19, the previous Internal Audit Report had put forward recommendations to assist the Council address the internal control weaknesses. The Chairman and Clerk/RFO have constructed a Paper entitled 'Report on actions taken following the Internal Auditor's recommendations on his report of accounts for the year ending 31 March 2019'. The Paper is attached at Appendix A at the end of this report.

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3.3 The Council acted urgently to address all the issues raised in the previous Internal Audit Report with the aim of regularising the position and bringing in revised procedures to secure an efficient and effective framework of internal control.

3.4 Improvements in the construction and presentation of the Cashbook Spreadsheet was an important requirement to secure financial control and recommendations were put forward to assist address the weaknesses. Accordingly, the Internal Auditor examined the revised Cashbook Spreadsheet for the year 2019/20 and noted that the following information is now included in columns of the Spreadsheet:

Date of Payment
Name of Payee or type of income received
Payment Method
Description of Payment
Sub-analysis of payment under Budget Headings
VAT element within the payment
Sub-analysis of income under Budget Headings
Total amount paid
Date paid or received at bank
Bank ID reference (internet payment reference)
Balance at Bank following payment/receipt
Bank Statement Number

3.5 The information and details now included in the Spreadsheet accord with the recommendations put forward in the previous Internal Audit Report.

3.6 The Cashbook Spreadsheet was examined in detail to test the effectiveness of the system in place. Following some minor corrections being completed by the Clerk/RFO during the course of the audit, the total values for Payments and Receipts in the Spreadsheet for the year 2019/20 were found to be in good order.

3.7 However, it was noted that there is no cross-check verification built into the Spreadsheet to confirm that the payments analysed under budget headings agreed with the value in the Total Payments column. For example, at 31 March 2020 the total payments column correctly displayed a value of £66,625.20 but the total of the sub-analysed payments totalled £66,626.38, a small discrepancy of £1.18 but which can be avoided by the application of a cross check in the Excel system to confirm that total columns agree.

Recommendation 1: A cross-check should be included in the Cashbook Spreadsheet to confirm that the Payments Total agrees with the sub-analysed payments and, similarly, that the Receipts Total agrees with the sub-analysed receipts.

3.8 A sample of transactions was examined in order to provide assurance that general payments were supported by invoices, that the VAT element of the payment had been properly recorded and that the internet payment transaction confirmation was attached to the paid invoices/vouchers. The following issues arose from the sample examined:

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a) VAT payments are tracked and identified within the Cashbook. However, the internet banking payment of £33.98 on 18 October 2019 to Veolia included £5.66 VAT which has not been recorded in the accounts, the payment having been recorded 'gross' in the Payments Spreadsheet and the End of Year Accounts.
b) Conversely, the payment of £28.00 to Came and Co. for the additional insurance cover for Cemetery Lodge included insurance premium tax of £3.00 which was incorrectly recorded as VAT in the Payments Spreadsheet and the End of Year Accounts. Insurance Premium Tax is not reimbursable from HMRC.

3.9 Whilst the amounts involved are minor, the items were identified from a relatively small sample of transactions in the year and are indicative that care must be taken in accounting for VAT in the Cashbook in order that correct sums are recorded for re-claim to HMRC.

Recommendation 2: The VAT element within the payments listed at items a) and b) above should be corrected in the Cashbook, which should be checked by the Clerk/RFO to ensure that all entries in the year accurately reflect the VAT payments made.

3.10 Re-claims are being regularly made to HMRC for VAT paid. A re-claim for VAT paid in the period April 2018 to January 2019 was submitted to HMRC on 2 February 2019 to the value of £6,677.60 and was received at bank on 15 February 2019.

3.11 The Clerk/RFO reported to Council at the meeting held on 20 February 2020 that a claim for a refund of £7,244.70 for the VAT paid in the period February 2019 to January 2020 had been submitted to HMRC (Minute 18 refers). The amount of £7,244.70 was received at bank on 28 February 2020.

3.12 A sample of transactions was examined in order to provide assurance that expense claims were reasonable and supported by invoices and vouchers. The Clerk/RFO is fully reimbursed for the monthly cost of a land line telephone and broadband (supplied by BT) and a monthly EE Mobile Phone Plan. The overall cost of telephone/internet/mobile expenses in the year 2019/20 has been correctly recorded in the Cashbook as £1,085.02 and invoices/vouchers in support of the payments were in place. Similarly, expense claims submitted by Councillors in the year were properly supported by appropriate invoices/vouchers.

3.13 Payments made under the Local Government Act 1972 Section 137 are also separately identified (due to the annual statutory limit of such expenditure in any one year).

3.14 The Explanation of Variances form (explaining significant differences in receipts and payments between the years 2018/19 and 2019/20) has been prepared by the Clerk/RFO for submission to the External Auditors.

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4. Internal Control and the Management of Risk *(Review by Council of the effectiveness of internal controls, including risk assessment, and Minuted accordingly).*

4.1 A revised Statement of Internal Control for 2019/20 was considered by the Council at its meeting on 21 February 2019; the Council approved the document and it was signed by the Chairman in confirmation (Minute 18 refers).

4.2 The Financial Risk Assessment Policy was reviewed and revised by the Council at its meeting on 16 May 2019 (Minute 8.7 refers). The Headstone and Memorial Risk Assessment Policy was also reviewed and agreed by the Council at the meeting on 16 May 2019 (Minute 8.10 refers).

4.3 Following the Council's receipt (at its meeting on 27 June 2019) of the Internal Audit Report for the year 2018/19, the Council agreed to make revisions to the Financial Risk Assessment Policy. The revised Policy was formally adopted by the Council at its meeting on 25 July 2019 (Minute 8 refers) and has been signed by the Chairman and Clerk/RFO. The document identifies the risks under service areas and recommends the internal control actions and arrangements that are to be in place to mitigate those risks.

4.4 Accordingly, it is considered that the Council complied with the Accounts and Audit Regulations 2015, which require a review by the full Council at least once a year of the Council's system of internal control, including the arrangements for the management of risk, with the review suitably Minuted.

4.5 Insurance was in place for the year of audit. At its meeting on 19 September 2019 the Council approved the payment of the insurance renewal premium of £1,183.41 to Came & Company Local Council Insurance (under Hiscox Insurance Company Limited). Employer's Liability cover and Public Liability cover each stand at £10m. The level of Fraud and Dishonesty (Employee/Councillor Dishonesty) cover stands at £150,000, which meets the current recommended guidelines which provide that the cover should be at least the sum of the year-end balances plus 50% of the precept/grants.

5. Budgetary controls *(Verification of the budgetary process with reference to Council Minutes and supporting documents).*

5.1 **Precept 2019/20:** A Precept of £68,153 (plus LTCSS grant of £1,049 from Tendring District Council) was agreed at the Council's meeting on 15 November 2018 (Minute Part B, item 2 refers). The previous Internal Audit Report noted that whilst the Minutes of the Council meeting on 15 November 2018 recorded that the budget for 2019/20 was agreed, there was no reference in the Minutes to the actual amount of the Precept for the year 2019/20 and its formal approval (Part B referred to at Minute 15a was blank). The Internal Audit Report accordingly recommended that following formal approval of the Precept the Council should ensure that its decision regarding both the approval and the amount are clearly Minuted. This recommendation was met in respect of the approval of the 2020/21 Precept.

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5.2 **Precept 2020/21:** The Precept of £71,108 was considered at the Council's meeting on 17 October 2019, (Minute 2 refers) and formally adopted by the Council at its meeting on 21 November 2019 (Minute 16 refers). The precept amount for the 2020/21 year was incorrectly displayed in the Minutes as £71,068 but was later corrected to £71,108 at the Council's meeting on 16 January 2020 (Minute 18a refers)

5.3 Budget papers are prepared to ensure Councillors have sufficient information to make informed decisions.

5.4 Examination of the accounts and supporting documentation for the year under review confirmed that the Council prepared detailed estimates of the annual budget and of receipts and payments. At the meeting held on 19 September 2019 the Clerk/RFO presented to Council a report displaying current spend against budget and predicted spend to the year-end, 31 March 2020 (Minute 18 refers).

5.5 The estimates for 2020/21 should be used by the Council during the year to ensure effective financial control and budgetary control. It is an important element of financial control that the Council carefully scrutinises throughout the year details of payments made in order to identify any expenditure that is significantly different to the budget agreed for the year and to obtain the reasons for the variation.

5.6 As at the 31 March 2020 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense that may occur. Overall Reserves held as at 31 March 2020 were £95,454.55, of which £20,000 was included in the 2020/21 Budget for the Cemetery Lodge or other projects. The General Reserves as at 31 March 2020 accordingly stood at £75,454.55.

5.7 The generally accepted best practice is that General (non-earmarked revenue) Reserves should be equal to between 3 and 6 months of contractual expenditure or 50% of the Precept. The Council's General Reserves are significantly in excess of the best practice guideline. In such situations, Councils often look to earmark additional sums for specific future projects or consider adjusting future precept demands to reflect the amount of reserves held.

Recommendation 3: The Council should consider setting aside further Earmarked Reserves for specific future projects and continue to monitor the level of General Reserves being maintained.

6. Income Controls *(regarding sums received from Precept, Grants, Loans and other income including credit control mechanisms).*

6.1 At its meeting on 16 May 2019 the Council considered the rents to be applied to the Cemetery Lodge and the Fees to apply for Burials and Memorials. The Council agreed that no changes would be made although a full revision should be considered during the year 2019/20 (Minutes 8.15 and 8.16 refer). The Clerk/RFO advised the Internal Auditor that the review was still on-going and is now due to be completed during the 2020/21 year.

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6.2 The Cemetery Fees document published on the Council's website displays the scale of charges that came into force on the 1 April 2012 with a notation that the scales were reviewed as at 1 May 2014 with no change.

6.3 Receipts recorded in the Cashbook were examined on a sample basis and found to be in order. It is an important measure of financial control that the Council carefully scrutinises throughout the year details of income received in order to identify any element of income that fails to reach the level stated in the budget for the year and identify the reasons for any shortfall.

7. Petty Cash *(Associated books and established system in place).*

7.1 A Petty Cash system is not in use; an expenses system is in place.

8. Payroll Controls (*PAYE and NIC in place; compliant with HMRC procedures; records relating to contracts of employment).*

8.1 The Council's Payroll Services Provider is James Todd and Co. based in Chichester, West Sussex. The Internal Audit Report for 2018/19 reported that a breakdown in the financial controls operating between the Council and its out-sourced Payroll Services provider led to incorrect information being provided to HMRC in respect of the amount of salary received by the Clerk/RFO from the Council. This matter was of importance because the issuing of incorrect pay slips in respect of the Clerk/RFO and the presentation to HMRC of an incorrect P60 End-of-Year Certificate placed the Council in a highly vulnerable position in terms of its responsibility as an Employer and its responsibility to provide full and correct data to HMRC.

8.2 In response to the recommendations put forward last year by Internal Audit, the Clerk/RFO has stated that the Payroll Services Provider has been directed to pay the Clerk/RFO 12 months' equal payment (arrived at from 18 hrs @ £13.41 x 52 weeks = £12,551.76 divided by 12 = £1,045.98). A copy of the payslip showing tax due is submitted with the Clerk/RFO's monthly claim. The breakdown of Net Pay and HMRC payments are separately identified on the internet banking authorisation forms for payment to both parties.

8.3 Regarding the Pay Scale in place during 2019/20 (SCP21), the Council noted at its meeting on 21 March 2019 that the National Joint Council for Local Government Services (NJC) had agreed new pay scales for 2019/20 to be implemented from 1 April 2019; the Clerk/RFO's salary as from 1 April 2019 was noted (Minute 17b refers).

8.4 Internal Audit was able to agree the salary payments paid to the Clerk/RFO in the 2019/20 year of account with the amount recorded on the P60 End-of-Year Certificate presented to Internal Audit.

8.5 With regard to the legislation relating to workplace pensions, the Council is currently meeting the requirements, having registered with the Pensions Regulator. A

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re-declaration of compliance under the Pensions Act 2008 is due to be submitted to the Pensions Regulator no later than 30 September 2020.

9. Assets Controls *(Inspection of asset register and checks on existence of assets; recording of fixed asset valuations; cross checking on insurance cover).*

9.1 An Asset Register is in place and as at 31 March 2020 displayed a value of £216,764 (an increase of £56 over the value at the end of the previous year) and reflects the acquisition in the year of account of an external hard-drive to provide back-up of files.

9.2 The Register complies with the current requirements which provide that each asset should be recorded at a consistent valuation, year-on-year. Assets are displayed at original purchase cost or, where the original purchase price is unknown, at a proxy/nominal value. The total value of £216,764 has been correctly entered into Box 9 of Section 2 of the AGAR (Annual Return).

10. Bank Reconciliation *(Regularly completed and cash books reconcile with bank statements).*

10.1 The bank statement as at 31 March 2020 for the Co-operative Community Directplus Account reconciled with the End-of-Year accounts and agreed with the overall bank reconciliation.

11. Year End procedures *(Regarding accounting procedures used and can be followed through from working papers to final documents. Verifying sample payments and income. Checking creditors and debtors where appropriate).*

11.1 End of Year accounts are prepared on a Receipts and Payments basis and were in good order. The Clerk/RFO has constructed a Summary Receipts and Payments Account displaying the Account Balance brought forward as at 1 April 2019 (£75,674.37) and itemising all Payments (totalling £66,625.20) and all Receipts (£86,405.38) in order to arrive at the Accounts balance as at 31 March 2020 (£95,454.55) which agrees with the balance in the Council's Bank Account as at 31 March 2020.

12. Internal Financial Controls, Payments Controls and Audit Procedures *(Confirmation that the Council has satisfactory internal financial controls in place for making payments with adequate documentation to support/evidence payments made. Any previous audit recommendations implemented).*

12.1 The Internal Audit report for the previous year (2018/19) was received and discussed by the Council at its meeting on 27 June 2019. Minute 17 of the meeting confirms that the Internal Auditor's report was discussed at length with a revision of the Council's Financial Risk Assessment policy and Financial Regulations

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undertaken to cover points raised. In addition, the Clerk/RFO has confirmed to the Internal Auditor that:

a) new procedures were put in place in the recording of payments and bank reconciliations within the Cashbook Spreadsheet.
b) monthly pre-meetings take place to agree accounts for payment and bank reconciliation prior to submission for payment at the next Council meeting and that the Chair, Vice-Chair and Clerk/RFO are in attendance at those meetings.

12.2 Having identified a breakdown in financial control during the year 2018/19, the previous Internal Audit Report put forward recommendations to assist the Council address the internal control weaknesses. As referred to at item 3.2 above, the Chairman and Clerk/RFO constructed a Paper which details the actions taken in response to the recommendations (attached at Appendix A at the end of this Report).

12.3 It is clear that the Council acted with commitment to address all the issues raised in the previous Internal Audit Report with the aim of regularising the position and bringing in revised procedures to secure an efficient and effective framework of payment controls.

12.4 The Clerk/RFO has advised Internal Audit that the Council has in place a procedure whereby the Chairman and Vice-Chairman and Clerk/RFO meet prior to Council meetings to check and countersign the Internet Banking Authorisation forms, which detail the payee/amounts paid, to ensure that all documentation is in order for the payment to be put before the Council. The forms will then be authorised by two signatories, other than the Chairman and Vice-Chairman, at the Council meeting and approval given by the Council. The payments are then listed in the Council's Minutes as part of the overall financial control framework.

12.5 For the system to operate efficiently, the Council (and in particular the Chairman and Vice-Chairman) must continue to strictly and fully comply with the new arrangements in place and carefully scrutinise each payment. In this way the Council can move forward with confidence in the financial controls in place.

12.6 Only 3 cheques were prepared in the year 2019/20 to make payments, all being in respect of donations to local organisations. It was noted that none of the Cheque Counterfoils were signed/initialled by the signatories. The Council's Financial Regulation Item 6.5. states 'To indicate agreement of the details shown on the cheque or order for payment with the counterfoil and the invoice or similar documentation, the signatories shall each also initial the cheque counterfoil'.

Recommendation 4: It is an important element of financial control that Cheque Counterfoils are signed/initialled by Signatories in confirmation of the details of the cheque prepared and in compliance with the Council's Financial Regulations (item 6.5).

13. External Audit *(Recommendations put forward/comments made following the annual review).*

13.1 The Audit Report and End-of-Year Certificate by the External Auditors, PKF Littlejohn LLP, for the previous year 2018/19 was dated 27 September 2019 and was

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reported to the Council at its meeting on 17 October 2019 (Minute 17 refers). The External Auditors emphasised in their Report that the Council must ensure action is taken in a timely matter to address the weaknesses in financial control identified by the Internal Auditor.

13.2 The AGAR for the year 2019/20 must be submitted to the External Auditor no later than 31 July 2020 unless an extension for its submission has been agreed with PKF Littlejohn LLP.

14. Publication Requirements.

14.1 Under the Accounts and Audit Regulations 2015, authorities were required to publish in 2019 the following information on a publicly accessible website:

Before 1 July 2019 authorities must publish:
Notice of the period for the exercise of Public Rights
AGAR - Sections 1 and 2.

Not later than the 30 September 2019 authorities must publish:
Notice of Conclusion of Audit
AGAR - Section 3
AGAR - Sections 1 and 2 (including any amendments as a result of the Limited Assurance Review).

14.2 The Internal Auditor was able to confirm that the documents were readily accessible on the Council's website other than the Notice of Conclusion of Audit 2018/19.

15. Additional Comments.

15.1 The Annual Parish Council meeting was held on 16 May 2019, within the required timeframe. The first item of business was the Election of Chairman, in accordance with the requirements of the Local Government Act 1972.

15.2 I would like to record my appreciation to the Clerk/RFO for her assistance during the course of the audit work.

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8 June 2020

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Appendix A

Report on actions taken following the Internal Auditor's recommendations on his report of accounts for the year ending 31 March 2019

This report is to ensure all actions have been implemented to address recommendations as below:

Recommendation 1: The Council needs to urgently review the control arrangements it currently has in place for the Authorisation and Approval of electronic payments (Internet Banking) Transactions to ensure that robust controls are in place and strictly enforced to secure the financial transactions passing through the Council's accounts. The Cashbook Spreadsheet must provide an adequate audit trail that leads from the Internet Banking Authorisation Lists through to the details/date on the bank statements.
New procedures are now in place where the Clerk/Chairman and Vice Chairman meet prior to Council meetings to check and countersign the Internet Banking Authorisation form that holds details of payee/amounts to guarantee all are in order to take forward for 2 authorised signatures, other than the Chairman and Vice Chairman, to authorise those payments at the full meeting.
A bank reconciliation on the previous month is signed at such time with full payment details recorded alongside each payment in the cashbook to support the reconciliation.

Recommendation 2: In view of the failure of Authorised Signatories to check and confirm the correctness of individual invoices being submitted with the Internet Banking Authorisation Lists, each invoice/voucher must be carefully checked, calculations verified and signed and dated by independent Authorised Signatories to confirm that all necessary checks have been made to confirm the correctness of the invoice/voucher for payment.
As recommendation 1.

Recommendation 3: In no circumstances in the future should an Authorised Signatory sign an Internet Banking Authorisation List or Cheque when the List or Cheque includes an amount payable to the Authorised Signatory himself/herself.
Reflected in revised Financial Regulations

Recommendation 4: The Council should review its Risk Assessment documentation and construct a separate Electronic Payments (Internet Banking) Risk Assessment which should identify the risks (including overpayment of salary and irregular movement of funds within accounts) and the actions in place to mitigate the risks identified.
A new risk assessment to reflect this has been adopted by the council.

Recommendation 5: During the 2019/20 year the Council should undertake a full review of its systems of financial control and methods of operation and a report provided to Council detailing the review in order to provide the Council assurance that the financial control systems in place are efficient and effective

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and that satisfactory financial administration and control is in place for the use of public funds.
The Internal Auditor's report was fully addressed at the meeting of the RPPC under Part B held on 27th June 2019 with new systems in place agreed.

Recommendation 6: The following additional information should be included within the Cashbook Spreadsheet:

a) **The Date the authorisation for payment by electronic (internet) banking was made (normally the date of a Council meeting).**
b) **The Date of transaction by Electronic Payment (Internet Banking) to be entered in all cases.**
c) **The Date the transaction is listed on the Bank Statement (to ensure the date is the same as item b).**
d) **The Date that payment is made is listed in the Minutes of the Council (to ensure payment is listed in Council's Minutes and available for public scrutiny).**
The above recommendations have been reflected within the Cashbook Spreadsheet commencing 1st April 2019 and are to copied into the next month's minutes.

Recommendation 7: Following formal approve of the Precept the Council should ensure that its decisions regarding both the approval and the amount are clearly Minuted.
Noted and addressed as minuted in the meeting of the RPPC held on 17th October 2019.

Recommendation 8: The Chairman and Vice-Chairman should arrange to meet the Council's Payroll Services Provider, James Todd and Co., in order to identify the reasons why that the company was issuing incorrect pay slips in respect of the Clerk/RFO and completed an incorrect P60 End-of-Year Return for the year 2018/19. The Chairman and Vice-Chairman need to confirm with the Clerk/RFO and James Todd and Co. that adequate systems of operation will be put in place to ensure that the Council's position is protected in this regard and that the agreed system is documented and approved by the Council.
In corresponding with the payroll service provider the payment is now set at 12 months equally:
18 hrs x 52 @ £13.41 = £12,551.76 divided by 12 = £1045.98: a copy of the payslip showing tax due will be submitted with the clerk's monthly claim. The breakdown of Net Pay and HMRC payments will be identified on the internet banking authorisation form for payment to both parties to be made directly from the Council's account.
Holiday pay will be made in September and March following authorisation through internet banking and James Todd & Co to be notified prior to such claim.
Any overtime claim will follow the same procedures for authorisation as holiday pay and notification made to James Todd & Co prior to any payment to ensure it is reflected on the pay slip.
All the above is reflected in the new Financial Regulations.

Original document signed by both Chairman and Clerk/RFO on 27th May 2020

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