



RESPONSES AND PLANS BY THE PARISH COUNCIL FOLLOWING THE INTERNAL AUDIT IN APRIL 2022

25 April 2022

Point 1 *Opening Balances are entered into the cashbook to ensure that it is up to date and records the Council's cash position*

This was highlighted in the previous year's Internal Audit Report.

The Council uses receipts and payment records rather than the traditional single cashbook. The opening cash position is clearly shown on financial reports in the bank reconciliation. The monthly cash position of the Council is clearly detailed in the bank reconciliation as it shows the bank balance position against the income and receipt reports position. Thus, not only does the full financial report show the cash position of the Council every month but also links to the budget positions. While the Council can understand that the cash balances could be included in the actual receipt and payments cashbooks, as it is clearly detailed in the financial reports it is felt not needed in the cash book as well.

Responsibility: RFO

Recommendation: *That the operational process is continued as it meets the requirements of the Council and is very clear to the community in their inspection of the Council's financial operations.*

NO ACTION RECOMMENDED.

Timescale: N/A.

Point 2 *That the expenditure payment of £1,509.59 for Spaldington CIC is removed from the expenditure cashbook and that entry is recorded in the income ledger as a minus transaction to cancel the cheque that has not cleared the bank account.*

This issue was caused because the cheque payment from the Spaldington CIC did not clear in the PC Bank Account due to cheque irregularities. Technically it was shown as a payment into the PC account and then immediately it was shown as an expenditure; this was then shown in the financial reports of the PC to show an accurate comparison between the reports and the account.

While it does not affect the overall balance in the bank account, the IA felt it gave an unclear picture of the income and expenditure.

Responsibility: RFO

Recommendation: *The cheque from Spaldington CIC is removed the from the financial reports (both income and expenditure).*

Timescale: *Already completed*



Point 3 *That the council adopts the NALC Model Standing Orders and tailors these to the council's requirements. Any financial requirements contained within the Standing Orders must correspond to the Financial Regulations.*

The Council are scheduled to review all the policies and the standing orders in the summer of 2022 – as part of the reviews the Council will ensure that the recommended adoptions are brought into the review to ensure full compliance.

Responsibility: Clerk

Recommendation: The Clerk to ensure that the policy review includes the NALC Model Standing Orders specifics.

Timescale: 2-3 months

Point 4 *That the purchasing authority within the Procurement and Contracts Policy is consistent with the Standing Orders.*

The Council are scheduled to review all the policies and the standing orders in the summer of 2022 – as part of the reviews the Council will ensure that the recommended adoptions are brought into the review to ensure full compliance.

Responsibility: Clerk

Recommendation: The Clerk to ensure that the policy review includes the correlation between the Procurement Policy and the Standing Orders

Timescale: 2-3 months

Point 5 *That a suitably designed accounts authorisation stamp should be used for all invoices, for providing evidence of checks as required by the councils Financial Regulations Policy.*

As there are very few hard copy invoices, the Council will need to consider an alternative to a physical stamp as it would be a misuse of resources to print all digital invoices just to have a stamp used.

Responsibility: Clerk

Recommendation: The Clerk to investigate the use of a digital stamp and make a recommendation to the Council.

Timescale: 2-3 months



Point 6 *That the procedure for online banking transactions is incorporated with the Financial Regulations.*

The Council are scheduled to review all the policies and the standing orders in the summer of 2022 – as part of the reviews the Council will ensure that the recommended adoptions are brought into the review to ensure full compliance

Responsibility: Clerk

Recommendation: The Clerk to ensure that the policy review includes the need to ensure that the online bank financial authorisations are included in the Financial Regulations

Timescale: 2-3 months

Point 7 *That a S137 column is introduced in the cashbook to record all S137 expenditure and that any expenditure incurred under this power is recorded in the council minutes.*

It is accepted that the financial expenditure should have the authority under which the payments are authorised. While the expenditure in regard to the transactions in the previous year - the payments were actually funded from a specific grant received from ERYC.

Responsibility: Clerk

Recommendation: The Clerk to ensure that the the financial reports do include a separate column for any S137 expenditure.

Timescale: 1 month

Point 8 *That the council carries out a review of the effectiveness of its internal control systems to part comply with the annual governance statement, assertion two.*

The Council recognises to ensure that he systems are effective they must be fully reviewed - this will require a specific meeting to go through the processes used to ensure that not only the processes fit with the policies, but that it is also good governance.

Responsibility: Clerk

Recommendation: The Clerk to ensure that either through an EOM or a FPC meeting, the main operational processes are reviewed for effectiveness. The aim is to have this later summer.

Timescale: 4-5 months



Point 9 *That improvements are made to the budget document to demonstrate the calculations for the opening and projected closing balances, projected income and expenditure, contingencies and ear-marked reserves and how they are linked to the level of precept.*

The Council will need to ensure that while the budgeted data was based on a an estimated financial activity, it does require that regular projections are made to ensure that each budget line is sufficient for the type of spend. The main aspect that the Council will agree should be clearly shown is the amount specifically earmarked for reserves.

Responsibility: Clerk

Recommendation: The Clerk to ensure that on the financial reports the amount budgeted for the reserves is clearly shown to ensure that both the in year activity and reserves are distinct,

Timescale: 1-2 months

Point 10 *That the Council ensure that there sufficient funds for the External Auditor Investigation and consider any risks*

The Council have ensured that there is sufficient funds available to pay for the estimated net cost of the External Auditor costs. While there is a risk that the cost could exceed the estimated cost of £9.5k net, there is an earmarked £1k in the 2022-23 budget to cover any excess cost.

The Council notes that the funds have not been specifically marked as 'reserves' or 'external auditor costs' the funds are in the main bank accounts.

Responsibility: Clerk

Recommendation: The Clerk to ensure that once the HSBC bank accounts are closed and a new specific Reserves Account is opened with Unity Trust, that the money earmarked for the External Auditor in the main account is transferred.

Timescale: 2-3 months

Point 11 (a) *Overtime sheets are used and signed off by the Chairman and retained on file for audit purposes.*

The Council will always ensure the overtime, expenses and salary claim of the Clerk are always signed by the Chair. The Council is looking to invest in a digital signature software which will make the signing of the forms more straightforward. The Council will need to discuss if they feel timesheets are needed for the Clerk. The Council may decide to have a contracted permissible overtime to allow for a more straightforward authorisation process.

Responsibility: The Clerk and the Chair

Recommendation: The Clerk make a recommendation to the Council on the way forward

Timescale: Continual during the year



Point 11 (b) *Council issues the employee with a contract variation letter to confirm changes to the pay scales following any pay reviews and that the letter includes an acknowledgement for the employee to confirm agreement to be retained on file.*

The Council notes that while any specific decisions about any change in remuneration or contract variation is clearly noted in confidential reports from closed session discussions, it is accepted that this should also be detailed in specific contract variation letter to the Clerk.

Responsibility: Clerk and the Chair

Recommendation: The Clerk in conjunction with the Chair to ensure that the necessary documentation is completed and saved as needed.

Timescale: 2-3 months

Point 12 and 13 *Copy of the Asset Register is provided to the insurance company to ensure all assets are insured appropriately and are physically checked to verify their existence.*

The Council accepts that the Insurance provider should receive a copy of the asset register to ensure adequate insurance coverage. In regard to the physical inspection of the assets, this has been completed in the last month.

Responsibility: Clerk

Recommendation: The Clerk to ensure the insurance provider has a copy of the asset register and that a more formal record is made of the inspection of the assets.

Timescale: 2-3 months

Point 14 *That the bank reconciliation for the 31 March 2022 is updated by the RFO and that the total figure corresponds to box 7 and 8 of the AGAR accounting statements.*

The provisional bank reconciliation was not specifically dated the end of the financial year as the RFO had not seen the final HSBC statements and while there was a forecast of the costs and financial data, it could not be dated until the statements were received.

The statements have now been received and as the financial data was as forecast, it did not change the overall financial bottom lines. The date of the end of year reconciliations has now been amended to 31 March 2022 and published on the SPC website as well as the AGAR documents.

Responsibility: Clerk

Recommendation: No action needed as work completed.

Timescale: Already completed