



LetchWood Business Management  
134 Witham Road,  
Black Notley,  
Essex CM77 8LN  
Tel 07932 144777 e-mail info@letchwood.co.uk

## **Internal Audit Report for Halstead Town Council**

**15<sup>th</sup> April 2019**

**External Auditor precept figures; 2018-19 £172,981 2017-18, £167,206**

I have completed my internal audit of Halstead Town Council for the year 2018 – 19 and can confirm that the record-keeping remains at a high standard with a sound approach to governance and management of assets. I am pleased to report to Members of the Council that the continuous improvement in the standard of financial record-keeping and reporting has been maintained.

The council has successfully restated its accounts to correct historical inconsistencies in the way that money has been accounted. The new accounting regime allows the council to receive reports from the Sage package so there is now a high degree of confidence in the reporting structure. The Councillors and Officers are to be congratulated on the way that this has been implemented.

I note that the council confirmed its eligibility for foundation level capability in minute 95(B) and resolved in minute 18/126 to progress to quality and gold standards. This will be an excellent opportunity to build on the work that has already been done and allow the Councillors to further develop their programme and skills in the coming years.

The office now issues bulk purchase orders for specific projects and individual purchase orders for one-off items.

Online banking authorised has been authorised by the council but will not be implemented until the bank can meet the requirements of a complex mandate that allows the Council to follow its financial regulations.

No programme of meetings was agreed at the annual meeting. The Council's attention is drawn to the requirements of standing orders 5)j particularly the requirement for the review of standing orders, financial regulations and terms of reference for committees. There is no reason why these tasks should not be delegated to other meetings, but specific reference should be made to their new location. I note that the meeting dates were discussed in 18/110.

### **Matters outstanding from previous audits.**

In the last audit, it was noted that there is no formal structure to the staff salary scales and that consideration should be given to formally evaluation some, or all the posts to ensure that the correct pay scales are approved. The Council has considered the matter and concluded that there is no requirement for re-evaluation and has confirmed its decision that the pay scales are based on LC2 above substantive. In the light of their current work programme, the council should revisit the matter and compare their council using the NALC SLCC templates.

### **Recommendations**

In minute 18/085b, a dispensation was sought to accommodate long-term illness of a councillor. This is not necessary provided the absent councillor's apologies are being accepted. The Council could consider adding a section to the sickness-absence policy to clarify the position for councillors who are unable to attend meetings.

Where possible, reports should be prepared and printed from within the accounting package so the Councillors can assess the actual information that is being used. Transcription to spreadsheets can introduce copying and interpretation errors.

When stating the budget and precept, the council should approve a budget as one resolution, and follow this with a separate resolution to approve the precept that arises from this budget.

Members should be aware that my work cannot be relied upon to identify the occasional omission nor to disclose breaches of trust or statute, neglect or fraud which may have taken place, and which are the responsibility of the members to guard against. Finally, I would like to thank the Clerk and staff for their help and co-operation when carrying-out this audit.



Michael Letch MBA, MCFI, ACQI, LRSC.

Internal Control	Testing		Comments
Proper bookkeeping	<ul style="list-style-type: none"> <li>• Is the cashbook maintained and up to date?</li> </ul>	Y	Daily updates are taken.
	<ul style="list-style-type: none"> <li>• Is the cashbook arithmetic correct?</li> </ul>	Y	Cashbook is managed through Sage 50 accounting package.
	<ul style="list-style-type: none"> <li>• Is the cashbook regularly balanced?</li> </ul>	Y	Accounts are balanced on receipt of weekly statements.
a) standing orders and financial regulations adopted and applied; and  b) payments controls	Has the Council formally adopted standing orders and financial regulations?	Y	Council adopted the revised 2018 standing orders in minute 18/027 with amendments considered in 18/047 and accepted in 18/061. Financial regulations are up to date
	Has a Responsible financial officer been appointed with specific duties?	Y	Appointment of Clerk & RFO confirmed in April 2017. The clerk is employed on NALC/SLCC standard terms and conditions, but annual increments have not been considered.
	Have items or services above the de minimus amount been competitively purchased?	Y	A tender protocol has been agreed to manage project work.
	Are payments in the cashbook supported by invoices, authorised and minuted?	Y	Direct Debits are agreed annually and reviewed in Minute 18/007e. Council adopted payment by online banking in Minute 18/122 7D.  Purchase orders may refer to projects. Sampled P.O. 644 referring to toilet refurbishment. Debits are reported as payments on account for approval by the committee. The Council cheques are printed from Sage in duplicate with one copy initialled by the authorising Councillors

	<p>Has VAT on payments been identified, recorded and reclaimed?</p> <p>Is s137 expenditure separately recorded and within statutory limits?</p>	<p>Y</p> <p>Y</p>	<p>and retained in lieu of a cheque stub.</p> <p>Council is VAT registered. VAT is reclaimed quarterly at the correct rates based on the Sage 50 reporting module.</p> <p>It was noted that HMRC incorrectly refused a payment in 2017-18. The matter was resolved, and the balance settled March 2019. Quarterly The council is up to date on VAT transactions.</p> <p>All section 137 spend allocated to local grants and reported in year-end accounts.</p>
Risk management arrangements	<p>Does a review of the minutes identify any unusual financial activity?</p> <p>Do minutes record the Council carrying out an annual risk assessment?</p> <p>Is insurance cover appropriate and adequate?</p> <p>Are internal financial controls documented and regularly reviewed?</p>	<p>N</p> <p>Y</p> <p>Y</p> <p>Y</p>	<p>The revaluation of year end accounts and re-statement of annual accounts in Sage has been successfully completed.</p> <p>Risk management Policy adopted in 18/063. Review in April 2019 following revised guidance. Physical and financial risks are considered.</p> <p>The Council has entered into a second three-year agreement with the current insurer following the assessment of three competitive quotes. Minute 151 7D refers.</p> <p>The independent review of reconciliations as required in financial regulation 2.2. has now been implemented.</p>

Budgetary Controls	Has the Council prepared an annual budget in support of its precept?	Y	The Council held a budget workshop which prepared a draft budget for approval at the January meeting. The precept was increased by 2% to £179,014. No budget was stated in the minutes.
	Is actual expenditure against the budget regularly reported to the Council?	Y	Budget reports are produced from Sage. Monthly reports seen and approved as part of the finance committee report.
	Are there any significant unexplained variances from budget?	N	No significant variances following the restatement approved in 17/264.e
Income Controls	Is income properly recorded and promptly banked?	Y	The Council's main income is from car parking revenue which is reported monthly by site. Receipts can be traced to bank statements and ticket machine outputs.
	Does the precept recorded agree to the Council Tax authority's notification?	Y	Notification figure is £172,981 for 2018/19 which agrees to the precept demand.
	Are security controls over cash and near-cash adequate and effective?	Y	The Council manages a significant amount of cash which is generated from the car park income. This is reported by machine in a sequentially numbered report and reconciled against paper record from meter. Income figures are analysed into cash collection sheets, then entered into Sage. Once collected and analysed, cash is then banked as lump sum.

			The PDQ (credit card reader) income is recorded as individual items which were reconciled against bank statements. Sampled October wk 3
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Petty cash procedures	Is all petty cash spent recorded and supported by VAT invoices/receipts?	Y	All purchases are supported by receipts.
	Is petty cash expenditure reported to each Council meeting?	Y	Petty cash is a separate account in Sage. The reimbursement is made by cash withdrawal from cashpoint which is reported on the Debit Card log.
	Is petty cash reimbursement carried out regularly?	Y	Expenditure is small and reimbursed at need. The annual spend is approximately £1,000 and a balance of £250 is maintained.

Payroll Controls	Do all employees have contracts of employment with clear terms and conditions?	Y	1% payrise agreed June minute 17/34 as part of a two-year agreement with second increment from April 2019 being authorised in 18/007h. All employees are employed on NALC/SLCC standard terms and conditions.
	Do salaries paid agree with those approved by the Council?	Y	
	Are other payments to employees reasonable and approved by the Council?	Y	Only minor expenditure on mobile phones allowance and occasional expenses claims by staff are recorded. Typically, these are between

	Have PAYE/NIC been properly operated by the Council as an employer?	Y	£20 - £100 and cover travelling and subsistence.  Payroll is managed through Moneysoft program which is administered and updated under maintenance agreement.
Assets controls	Does the Council maintain a register of all material assets owned or in its care?	Y	A short register is included in the insurance schedule, and full register kept for management purposes.
	Are the assets and Investments registers up to date?	Y	Assets now reported through Sage. The Council has experienced adverse publicity caused by correcting an exaggerated valuation of an asset. To prevent further problems of this nature, the significant assets should be revalued and restated on the insurance register as agreed in minute 454.
	Do asset insurance valuations agree with those in the asset register?	Y	
Bank Reconciliation	Is there a bank reconciliation for each account?	Y	The council receives regular bank reconciliations via Sage to compare with bank statements.
	Is a bank reconciliation carried out regularly and in a timely fashion?	Y	Monthly reconciliations of all accounts are extracted from the Sage package and presented to full council.
	Are there any unexplained balancing entries in any reconciliation?	N	All accounts reconcile to zero in Sage 50. From October, reports are delivered from this package. Council receives a monthly report of income from capital, and an annual summary of investments.

	Is the value of investments held summarised on the reconciliation?	Y	
Year-end procedures	Are year-end accounts prepared on the correct accounting basis (Receipts and Payments or Income and Expenditure)?	Y	The Council correctly operates a receipts and payments system.
	Do accounts agree with the cashbook?	Y	The cashbook is managed through Sage Line 50 and the computer account is the definitive record of expenditure. All Council reports are generated through this system.
	Is there an audit trail from underlying financial records to the accounts?	Y	Expenditure is agreed by resolution and the sum approved is now recorded as part of the resolution.
	Where appropriate, have debtors and creditors been properly recorded?	Y	The office has established bulk purchase orders for specific projects.  Council are advised of all purchases in a committee report which is supported by invoices or direct debit authorisations.

Data Protection	Does the council have a data protection policy that applies to staff, councillors and volunteers?	Y	DPA-compliant Data Protection Policy in place. GDPR compliant were adopted in Minute 18/476
	Does the council obtain explicit permission to hold data where necessary?	Y	Council has FoIA policy, publication policy. Data retention was adopted in Minute 18/476 April 2018
	Is there a data retention scheme in use?	N	

	Has a Data Protection Officer been appointed?	Y	Officer appointed in Minute 17/442. Amendment to legislation means the appointment is no longer required, but the post is still advertised on the published procedure.
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