
Chigwell Parish Council

Internal Audit Report 2019-20 (Final update)

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Background and Scope

Statute requires all town and parish councils to arrange 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 Governance and Accountability Return (AGAR).

This report sets out the work undertaken in relation to the 2019-20 financial year, during our initial visit to the Council, which took place on 26th & 27th February 2020. Due to the impact of the Covid-19 pandemic, we have undertaken our final review for the year remotely: we wish to thank the Clerk in assisting the process, providing all necessary additional (to that examined at our interim visit) documentation in electronic format to facilitate completion of our review for the year and sign off of the Internal Audit Certificate in the year's AGAR. We have, obviously in the circumstances, reduced the volume of transactions examined, whilst still ensuring governance and financial controls remain effective.

Internal Audit Approach

In conducting our review for 2019-20 in accordance with the requirements of the Internal Audit Certificate in the AGAR and the current edition of the Governance and Accountability Manual, we have paid due regard to the materiality of transactions and their susceptibility to potential misrepresentation in the AGAR, together with examining the overall governance framework. Our aim is to ensure that the Council operates robust control systems and that transactions are, as far as we are reasonably able to ascertain, processed in accordance with national and locally approved legislation.

Overall Conclusion

Whilst we are pleased to record that we have identified no major areas of concern in the Council's operative controls, which have evidently been significantly improved since the previously identified fraudulent activity by a member of staff at the Council, we identified a number of areas at our interim visit where we considered the existing controls could and should be further improved to provide greater assurance that the Council's financial affairs are managed effectively and efficiently whilst also affording staff an appropriate degree of personal protection.

Detail of these issues is set out in the body of the report with resultant recommendations further summarised in the appended Action Plan. We ask that the Council give due consideration to these recommendations and take appropriate action to improve the existing controls and comply, where appropriate, with extant legislation. We appreciate that due to the timing of our interim visit and the subsequent Covid-19 lockdown, the Council and officers will have had little or no time to take action on the issues raised in our interim report: consequently, we will follow up on progress at our 2020-21 interim review visit, but ask that we be kept advised on progress in due course and in advance of the next visit.

Based on the generally satisfactory conclusions drawn from our review programme, we have duly signed-off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

Detailed Report

Review of Accounting Arrangements & Bank Reconciliations

Our objective here is to ensure that the Council's accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. We also aim to ensure the integrity of the data and that appropriate arrangements are in place for its security. The Council's RFO maintains the accounting records using the Rialtas Omega software with support from the software supplier as and when required. Five bank accounts were in operation at the start of the year: however, the HSBC Current Account was closed in April 2019, funds being transferred to the Barclays Current account. Two further Barclays Accounts are now in use – "Savings" & "Clerk's", the last being used for staff salary and associated payments to HMRC and the LG Pension Fund. Further surplus funds are held in a Cambridge & Counties Building Society Account.

We have: -

- Ensured the accurate roll-over of the prior year closing balances to the current year's accounting records
- Ensured that a comprehensive, meaningful and appropriate nominal coding and cost centre structure is in place
- Checked and agreed transactions in the Current account cashbook to the supporting Barclays Bank statements for four months in the year April & September 2019, plus January and March 2020
- Checked, in view of their low volume, the full year transactions to 31st January 2020, plus March 2020 on the other accounts
- Verified the reconciliations of all bank accounts between the cash book and the relevant bank statements as at 31st January and March 2020, with no long standing uncleared or other anomalous entries apparent
- Reviewed the procedures in relation to the raising and checking of journals on the accounting software
- Considered the security/ back-up arrangements for computerised records, and
- Ensured the accurate disclosure of the combined cash and bank balances in the AGAR at Section 2, Box 8.

Conclusions and recommendations

We are pleased to note that members are reviewing and signing-off month-end bank reconciliations and bank statements. However, they do not appear to be examining the monthly cashbooks generated by the software to ensure that the "Balance per cashbook" entry on the Omega generated bank reconciliation statement agrees with the month-end cashbook balance.

We note that journals are raised periodically by the RFO during the year, but do not appear to be subjected to any further independent scrutiny. In line with best practice and to afford a

further degree of protection to the RFO against any potential allegation of inappropriate activity, we suggest that the Clerk should review their content signing them off periodically.

In considering the security of the Council's IT systems, and from discussion with the Clerk and RFO, we understand that the IT systems are backed-up daily to the Cloud with an external IT company used to provide support in this area: a member of their staff visits the Council generally at least once monthly to check that all is well with the systems.

In addition to the daily back-up to the Cloud, the Clerk takes periodic (generally following a prompt from the IT company) back-ups of the IT systems on a separate hard drive, which is stored in the office safe. Ideally, additional back-ups should be taken once weekly with the hard drive(s) taken off site: we also suggest that 2 separate hard drives are used on alternate weeks. Again, in line with best practice and to ensure the integrity of the backed-up data, periodic attempts should be made to ensure that both the Cloud based back-ups and those on hard drives can be restored to the office PC(s). It may well be that the IT company undertake this already, but we suggest that, if not, they should be asked to do so at least half-yearly.

- R1. In order to facilitate verification of the "Balance per Cashbook", as reported on each month-end bank reconciliation, the monthly cashbooks should also be printed and scrutinised by the reviewing councillor to ensure that the closing cashbook balances agree those on the reconciliations: all relevant documents should be signed-off accordingly.*
- R2. Journals raised on the accounting software should be subjected to independent scrutiny and sign-off.*
- R3. Periodic attempts should be made to check and ensure that the IT systems backed-up to both the Cloud and separate hard drives are sound and can be effectively restored. Ideally, the hard drive back-ups should be kept off-site in case the offices are ever damaged by fire or another unforeseen event.*

Review of Corporate Governance

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

To meet that objective, we have: -

- Noted that both SOs and Financial Regulations (FRs) were reviewed and re-adopted during the course of the year, both being based on the latest NALC model documents: we are also pleased to note that both include appropriate reference to the revised (2015) Public Contracts Regulations and requirement to advertise tenders in excess of £25,000 on the Government's Contract Finder website
- Noted that payments are reviewed and approved at monthly meetings of the Council and / or Management Committee and full Council

- Extended our review of Council and standing committee minutes, excluding those related to Planning issues, for the financial year, to ensure that no issues affecting the Council's financial stability either in the short, medium or long term exist, and
- Noted that the external auditors signed off the 2017-18 AGAR having completed their investigation of the five challenges raised by a local elector: we also note that a clean report was issued on the 2018-19 AGAR.

Conclusions and recommendation

We are pleased to record that no significant issues have been identified in this review area, although we note that the Management Committee minutes have not been posted on the website, but understand that a new website is under development.

Whilst we have no specific concerns in this area, we note that the newly constituted (early in 2019-20) Management Committee's Terms of Reference were only finally approved in October 2019 and have requested that we be provided with copies of those and also those of the Finance and Performance Committee, which we will examine on receipt. We remind the Council that, in the light of previous issues, any decisions made prior to the formal approval and adoption of these Committee Terms of Reference incorporating any approved delegated powers, must be formally approved and adopted by full Council before action is taken.

We shall continue to review minutes and consider the Council's overall approach to governance issues at future visits.

We also understand that, following the UK's exit from the EU, NALC were, prior to the current Covid-19 crisis, preparing a further revision to both SOs and FRs which was due to be promulgated in the summer of 2020: this timescale will obviously now slip and we will keep the Council advised as soon as we hear of any developments in this respect.

- R4. *The Council must ensure that it complies with the requirements of the Transparency Code, as applicable to a Council the size of Chigwell, publishing all relevant and required documentation on the Council's website.*
- R5. *Committee Terms of Reference should be subjected to annual review and formal adoption by full Council to ensure compliance with the requirements of Standing Orders and Financial Regulations.*

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets:
- Suitable documentation supports the payments, 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:
- Members are effectively controlling the management of funds and demonstrating such by evidencing their review of documentation supporting payments processed:

- The correct cost centre and nominal account code has been applied:
- Where deemed appropriate, an official order has been raised:
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount; and
- VAT is being identified and coded appropriately for recovery from HMRC.

We reviewed the control procedures in place over the approval of payments at our first visit, noting that all payments are made either on-line or by Direct Debit / Standing Order with “on-line” payments set up by the RFO and then released by the Clerk. A schedule of payments due for release is also prepared, presented to Council each month and signed-off by members. We also note that a certification slip is attached to all invoices apart from those payments made by direct debit or standing order: the slips contain various information including the initials of the member(s) reviewing the payments.

We consider that the controls in place are generally sound: however, whilst not wishing to imply any inappropriate action as now occurring (following previous fraudulent activity by a former member of staff), we consider that controls could and should be further strengthened. Additionally, we note that, whilst official orders are raised for significant expenditure, they are neither printed off nor matched to the resultant invoice.

We also suggest that, to clearly identify and cross-refer to the relevant invoice (in the absence of cheque numbers), payment detail in the Omega cashbooks and on the invoices, should incorporate a unique processing number on each payment (e.g. BACS 1, BACS 2, etc) throughout the year: this is particularly pertinent where standing orders and direct debit payments are processed monthly / quarterly and may be for identical amounts, as it reduces the risk of duplicated payments occurring.

In line with best practice and to further strengthen controls and reduce the environmental impact, albeit relatively insignificant, by using adhesive certification stamps, we suggest that consideration be given to the acquisition of a suitably designed rubber certification stamp, which should be placed on all invoices and documentation supporting payments. Ideally, the stamp should incorporate the following detail: -

- ✓ Clerk / RFO or Cemetery Supervisor’s initials confirming receipt of the goods and / or services as invoiced
- ✓ The official order number relating to the supply, where applicable
- ✓ The Omega account’s Cost Centre and Nominal account code
- ✓ Cheque or other payment reference (ideally on-line, standing order and direct debit payments should be allocated consecutive reference numbers throughout the year, as indicated above)
- ✓ Date of payment
- ✓ RFO initials confirming data entry of the software and date of entry
- ✓ Initials /signature(s) of the member(s) reviewing and approving the payments for release.

We initially selected a sample of payments processed to 31st January 2020 for compliance with the criteria set out at the start of this section of the report: our test sample included all payments in excess of £1,000 plus a more random selection of every 25th payment as recorded in the

Barclays account cashbook. Due to the need to undertake the final review remotely, we have selected a small sample of payments processed in February and March 2020, which the RFO has kindly provided soft copies of for our examination. In all 51 individual payments have been examined together with the three annual NNDR payments paid monthly during the year. The test sample totals £172,800 and equates to 78% by value of non-pay related payments in the financial year.

We have also examined the VAT control account for the year noting that reclaims are prepared and submitted quarterly to HMRC with repayment made accordingly. We have verified the accuracy of the first three quarterly reclaims to the Omega control account detail, also noting that the final quarter's reclaim is accurately disclosed as a debtor in the AGAR detail.

We also note that the Council has assumed responsibility, during 2019-20, for management of room hire bookings at the Victory Hall: this has arisen due to delays in the satisfactory completion of lease negotiations with the Charitable Trust that previously managed the hall, following expiry of the existing lease in April 2019. The position regarding the charging / recovery of VAT on room hires and expenses is an ongoing area of concern for officers and we advised the RFO at our interim visit to seek independent advice on the Council's position and necessary action to ensure compliance with HMRC requirements in that respect, which we note he had duly done. Due to the Covid-19 situation, the hall has been closed since late March with its future still, as far as we are aware, under debate. We shall review the outcome of members' ongoing debate on the hall's position and future management arrangements at our next review visit.

Conclusions and recommendations

Whilst we consider that the controls over the approval and release of payments are generally sound, we consider that they should be further strengthened as detailed above: we have also noted some concerns with the manner in which salary and associated payments are processed / approved, as detailed in the later section of this report.

We are pleased to record that, other than in relation to strengthening these controls, all payments in our test sample met the criteria, apart from one instance, where the incorrect code had been applied to the first "elections cost" payment made to EFDC in the year: we drew this to the attention of the RFO during the course of our visit who made the necessary journal adjustment at that time: consequently, as this was an isolated instance, we do not consider a formal recommendation necessary.

R6. The Council should take appropriate steps to further enhance existing controls over the approval and release of expenditure, ideally acquiring and using an appropriately designed rubber certification stamp, as detailed in the body of the report, to be "signed-off" by councillors when approving payments for release.

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 to minimise the opportunity for their coming to fruition.

We are pleased to note the comprehensive risk registers in place and that they are subject to routine review and update: we consider their format and content appropriate for the Council's present needs with one or two observations, as follows: -

- The assessment relating to the Council's website, makes no reference to the requirements of the Transparency Code and need to ensure compliance (see recommendation R4 above in relation to compliance with the Transparency Code); and
- A minor wording issue on the Website Register, where the word "Inadequate" is used in the Obligation column: it should read "Adequate".

We also note that parks and play areas under the Council's management are visited routinely each week by officers, who have received the appropriate inspection training to ensure that the grounds and equipment are adequately maintained from a health / safety viewpoint: these reviews are supplemented by further professional reviews by external contractors during the year.

We have examined the year's insurance schedule, cover being provided by Zurich, and consider the level of cover in place generally appropriate for the Council's present requirements with Employer's and Public Liability in place at £10 million and £15 million respectively, together with Fidelity Guarantee cover at £500,000. We do, however, note that the policy includes no cover for Business Interruption – Loss of Revenue and urge that the position in relation to the Victory Hall be considered, as long as the Council continues to assume responsibility for its usage.

Conclusions and recommendations

We are pleased to record that no significant issues of concern have been identified in this area other than in relation to insurance cover for any potential Loss of Revenue in the event that Victory Hall should be unusable through fire or other damage.

R7. The Council should ensure that appropriate Loss of Revenue insurance cover is put in place for Victory Hall.

R8. The wording on the Website risk register should be amended appropriately.

Budgetary Control & Reserves

In considering the Council's approach to budget determination and precept setting, we aim to ensure that decisions are made based on sound information and that an appropriate level of precept is determined to meet the Council's future planned expenditure.

We note that, following members' deliberations on the budgetary and precept requirements for 2020-21, both were adopted at the January 2020 full Council meeting, the latter being set at £290,801.

We noted at our interim visit that four named Earmarked Reserves (EMRs) were also in place relating: -

- Omega Code 320 - Bus Project
- Omega Code 321 - Victory Hall
- Omega Code 322 - Chigwell Amenities
- Omega Code 323 - Equipment

We are pleased to note that “expenditure” recorded against the EMR codes is generated generally by journal transfers from Code 6000 – “Transfers from reserves”. We have discussed the headings of individual reserves with Councillor Lion considering that the “Chigwell Amenities” EMR could and probably should be sub-divided into other more specifically identified EMRs: we are pleased to note the action taken to facilitate the change at the financial year-end with the Amenities EMR now divided into four new separate EMRs, as identified in the Omega year-end Balance Sheet.

We note that members are provided with detailed budget performance information based on the Omega accounting software during the course of the financial year. We have reviewed the year-end budget outturn, seeking and obtaining appropriate explanations for the few significant variances existing.

We have also considered the appropriateness of the level of retained reserves to finance the Council’s ongoing revenue spending and future development aspirations. Total reserves at 31st March 2020 have increased to £646,573 (£586,303 as at 31st March 2019), comprising five specific EMRs totalling £145,000 with a residual General Fund Reserve balance of £501,573, which equates to in excess of a year’s revenue spending at the 2019-20 level. We appreciate that, should the Council assume full management responsibility for the Victory Hall, significant capital outlay is likely to be incurred upgrading the premises appropriately for which no specific EMR remained in place at the financial year-end.

Conclusions and recommendation

No concerns have been identified with the manner in which budgets are established and monitored, although as indicated above, we anticipate that the Council will need to set aside a significant portion of its General Reserve to finance essential repairs and upgrade work at the Victory Hall.

Review of Income

In examining the Council’s sources of income, we aim to establish that robust procedures are in place to ensure that income due to the Council is identified and invoiced accordingly; that arrangements for the secure handling of any cash income are in place and that income due to the Council is recovered within a reasonable time span.

At our interim visit, we examined the controls in place over both burial and associated income and the recovery of allotment rents, which we note fall due on 1st April annually. We also note that fees are invoiced in each case using the Omega Sales Ledger software.

Burial and Memorial income

The Council has previously and continues to maintain its burial records in bound ledgers: we note the acquisition of the Scribe Burials system and that some progress has been made to transfer data to the software, although that has been hindered due to the limited staff availability following the resignation of the Administrative Assistant in 2019.

Consequently, we have examined the handwritten Burial Register selecting a sample of the 15 interments recorded since 1st October 2019. We have examined the individual file records for each interment ensuring that, for each, an appropriate burial or cremation certificate is held and that fees have been charged in accordance with the approved schedule of fees and charges.

We are pleased to record that no issues arise in this respect other than noting that the Schedule of fees and charges was last revised with effect from 1st June 2014 (5½ years ago): we have seen no indication in the current financial year's minutes to indicate that fees and charges have been formally reviewed.

Allotment Rents & Key Deposits

A spreadsheet control record of allotments is held by the RFO identifying tenant detail for the 2 sites owned by the Council. Whilst the register contains detail of the tenants and rental invoice number, it gives no indication of the fee due in respect of each plot, nor does it identify the date of receipt of the tenant's rent, although we appreciate that the Omega Sales ledger can generate detail of all unpaid invoices (see below). However, as some fees are paid in advance, it is not possible to readily verify the payment date by reference to the current year's Sales Ledger in Omega.

We have also noted that allotment key deposits are being taken and coded to the nominal income code. As these deposits are refundable, they should not be regarded or coded as income to the Council. They are effectively a liability and should, as such, be coded to a nominal liability code (in the 500 series) so that they appear as a creditor on the year-end Balance Sheet.

General income

We have examined the Omega Sales Ledger – “Unpaid Invoices by Date” report as at 31st March 2020 noting that only 3 invoices raised prior to 1st January 2020 remain unpaid as at that date.

We have examined the detailed Omega income transaction reports for the year and are pleased to record that, as far as we are reasonably able to ascertain, no miscodings have occurred with all anticipated income duly received and appropriately accounted for.

We were intending to look at room hires at our final visit, which has obviously not taken place on site: consequently, we will examine that as a first call on our 2020-21 interim review.

Conclusions and recommendations

The Council should review the fees and charges for all income streams annually as required by the adopted Financial Regulations (para 9.3 refers): where a decision is taken to retain fees unchanged, that decision should be minuted formally.

The RFO and Council should review the status of unsettled debt periodically throughout the financial year, determining the action to be taken to either pursue recovery, through the Small Claims Court if deemed appropriate, or writing the debt off.

In order to provide a clear audit trail, the allotment register should identify the value of rent payable for each plot, together with the date of receipt: as indicated above, the latter is important as some rents will have been received in advance of the due date (1st April) and the settlement will not be identifiable in the current financial year's Omega Sales Ledger.

R9. The Council should review the schedules of fees and charges for all income streams annually as required by the extant Financial Regulations (Para 9.3 refers), formally recording the outcome of those deliberations in the minutes.

R10. Appropriate arrangements should be put in place for the pursuance of any long-standing debts with councillors kept advised of the position, so that they may determine any further legal action that may be deemed necessary to attempt recovery.

R11. The allotments register(s) should be expanded to include detail of the actual rent receivable for each plot together with the date payment is received.

*R12. A separate spreadsheet register of allotment key deposits received should be developed with the total value transferred from the allotment rent income code (1200) to a newly established liability code in the 500 series. As and when repayments occur, they should be debited to that control account code. **This has been actioned as recommended with a new "creditor" code set up in omega prior to the financial year-end.***

Petty Cash Account

We are required, as part of the Internal Audit certificate in the AGAR to assess the controls over any cash accounts operated by the Council: consequently, and in view of the generally low materiality of such accounts, we generally only sample transactions covering one or two months, also checking the physical cash held and agreeing it to the supporting records. We have referred earlier in this report to the recording of such transactions in a separate Omega cashbook.

We understand that a substantial (in excess of £100) cash sum "disappeared" from the petty cash tin in the latter stages of 2019 when the RFO was on leave and that no explanation has been found for the discrepancy. Consequent on this, members determined to reduce the cash holding to £100.

In addition to the Omega cashbook, a separate spreadsheet record of transactions is maintained with each payment assigned a sequential reference number. We have reviewed two months' records (December 2019 and January 2020) ensuring that each payment was supported by an appropriate till receipt and that any VAT incurred was identified in the Omega cashbook for

inclusion on the VAT reclaims. We are pleased to record that no issues have been identified in this respect.

We also checked the physical cash held in the petty cash tin during our interim visit: the tin has a combination lock and kept in the office safe, access to which is also via a combination lock. Of necessity, both the Clerk and RFO know the combination numbers.

Cash held in the tin at the time of our review totalled £70.46, which together with 6 vouchers / till receipts held totalling £39.70 gives a total holding of £110.16, an apparent surplus of £10.16 over the approved float. The Clerk and RFO believe this to have arisen as the Clerk had, at that time, not been reimbursed for some of the expenditure incurred on the vouchers held since last “top-up”, although no combination of them add up to the surplus.

We also understand that neither the safe nor petty cash tin combinations are changed periodically and, evidently, nor is the physical cash checked routinely

Conclusions and recommendations

Whilst the amounts involved in petty cash transactions are very small, we have, as indicated above, identified a number of concerns in this area which, in the light of the previous “loss” of cash, require appropriate action as detailed in the following recommendations.

R13. The office safe and petty cash tin combinations should be changed at regular intervals, at least once quarterly, or when either the Clerk or RFO go on leave: neither any other staff nor councillors should be advised of the combination numbers.

R14. The physical petty cash should be checked regularly each month (preferably by a councillor) with an appropriately designed certificate signed and dated reconciling the cash to the underlying balance identifiable on the financial records.

R15. Vouchers / till receipts should be reimbursed as soon as practicable and annotated accordingly.

Review of Staff 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 HMRC legislation in relation to 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 employee contribution percentages. The monthly payroll is prepared in-house using bespoke software.

We have, at our interim visit:

- Obtained detail of the staff in post; their NJC scale point or hourly pay rate where not on the NJC scale; basic weekly hours, noting that Full time officers work a basic 36 hour week

- Noted that staff on NJC scales are being paid on the revised scales and salaries applying from 1st April 2019
- Examined payslips for February 2020 to ensure that the correct gross salary payments and any overtime or variable hours are being paid at the appropriate hourly rates
- Ensured that the correct tax and NI deductions are being applied by reference to the applicable / relevant HMRC tax and NI tables
- Ensured that, where staff are contributing to the LG pension scheme, the appropriate percentage deductions are being applied
- Ensured that, where variable / overtime hours or travel expenses have been paid, an appropriate supporting timesheet or travel claim is in existence, has been signed by the employee and authorised appropriately by an independent officer, and
- Agreed the physical payments made to staff, HMRC and the LG Pension Fund to net pay as per individuals' payslips and the summary payroll records for tax / NI and pension contributions.

Conclusions and recommendations

We are pleased to report that only a few matters have been identified in this area, noting that timesheets were not always being countersigned as approved for payment. We also noted that the RFO's overtime hourly rate appeared to have been miscalculated resulting in an underpayment for each overtime hour worked: we provided him with detail of the basis of our calculation of the correct rate payable.

Perhaps of some concern given the historical fraud, we have noted that, whilst most trade invoices are subjected to individual scrutiny, as referenced earlier in this report, members are only provided with detail of the monthly total cost of staff pay on a rolling basis throughout the year. Whilst this affords an element of control, we consider that, to not only protect public funds, but also individual members of staff, the payroll records should be subjected to independent scrutiny and sign off. As the RFO prepares the payroll, we suggest that the Clerk should undertake this review signing the records off accordingly.

We wish to draw the RFO's attention to the changed rules as regards recording of Staff Cost expenditure in Box 4 of the AGAR which come into effect from the 2020-21 financial year: the JPAG Practitioner's Guide 2020 refers at Page 17.

R16. Payroll records should be subjected to the same level of scrutiny as trader invoice payments with either the Clerk or a councillor reviewing and signing off the payslips and agency payments to HMRC and the Pension Fund Administrators.

R17. All time sheets and travel claims should be subjected to independent sign-off authorisation.

R18. The RFO's overtime pay rate should be reviewed and, if confirmed as below the correct value be adjusted accordingly.

Asset Registers

The Governance and Accountability Manual – “The Practitioner’s Guide” requires all Councils to maintain a Register of Assets. We are pleased to note that the Council maintains an appropriate register, which has been reviewed and updated to incorporate the few amendments (additions and deletions) during the course of 2019-20 resulting in a small increase in the asset value recorded on the year’s AGAR, which we have agreed to the comprehensive asset register being maintained.

Conclusions

No issues arise in this area this year warranting formal comment or recommendation.

Investments and Loans

As indicated earlier in this report the Council holds surplus funds in both a Barclays Savers Account and also the Cambridge & Counties Building Society, both of which are earning interest for the Council.

Central Government legislation changed with effect from 1st April 2018 requiring all councils with balances in excess of £100,000 to develop an appropriate Investment Policy / Strategy (this previously only applied to councils with funds in excess of £500,000). We have discussed the position with the RFO and understand that, as far as he is aware, no such policy exists for the Council: consequently, to assist the Council in developing an appropriate document, we have provided him with a few examples of suitable Policies / Strategies that have been developed and adopted by a few of our clients.

We are concerned that, with over £550,000 held in the combined Barclays accounts, the Council is potentially at a high degree of risk should, albeit unlikely, the bank “fail” and suggest that the Council should consider further diversification of its surplus funds than just with Cambridge & Counties.

We anticipate that the likely total interest received in 2019-20 will equate to approximately 0.5%. Whilst we cannot act as financial advisors, several of our clients have placed surplus funds with CCLA in their Deposit Fund Account which appears to be offering a better rate of interest than most High Street banks and suggest that consideration be given by members to this as one option for the future placement of a degree of the Council’s surplus funds.

The Council has one outstanding loan repayable half-yearly to PWLB: we have verified the two repayment instalments for the current financial year by reference to the PWLB demands and, at this final review, also verified the accuracy of the residual loan liability at 31st March 2020 as disclosed in the AGAR Section 2, Box 10 by reference to the PWLB website schedule of all local government bodies’ balances at that date.

Conclusions and recommendations

The Council should ensure that an appropriate Investment Policy / Strategy is developed as now legally required, also ensuring that surplus funds are appropriately “invested” to ensure that, as far as they reasonably can, public funds are securely invested and that interest earning potential is maximised.

R19. The Council should ensure compliance with current regulations developing an appropriate Investment Policy / Strategy.

R20. Consideration should be given to the diversification of surplus funds in other banking institutions to minimise the risk of loss should, albeit probably unlikely, the existing banks ever “fail”, also ensuring that interest earning opportunities are maximised.

Statement of Accounts & AGAR

We are required as part of the internal audit reporting process to provide assurance to the external auditor that the Council’s financial records prepared during the year are maintained on the correct accounting basis and are pleased to confirm compliance with that requirement. As a service to the Council and double check on the accuracy of detail presented in the AGAR, we have verified detail to the underlying data in the Omega accounting software, also reviewing detail of the reported any year-end debtors and creditors.

Conclusions

No issues have been identified in this area this year and, based on the generally satisfactory conclusions drawn from our review programme, we have signed off the Internal audit Certificate in the year’s AGAR assigning positive assurances in each relevant area.

Rec. Recommendation No.	Response
Review of Accounting Arrangements and Bank Reconciliations	
R1 In order to facilitate verification of the “Balance per Cashbook”, as bank reconciliation, the monthly cashbooks should also be printed and signed-off by the councillor to ensure that the closing cashbook balances agree with the relevant documents should be signed-off accordingly.	
R2 Journals raised on the accounting software should be subjected to independent review.	
R3 Periodic attempts should be made to check and ensure that the IT systems, Cloud and separate hard drives are sound and can be effectively recovered. Back-ups should be kept off-site in case the offices are ever damaged in an event.	
Review of Corporate Governance	
R4 The Council must ensure that it complies with the requirements of the Code of Best Practice applicable to a Council the size of Chigwell, publishing all relevant information on the Council’s website.	
R5 Committee Terms of Reference should be subjected to annual review by the Council to ensure compliance with the requirements of Standing Order.	
Review of Expenditure & VAT	
R6 The Council should take appropriate steps to further enhance existing controls over the release of expenditure, ideally acquiring and using an appropriately designed stamp, as detailed in the body of the report, to be “signed-off” by the authorised signatories for payments for release.	
Assessment and Management of Risk	
R7 The Council should ensure that appropriate Loss of Revenue insurance is in place for Victory Hall.	
R8 The wording on the Website risk register should be amended appropriately.	

Rec. Recommendation No.	Response
Review of Income	
R9 The Council should review the schedules of fees and charges for all required by the extant Financial Regulations (Para 9.3 refers), from those deliberations in the minutes.	
R10 Appropriate arrangements should be put in place for the pursuance of councillors kept advised of the position, so that they may determine and be deemed necessary to attempt recovery.	
R11 The allotments register(s) should be expanded to include detail of the plot together with the date payment is received.	
R12 A separate spreadsheet register of allotment key deposits received should value transferred from the allotment rent income code (1200) to a new the 500 series. As and when repayments occur, they should be debited	<i>This has been actioned as recommended “creditor” code set up in omega prior to the end.</i>
Petty Cash Account	
R13 The office safe and petty cash tin combinations should be changed at regular quarterly, or when either the Clerk or RFO go on leave: neither any other be advised of the combination numbers.	
R14 The physical petty cash should be checked regularly each month (preferably appropriately designed certificate signed and dated reconciling the cash identifiable on the financial records.	
R15 Vouchers / till receipts should be reimbursed as soon as practicable and	
Review of Staff Salaries	
R16 Payroll records should be subjected to the same level of scrutiny as either the Clerk or a councillor reviewing and signing off the pays HMRC and the Pension Fund Administrators.	
Rec. Recommendation No.	
Response	
Review of Staff Salaries (Continued)	
R17 Payroll records should be subjected to the same level of scrutiny as either the Clerk or a councillor reviewing and signing off the pays HMRC and the Pension Fund Administrators.	
R18 All time sheets and travel claims should be subjected to independent si	
R19 The RFO's overtime pay rate should be reviewed and, if confirmed adjusted accordingly.	
Investments and Loans	

R20 The Council should ensure compliance with current regulations
Investment Policy / Strategy.

R21 Consideration should be given to the diversification of surplus funds i
minimise the risk of loss should, albeit probably unlikely, the exi
ensuring that interest earning opportunities are maximised.
