

DEDHAM PARISH COUNCIL INTERNAL AUDIT 2023/24

A Proper Bookkeeping

- Is the cash book maintained and up to date?
Yes. The spreadsheet contains 4 worksheets: PC Book Receipts, PC Book Payments, Running Sheet and Summary Sheet. The receipts and payments worksheets have columns for types of transactions and monthly totals. These monthly totals are retyped into the Running worksheet which has transaction types down the left and side and a column for each month and the totals checked back to the Book Payments and Book Receipts. Use of excel formulae would avoid potential transposition errors. The Summary worksheet is designed to pick up the year-to-date totals from the Running Sheet and compares this with the budget. This worksheet hasn't been used for 2023/24 comparison of Actual v Budget figures (see section D)
- Is the cash book arithmetic correct?
Yes.
- Is the cash book regularly balanced?
Yes.

B Financial Regulations, Standing Orders and Payment Controls

- Has the council formally adopted standing orders and financial regulations?
Yes. Standing Orders were adopted at the meeting on 4 September 2023 (minute 23/74.3) and 2 October 2023 (minute 23/100) with a statement to say they will be reviewed every 3 years. Financial Regulations were last adopted at the meeting on 3 October 2022 (minute 22/060c). Both will be reviewed in May 2024.
- Has the council adopted other policies and procedures?
Yes. At various meetings (minutes 23/40, 23/101, 23/103, 23/181). Adopted policies are on the website. [Policy Documents » Dedham Parish Council](#)
- Has a Responsible Financial Officer been appointed with specified duties?
Yes. The clerk is the RFO and duties are specified in the job description.
- Have items or services above a de minimis amount been competitively purchased?
*Financial Regulation 4.5 allows emergency payments of up to £500 by clerk. Financial Regulation 11.1h requires 3 estimates for amounts £2000 to £5000; 3 quotes for amounts £5000 to £25,000, and tendering with The Public Contracts Regulations 2015 for amounts over £25,000. This agrees with SO 18a. During the year, quotes and estimates were obtained for a variety of purchases including Jubilee tree guards & plaques (23/07, 23/43.1, 23/58.1), Compactor bin (23/58.3, 23/115.3), blue plaque (23/75.2), tree work .23.75.9), consultations (23/78.1, 23/79, 23/140.1), sustainability leaflet (23/140.5), Bin emptying (23/175), Business breakfast event budget (23/176). There are no invoices that exceed £5000 (thereby requiring 3 written quotes) although there is a grant for £6560 in September. The grass cutting contract (23/136.4) is worth £7600 per year and it is believed written quotes were obtained. ***I would recommend that amounts agreed by the council are clearly minuted as a resolution and that for items over £5000 the minutes record that quotes were received and reviewed.****

- Are payments in the cash book supported by invoices, authorised and minuted?
Finance item in the Minutes of each meeting includes a list of payments approved by the council, showing payee name and amount. As invoices are received the clerk creates an 'Accounts for Payment' list. A hardcopy of the list and source documents are taken to the meeting. I am advised by the clerk that the payments list is checked against the source documents but some thought needs to be given to how this can be evidenced. The clerk sets up the payments on the Barclays system and 2 councillors log in and authorise.
- Has VAT on payments been identified, recorded and reclaimed?
VAT is recorded in a separate column on the payments worksheet. VAT is reclaimed annually and the amount for 2022/23 was received during that year. The total VAT on payments for 2023/24 is £6776.07 in the cash book and a claim for this has already been submitted. There is an amount from 2022/23 that was not included in the claim last year. – (invoice paid to Matrix on 08/02/23 included VAT of £850.73 which was not in the VAT column). This can be reclaimed with the next VAT return.
- Is s137 expenditure separately recorded and within statutory limits?
Grants are made under the General Power of Competence as agreed by the council at its meeting on 5 July 2021 (minute 8).

C Risk Management

- Does a scan of the minutes identify any unusual activity?
Vacancies and co-option (23/64, 23/82, 23/89, 23/99, 23/180), Royal Square Project (23/119.1, 23/177.4, 23/196.4), River Project (23/09.2, 23/78.2), support for Sports club project with grants and s106 funding (23/09.3, 23/119.3, 23/140.3), change of clerk (23/141, 23/160).
- Do the minutes record the council carrying out a risk assessment?
Yes. A Risk Management Policy and Strategic Risk Register is on file dated March 2023 but does not appear to have been minuted as approved by the council. It has an introductory page explaining its purpose, followed by a grid with columns for risk description, consequence, likelihood, control measures, key documents / evidence and further action.
- Is insurance cover appropriate and adequate?
Yes. Policy with BHIB for one year from 1 June 2023. Insurance cover for Property Damage, Money, employer's liability, Public and products liability, fidelity guarantee, libel & slander, official's indemnity and legal expenses.
- Are internal financial controls documented and regularly reviewed?
The council has a Finance Standards and Procedures advisory group whose objective is to oversee financial management and financial risks. As an advisory committee its meeting are not open to the public nor minuted, nor can it make decisions. The minutes do not refer to any specific meeting dates. However, one of the councillors reported on the budget position at the meeting on 6 November 2023 (minute 23/114 where a surplus of £37000 is minuted, and a budget and precept document was agreed at the meeting on 6 December 2023 (minute 23/135.2). There are no details about the contents of the document. If the advisory group is fulfilling an internal control function, I would recommend that it's A v B discussions and its budget recommendations to council are more transparent. This could either be achieved by making the group a committee of the council, or by fully minuting the discussions and decisions. As already covered in section B, better evidence of payments

approval scrutiny would strengthen internal financial controls. Payroll is outsourced and the council does not receive any cash so there are no internal financial control issues in relation to cash handling. Internal control measures re assets are covered in section H.

- Are all risks identified and actions undertaken to mitigate risks?

The assessment on file is a comprehensive framework. Some entries need amending to reflect changes to council practices since it was written. These need to be updated at the next review, for example #1 I haven't seen a Reserves Policy (and most likely the old 2021 version would need updating given the level of reserves now held). Also under #1, add the role of the Finance Standards and Procedures advisory group and the FSCS limit of £85000 on deposits with one institution. # 2 remove reference to Deputy clerk contract. # 3 Personnel Committee rather than staffing committee. #4 New H&S risk assessment to be added to documents and date of next check on home working environment of clerk to be added. # 6 Add the role of the Finance Standards and Procedures group to ensure continuity if key staff are lost. When the risk register is next reviewed, it is an opportunity for self-assessment, to ensure that all the mitigating measures are being undertaken, and to add more that you are doing which aren't even listed. There is evidence in the minutes of one mitigating action, i.e. tree works following a survey (23/95.4). Training is a standing item on the agenda and new councillors are encouraged to undertake training. In conversation with the clerk, playground inspections are undertaken by a councillor who has undertaken the playground inspection course and obtained the certificate. Record of inspections or works that need to be completed are sent to the clerk. The Council arranged a Volunteer Tidy Up Event on 07/10/23 (minute 23/75.6) but it is not clear if a risk assessment was prepared. It is recommended that a risk assessment is prepared for future council events.

D Budgetary Controls

- Has the council prepared an annual budget in support of its precept?
At the meeting on 6 December 2023 there was a discussion about the budget and precept (minute 23/135.2) and a decision to accept a document: there is no reference to agreement of any figures. The precept was agreed at the full council meeting on 8 January 2024 (minute 23/155), but again no figures are minuted. The form sent to CCC in February 2024 shows an expenditure requirement of £213550, RG /LCTS £1107 (should be £1607?), use of parish council income of £117917 and reserves of £50952, requiring a precept of £43574. At the time of audit, the document on which these figures were based was not available.
- Is actual expenditure against the budget reported to the council?
It appears that the budget monitoring for 2023/24 has been undertaken by a councillor rather than by the RFO, with only one minuted reference to actual v budget at the meeting on 6 November 2023 (minute 23/114). The new clerk will introduce monthly A v B reporting using the summary tab in the cash book, which will enable greater transparency.
- Are there any significant unexplained variances from budget?
Total budgeted expenditure for 2023/24 was £212450 (£148147 from income and £64303 from reserves) and actual spend (ex VAT) was £77494. None of the capital projects was undertaken so reserves were not spent. As it turns out, it is a relief that the current year budget is underspent by £70653

(£148147 less £77494), because actual income was £45063 less than budgeted (£148147 budgeted and actual income of £103084). *This does throw the council's budgeting process into question. As mentioned, I have not seen the papers presented to council in December 2023, upon which the 2024/25 precept was calculated. Fortunately, the council has extensive reserves, so to some extent does not need to worry too much about the accuracy of its budgeting! However, it is important that finances are monitored and that long term plans are made for the expenditure of its accumulated reserves.*

The council is required to provide an explanation for the level of reserves held at the year-end as it is more than twice the precept. A list of Ear marked reserves (EMR) is show on the Explanation form for PKF but do not appear to be the result of minuted discussion or Policy by the council. A Reserves Policy will be put in place in 2024/25. This will be something that the new council will need to deal with after the election and is inextricably linked with a decision about the Royal Square.

E Income Controls

- Does the council have sources of income other than precept and VAT?
Car parking income, PROW contract, rent, LCTS grant, interest, and refunds for EALC for training payment 25/05/23 and ICO registration 11/12/23.
The refunds should perhaps be deducted from expenditure. PKF will be the ultimate arbiters of this as part of their variance exercise.
- Is income properly recorded and promptly banked?
All income is by direct credit or standing order.
- Does the precept recorded in the cash book agree to the district council's notification?
CCC pays in 2 instalments but notification does not show a split of precept, and Local Council Tax Support Scheme (LCTSS). The total of £44750 (2 x £22375 received April and September) from CCC agrees to totals for 2023/24 of precept £43143 and RG /LCTS of £1607.
- Are security controls over cash adequate and effective
No cash received during the year.

F Petty Cash Procedures

No petty cash transactions

G Payroll Controls

- Do salaries paid agree with those approved by the council?
The clerk was employed for 8 hours per week, calculated for the year and spread over 12 months as a fixed monthly salary. Salary is paid in the following month once approved by council. Back pay was calculated by DM Payroll and is included on November payslip (paid 12/12/23). The clerk resigned (minute 23/141) and a locum was appointed. At the meeting on 8 January 2024 the locum was appointed as clerk (minute 23/160). The new appointment is for 10 hours per week but this is not minutes. Monthly pay for the new post was calculated by DM payroll.
- Are other payments to the clerk reasonable and approved by the council?
Clerk receives a monthly allowance of £30 for working from home and mileage which is paid with salary. Other expenses for items such as postage are reimbursed separately.

- Has PAYE / NIC and pensions been properly operated by the council as an employer?
Payroll services are provided by DM Payroll. HMRC is paid monthly. The Clerk/RFO has declined enrolment into a pension.
- What controls exist over management of staff time and duties?
In his first 3 months the clerk has had ad hoc conversations with councillors as needed, but there is no regular routine in the run up to the PC elections in May 2024. I recommend that the new council considers line management arrangements for its employee and establishes a practice of an annual appraisal.

H Asset Control

- Does the council keep an asset register of all material assets owned?
Yes. Assets are listed on the left hand side but there are very few details of the date purchased or the location. It is a historic record of the composition of the AGAR (cost) figure going back three years. Assets are grouped by type i.e. Recreation Ground, street furniture, office equipment, play equipment but these grouping do not match the categories on the insurance cover. A column has been added this year for insurance reinstatement value / replacement cost but at present contains just the cost figures
- Is the register regularly updated?
The register is updated at the year end. Opening balance £406156. PYA of £270. Purchases in the year are for winter display tubs £260 and a metal box £110. Closing balance £406796.
- Do asset insurance valuations agree with those in the asset register?
Buildings insurance is £1048040 to cover the pavilion and the shed for a total loss. There is no proper 'reinstatement value on the asset register; if the property has not been revalued for some time, it might be worth doing so, as building costs have increased a lot on recent years. It is difficult to assess the adequacy of cover of the other assets for 2 reasons. Firstly because the asset register does not include insurance reinstatement / replacement costs (the column is largely a copy of the historic costs), and secondly because the asset register is not organised by sections that match the policy schedule. I would recommend that the asset register is reviewed / reorganised and that reinstatement values are determined. The policy includes cover for mowers and machinery which are not owned by the council but I understand that BHIB provides this as a standard blanket cover.

I Bank Reconciliation

- Is there a bank rec for each account?
Yes, There is a combined reconciliation for the 2 bank accounts (Barclays community account and a business premium account). There is an auto transfer arrangement on the bank accounts to keep the Community account balance at £1000. The transaction on file do not extend to 31/03/24 but I am satisfied that there were no transactions between the report dates and the year end. The balance held at Barclays is in excess of the £85,000 FSCS limit. The council agreed in 2022/23 to open new accounts with other banks and also earn a higher rate of interest (minute 22/104.2) but this has not been actioned.
- Is the bank rec carried out regularly on receipt of statements?
Yes. Reconciliations are carried out monthly.
- Are there any unexplained balancing entries in any reconciliation? *No.*

J Year End Procedures

- Are year end accounts prepared on the correct accounting basis (R & P / I & E)? *Yes. R & P basis*
- Do accounts agree with the cash book and working papers?
Yes. After split of precept and grant.
- Is there an audit trail from underlying financial records to the accounts?
Supporting paperwork is filed in date order, referenced with cheque numbers / DD/ BACS payment etc and correspond to entries on the cashbook spreadsheets
- Where appropriate, have debtors and creditors been properly recorded?
Not required for R&P.

K Council Exempting itself from a limited assurance review

- Did the council meet the criteria?
No. Gross income and gross expenditure in 2022/23 exceeded £25000.
- Did the council exempt itself from the review? *N/A*
- Was the exemption certified at a meeting? *N/A*
- Was the appropriate notice displayed? *N/A*

L Web page Publication

The authority publishes information on a website/webpage, up to date at the time of the internal audit, in accordance with the Transparency code for smaller authorities. *Payments are embedded in the minutes.*

[2023 Minutes » Dedham Parish Council](#)

[Council Minutes - Current » Dedham Parish Council](#)

M Public Rights in Summer 2023

The council agreed the dates for the period for the Exercise of Public Rights commencing 5 June 2023 and ending 14 July 2023 and displayed the notice.

[19-Confirmation-of-the-dates-of-the-period-for-the-exercise-of-public-rights-2022-23.pdf \(dedhamparishcouncil.co.uk\)](#)

The External Audit report has required that this section of the report is ticked as 'No' due to errors with the year end submission (see section N)

N Publication of Annual Return 2022/23

The authority has complied with the publication requirements for 2022/23 AGAR (see AGAR Page 1 Guidance Notes).

[Image \(3\) \(dedhamparishcouncil.co.uk\)](#)

[Image \(2\) \(dedhamparishcouncil.co.uk\)](#)

The 2022/23 figures do not add up because the incorrect opening balance was used. The External audit report says that PKF did not receive an acceptable explanation for this.

O Trustees

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

Jan Stobart, FCCA
22 April 2024