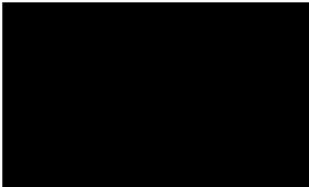


**INDEPENDENT EXTERNAL REVIEW OF THE FINANCIAL GOVERNANCE OF THE HOLME VALLEY PARISH COUNCIL AND HOLME VALLEY LAND CHARITY**

**OFFICIAL**

Date 18<sup>th</sup> OCTOBER 2019



## CALDERDALE METROPOLITAN BOROUGH COUNCIL

**INDEPENDENT INVESTIGATION INTO THE FINANCIAL  
ACTIVITIES OF THE HOLME VALLEY PARISH COUNCIL AND  
HOLME VALLEY LAND CHARITY****1. INTRODUCTION**

1.1. The audit reviewed the governance arrangements in place for all income and expenditure at both the Parish Council and at the Land Charity. Calderdale Council's Internal Audit Section was commissioned by the Councillors of Holme Valley Parish Council (HVPC) to undertake an audit of the Holme Valley Parish Council's and the Holme Valley Land Charity's (HVLC) financial activities for the two financial years 2017/2018 and 2018/2019.

1.2. In order to undertake the review the following documents were requested:

- Bank Statements
- Invoices/Receipts
- Payroll Records
- Petty Cash Records
- HR Records (including time recording records, annual leave records)
- Cash Book (Cash Income Records)
- Rental/Booking Records
- Contract documentation.

Not all documentation requested was provided to the auditor. This was queried with the Clerk at the time of the review who confirmed that the documentation was not available. Where appropriate, details are included in the findings section of the report.

1.3. From the documentation provided all income and expenditure transactions were examined in relation to the Land Charity except those detailed in paragraph 4.10 which were not provided. All income and expenditure transactions were examined in relation to the Parish Council with the exception of the transactions detailed in paragraph 4.14. Additionally, at the request of the representative of Holme Valley Parish Council who commissioned the work, the audit concentrated on all payments which were made to Secretarial Services Bureau, a company owned by the previous Clerk [REDACTED] to assess whether payments made were appropriately authorised and were backed up with appropriate evidence.

**2. BACKGROUND**

2.1. At the start of the independent investigation the auditor was in contact with the locum Clerk [REDACTED]. The locum Clerk left the Council in September 2019. The new Clerk [REDACTED] started in April 2019 and has provided



assistance to the auditor in the later stages of the investigation. [REDACTED]  
the previous Clerk left the Council in January 2019.

### 3. CONCLUSION

- 3.1. In the main, the findings of the audit verify that the majority of financial transactions of HVPC and HVLC for the period examined were backed up by evidence of legitimate business activity. The exception being a small number, in terms of value and occurrences, which could not be verified due to documentation not being available.
- 3.2. An area of concern identified from the audit was in relation to the previous Clerk, [REDACTED] submitting invoices in respect of her private business. Although all Financial Regulations for the HVPC and HVLC had been followed, the validity of the transactions, including the times and the hours being claimed could not be verified from the records available and there were instances of duplications of hours claimed from the records provided.
- 3.3. As a result of this concern, moving forward, the governance arrangements in relation to segregation of duties and declaration of interests which should form part of the Financial Regulations need to be reviewed.

### 4. AUDIT FINDINGS

#### Governance Arrangements

- 4.1. The Holme Valley Parish Council Financial Regulations provided to the auditor were last approved and adopted by the Council on the 14<sup>th</sup> May 2018. The Financial Regulations were written by the previous Clerk, [REDACTED]
- 4.2. The previous Clerk provided administrative services to the Council using her own personal business Secretarial Services Bureau (SSB). The auditor could find no evidence in the Council minutes to suggest that the use of SSB had been approved by the Parish Council. Employment contract documentation relating to the previous Clerk was not provided to the auditor, although requested, and as such it was unclear exactly what the previous Clerks' duties included.
- 4.3. The Financial Regulations relating to the Parish Council state that 2 Councillors are required to authorise payments to be made and that the payments are required to be verified by the Responsible Finance Officer. It was noted that all payments had been authorised in accordance with the regulations and the previous Clerk in her role as Responsible Finance Officer had verified all payments to be made to her private business.

#### Recommendation 1

In order to minimise the risk of fraud and to protect both the reputation of the Council and the integrity of the staff member involved in making payments the Financial Regulations should be amended to ensure that there is appropriate segregation of duties. When an officer employed by the Parish Council is to receive a payment themselves, then they should not be involved in authorising or verifying the payment.

- 4.4. It was also evident whilst examining the invoices submitted by SSB that the previous Clerk had employed her own son to undertake digital scanning. There was no evidence available to suggest that the use of the previous Clerk's son had been approved, by the Council or that the previous Clerk had declared an interest. A review of the council's Financial Regulations confirmed that there was no regulation in relation to declaring an interest.

**Recommendation 2**

The Parish Council should review the Financial Regulations to ensure that they include the arrangements to be followed in terms of declaration of interests.

- 4.5. From examining the records held it was identified that a contractor [REDACTED] provided services to the council in relation to maintaining the public toilets. It was identified that he collected the monies that were deposited in the toilet honest boxes and banked them at the post office for the Parish Council. The new Clerk confirmed that [REDACTED] is the only person who has the keys for the toilet honesty boxes and they are kept at his home address. She confirmed that the contract relating to the service provided by the contractor [REDACTED] had expired and was in the process of being renewed. A recommendation has been made at paragraph 4.15 in relation to this.

**Holme Valley Land Charity**

- 4.6. The Clerk to the Council (HVPC) provided the auditor with the financial documentation pertaining to the Holme Valley Land Charity. HVPC is the corporate trustee of the Holme Valley Land Charity (HVLC).
- 4.7. The auditor was informed by the locum Clerk that information in relation to the Land Charity was stored on a computer. The files held on the computer and the computer was not provided to the auditor. The locum Clerk expressed concerns to the auditor that he believed that a large amount of data had been deleted from the computer. The auditor was unable to verify that this was the case.
- 4.8. Holme Valley Land Charity has two bank accounts, one is a general day to day account (Charities Aid Foundation (CAF) account) and the other account is an investment account (CCLA Ltd COIF Charities Deposit Fund).
- 4.9. The transactions detailed within the bank statements in relation to the investment account were verified for the period examined.
- 4.10. The bank statements for the CAF bank account covering the period 1<sup>st</sup> November 2018 to 31<sup>st</sup> March 2019 were not available for the audit. There was no evidence provided of the income received or expenditure incurred in relation to the same period. Therefore the transactions relating to this period could not be verified. The auditor was unable to verify that the correct amount of funds was held in this bank account after the 31<sup>st</sup> October 2018 as bank account information although requested was not provided.
- 4.11. It was noted that the bank statements for both bank accounts in relation to the Holme Valley Land Charity were addressed to Suites 3 to 5 Victoria Court, 91 Huddersfield Road, Holmfirth which is an address belonging to an accountancy



firm called PI Partners Ltd. This is the registered office of the charity; the Parish Council are based at the Holmfirth Civic Hall.

#### Recommendation 3

The CAF bank statements and relevant supporting documentation in relation to the Holme Valley Land Charity for the period 1<sup>st</sup> November 2018 to 31<sup>st</sup> March 2019 should be located. Once located the Clerk (HVPC) should ensure that the transactions are valid and documents held securely.

#### Recommendation 4

The Parish Council should review the arrangements that are in place with regards to the registered office and the bank accounts of the Holme Valley Land Charity.

- 4.12. There was no supporting evidence (remittance advice slips or invoices) available to fully support the transactions as detailed in Appendix A in relation to the CAF Bank account; therefore the auditor was unable to verify that the transactions were valid.

#### Holme Valley Parish Council

- 4.13. The Parish Council uses a HSBC bank account to undertake the normal day to day running of the Council business. They have funds invested in 2 further accounts, Handelsbanken and CCLA Ltd.
- 4.14. The auditor examined the financial transactions including the bank statements, invoices and remittance advice slips for the two year period. Supporting records relating to the period 1<sup>st</sup> December 2018 to 31<sup>st</sup> March 2019 were unavailable. As such there were no receipts or remittance advice notes to validate the 13 income transactions valued at £1,658. Full details are provided at Appendix B.
- 4.15. 11 transactions detailed in Appendix B, which had the description "Cash in at the Post Office" are believed to be related to toilet honesty box monies, collected and banked by the contractor [REDACTED]

#### Recommendation 5

The arrangements in relation to the collection of income in relation to the toilet honesty box monies should be reviewed to ensure that this is the best method of collecting the money due to the council. The amounts collected by the contractor collecting the toilet honesty box monies should be recorded on the invoice that is sent in by the contractor along with the banking receipt.

- 4.16. There was no evidence available to support 3 expenditure transactions valued at £159.20. The 3 payments relate to a mobile phone bill (£37.10 payable to O2) broadband service provision (£22.10 to Plusnet), and the Holmfirth Civic Hall Charitable Trust valued at £100. The new Clerk should satisfy herself that the payments made are for actual services received in particular that the Parish Council are still in receipt of the mobile phone.

#### Secretarial Services Bureau



- 4.17. The previous Clerk submitted invoices from her personal business Secretarial Services Bureau (SSB) for services provided privately to both the Land Charity and the Parish Council. The auditor examined the invoices paid by the Land Charity and the Parish Council for the period 3<sup>rd</sup> April 2017 to the 31<sup>st</sup> December 2018. The total number of hours claimed for payment was 3,855, valued at £40,477.50. As stated in paragraph 4.3 all payments had been authorised in accordance with the Financial Regulations.
- 4.18. Records in relation to the Clerks' normal working hours although requested were not provided to the auditor. The new Clerk informed the auditor that hours worked at the Parish Council are not recorded and officers are trusted to work the hours which they are remunerated for, as such it makes it impossible to determine whether or not the Clerk had submitted invoices for payment during the times that she was working for the Parish Council.
- 4.19. An analysis was carried out by comparing the invoices received from SSB which had been charged to the Land Charity and to the Parish Council. From the analysis it was identified that the Clerk had submitted invoices for work undertaken totalling 109 hours which are duplicated hours.
- 4.20. As referred to in paragraph 4.4 the analysis revealed that the Clerk had employed her son to assist with digital scanning duties between 5<sup>th</sup> September 2017 and 15<sup>th</sup> December 2017. 303.5 hours were charged at £10.50 per hour totalling £3,186.75 in value for this service. Two invoices were submitted which both covered the same dates and hours worked (18<sup>th</sup> to 21<sup>st</sup> September 2017) by her son, which identified that 16 hours had been duplicated.
- 4.21. The analysis identified that the Clerk had submitted invoices for time worked during what the auditor considers to be normal office hours (Monday to Friday between the hours of 9am and 5pm). 167.25 hours valued at £1,756.12 were claimed by the Clerk. However given that, as already mentioned in paragraph 4.18 above, the Clerk did not record hours worked and annual leave records were not provided, it could not be verified whether the hours claimed were appropriate or inappropriate.
- 4.22. It was noted that many of the hours claimed by the Clerk as per the invoices submitted related to work that would be expected to have been undertaken as part of the normal duties performed by a clerk to the council (attendance at council meetings, writing reports, Freedom of Information requests, bookkeeping etc.). Although as reported at paragraph 4.2 as the employment contract documentation was not provided to the auditor, it could not be verified whether the previous Clerk had claimed for work which should have been undertaken as part of her normal duties.
- 4.23. The invoices paid to Secretarial Services Bureau (SSB) were paid into the personal bank account of [REDACTED] and not into a business bank account. There is potential that [REDACTED] did not pay income tax on the earnings paid by invoice and the Council may wish to alert the HMRC of its concerns.

**Recommendation 6**

The Parish Council should contact HMRC to discuss the possible income tax implications in relation to the payments made on invoice to SSB.

**5. Acknowledgement**

- 5.1. The auditor would like to thank the locum Clerk and the new Clerk of the HVPC for the assistance provided.

## APPENDIX A

**Land Charity Income & Expenditure**

CAF Bank Account (Account Number 00020661 Sort Code 40-52-40)

Income Details as per Bank Statements			
Date	Amount	Bank Statement Description	
03/05/2017	£14.87	BACS 39	
02/10/2017	£9.37	Interest from COIF account.	
Expenditure Details as per Bank Statements			
Date	Method	Amount	Bank Statement Description
10/04/2017	CHQ175	£498.75	Secretarial Services Bureau
12/04/2017	CHQ174	£380.45	Zurich insurance
21/04/2017	DD	£18.32	Planet numbers
17/05/2017	CHQ169	£140.08	
20/02/2018	DD	£6.82	Planet numbers



**Parish Council Income Transactions**

HSBC Bank Account Income		
Date	Amount	Bank Statement Description
07/12/2018	£138.00	Cash in at Post Office
17/12/2018	£47.00	Cash in at Post Office
19/12/2018	£78.00	Cash in at Post Office
05/12/2018	£105.00	Cash in at Post Office
17/01/2019	£138.00	Cash in at Post Office
22/01/2019	£106.00	Cash in at Post Office
06/02/2019	£171.00	Cash in at Post Office
08/02/2019	£2.00	Cheque.
06/03/2019	£33.00	Cash in at Post Office
06/03/2019	£320.00	Cash in at Post Office
20/03/2019	£92.00	Cash in at Post Office
26/03/2019	£200.00	██████ - Dover Lane garage
04/04/2019	£255.00	Cash in at Post Office
Total	£1,685.00	