

Selling Parish Council

Internal Audit Report for the year ended 31 March 2019

I have completed the year-end internal audit of the Selling Parish Council's (the Council) records for the year ended 31st March 2019 and signed off the Annual Internal Audit Report 2018-19 on 22 August 2019.

Members should be aware that my work cannot be relied upon to identify the occasional omission or insignificant error, nor do I actively seek evidence of breaches of trust or statute, neglect or fraud, which may have taken place. It is the responsibility of the Members of the Council to guard against such events, but if during my audit testing such events are discovered I am duty bound to disclose such events to the Council.

I would like to take this opportunity to thank the new Clerk, Ms Wendy Gregory and Ms Bex Ratchford (Mentor) (Min 4vi – 29 July 2019) for their assistance given to me during the audit, the working papers and the original documents were ready for checking/inspection. The Chairman, Cllr Andrew Bowles and Cllr Amanda Saunders who had been the Acting Clerk/RFO from 15 May 2019 (Min 1 – 15 May 2019) were also present during the audit visit.

Previous Audits:

External Audit 2017-18

The new Annual Governance & Accountability Return (AGAR) came into effect for the first time for 2017-18, which meant that for small parish councils like Selling with both gross income (£11,660) and gross expenditure (£9,894) below £25,000 for the year could opt out of the external audit review undertaken by the external auditors PKF Littlejohn LLP. Therefore, there were no matters arising from the External Auditor. The AGAR and associated papers have been posted to the Council's website as required.

Internal Audit 2017 -18

The last Internal Audit Report flagged the need to update the Standing Orders and Financial Regulations, to annually review the Risk Assessment schedule and the Statement of Internal Control, both support the approval of the Annual Governance Statement. Another area to follow-up on is progress with GDPR compliance.

Year-end Internal Audit 2018-19:

The internal audit covered all the internal control objectives listed in the Annual Internal Audit Report section of the new look Annual Governance & Accountability Return (AGAR) 2017-18 Part 2. The visit concentrated on the year-end accounts and the requirements for the completion of the AGAR Section 2 (Accounting Statements), the Asset Register, VAT claims and inspection of the payment arrangements including payroll. Other matters included risk management, insurance cover and the Council's website.

Following my visit there are some observations I wish to bring to Members' attention.

Findings

Members and the Council's Website:

During 2018-19 the Council unexpectedly had to hold an Election, which was contested, Cllr Hobson was elected and attended his first meeting in November 2018. Six months later the Council had an "uncontested" Election in May 2019, with 5 Councillors elected leaving two vacancies. Seeking co-option of new councillors avoids the expense of holding an Election, which cost the Council £1,800 in November 2018.

The website in use during 2018-19 has been replaced with the current design by Vision ICT Ltd. Therefore, it is difficult to comment on the previous website, which doesn't exist anymore. The Council is expected to comply with the Transparency Code for smaller authorities (councils under £25k), which requires additional financial information to be published such as the Asset Register and a listing of all payments made during the year in excess of £100. **Post Audit Note:** The Clerk will be updating the website with the 2018-19 information as soon as possible.

However, there are two statutory requirements the first being the publication of Councillors register of interests, more frequently referred to as Disclosable Pecuniary Interests (DPI's) and the statutory requirement regarding the publication of the Annual Returns (now called AGAR's) commencing with the 2015-16 Return. Both items can be accessed via the "your councillors" and "finances" tabs.

Standing Orders and Financial Regulations:

The Council's Standing Orders based on the NALC Model were updated in September 2016 and are on the website. NALC released a new 2018 Model Standing Orders updating the previous Model (published in 2013) taking account of several important pieces of legislation over the past 5 years. Ideally a comparison between the Council's Standing Orders and the NALC Model should be undertaken, to check for anymore updating required. **Post Audit Note:** Review underway and will be brought to the Council shortly.

Last year I commented on the need to update the Financial Regulations, which had not been reviewed since 2010. The Council duly adopted new Financial Regulations in November 2018 (Min 6 – 21 No 2018). NALC published a new Model Financial Regulations in April 2019. A comparison with the Councils Regulations needs to be done in due course, perhaps a task that a Councillor could do and report back to Council. **Post Audit Note:** This job has been added to the "to do" list.

Both Models can be downloaded from the NALC/KALC websites in a "word" format, which can be customised by the Council to suit Selling PC.

Risk Management, Insurance Arrangements and Asset Register:

The Council had a Long-Term Agreement (LTA) for insurance cover with Aviva, which expired on 31 May 2018. The Clerk sought quotes from Came & Co (Ins Broker) and from Zurich Municipal. The quotes were presented to Council on 23 May 2018. The insurance was renewed with Zurich Municipal (Min 4 – 6 June 2018). The Council's risk assessments should be reviewed annually, but I could not find any minuted evidence this had been done during 2018-19. This may have been missed due to the resignation of the Clerk, Mrs Smart in December 2018. **Post Audit Note:** This job has been added to the "to do" list. A Statement of Internal Control is widely used as a "catch-all" in terms of the "internal control procedures" that should be in place and normally reviewed just before the AGAR is considered as it supports the Annual Governance Statement to be signed off by the full Council as part of the AGAR process.

The former Clerk Mrs Smart used her own personal computer but back-up all the Council files on a portable hard-drive (owned by the Council) and NOT held on her computer. A second copy of the back-up was saved to a flash-drive, which was exchanged monthly with the Chairman of the Council. **Post Audit Note:** The new Clerk Ms Wendy Gregory uses the Councils new laptop purchased by the then Chairman in April 2019 and was re-imbursed in May 2019 (Min 11 – 3 April 2019 & Min 6 b vii – 15 May 2019). Apparently the hard-drive backup is faulty and two new flash-drives have been purchased and will be exchanged monthly with a Councillor.

The Council owns very few assets with a declared value of £7,077 on the Asset Register as at 31 March 2018, which has not changed during 2018-19. The previous Clerk had created a digital photographic library as part of the Asset Register, mentioned in a previous Audit Report. The new laptop mentioned above will appear in the Asset Register for the 2019-20 AGAR.

Budgetary Control/Cashbook:

The previous Clerk Mrs Smart provided a “Draft Level of Reserves and Payment Sheets” for every Council meeting, which was continued whilst acting as the Locum Clerk Dec 2018 – Mar 2019. The minutes record the signing-off of the bank reconciliation, which is best practice.

The Council considered the Budget for 2019-20 at the meeting held on 5 December 2018. A spreadsheet used in previous years comparing the previous year’s actuals 2017-18, the spend to date for 2018-19 and the proposed Budget for 2019-20 was presented by the Locum Clerk Mrs Smart (the spreadsheet has been posted to the website). The Council meeting formally ratified the Budget for 2019-20 and the Precept Request of £20,254 (Min 7 & 8 – 5 Dec 2018).

Payroll, Payments and Income:

The Council’s only employee is the Clerk. The payroll is outsourced to McCabe, Ford Williams, Chartered Accountants, who take care of the on-line submissions to HMRC and provides a segregation of duties. The Clerk was below the earnings threshold to require a workplace pension provision set-up, but the Accountants would advise the Council on any future pension provision responsibilities as they arise. As mentioned earlier Mrs Smart resigned from her position as Clerk but was subsequently retained as a Locum Clerk to undertake limited duties to maintain the website and administrative duties (Min 4 – 5 Dec 2018). A replacement Clerk, Ms Collen Hawkett was appointed from 11 March 2019 (Mins 3 – 25 Feb 2019 & Min 5 – 6 Mar 2019) and attended the first and what appears to be only meeting in April 2019. Mrs Smart’s Locum Clerk role ended on 15 May 2019 (Min 1 – 15 May 2019). **Post Audit Note:** Cllr A Saunders took over as acting Clerk & RFO (Min 1 – 15 May 2019).

As part of the audit a random sample of payments were selected to trace the authorisation of the payments including reference to the Minutes and the bank statements, the previous Clerk Mrs Smart was paid by a monthly standing order with any claims for expenses or overtime by a separately approved cheque payment. There was also a Direct Debit for the electricity supply provided by SSE Energy. Apart from the Election cost mentioned earlier in the Report there was another exceptional expense during the year caused by a challenge to the 2016-17 Accounts amounting to £3,308 plus VAT (Min 7 – 4 July 2018). Mrs Smart had implemented the best practice of including the “cheque number or DD” reference against each payment in the payment details in the Minutes. **Post Audit Note:** Since April 2019 this practice has not been continued. I would urge the new Clerk to re-introduce this practice.

The Minutes also recorded the receipt of any income, when it arose such as the VAT re-imburement for 2017-18 for £281.29 received in May 2018 (Min 6e – 23 May 2018). VAT incurred during 2018-19 amounted to £1,124 to be claimed during 2019-20.

Banking Arrangements:

The Council has two accounts with NatWest Bank with total funds available as at 31 March 2019 of £16,809 with two unpresented cheques - £1,908, leaving a net balance of funds available of £14,901. During my audit visit there was a discussion about the introduction of a corporate credit card and possibly moving to internet banking. By far the most popular internet bank across Kent is Unity Trust Bank, which has created a niche in the banking sector for parish council and charitable organisations looking for simpler banking arrangements but still retaining the “two signatures” authorisation arrangement. I have provided the Clerk with the website details. Unity Trust also offer a corporate credit card facility via Lloyds Bank with an automatic monthly direct debit arrangement to clear the balance and avoid any interest charges. Lots of my clients have Unity Trust as their main current account and are fully backed by the FSCS scheme. The Council’s current bankers, NatWest do not offer a two-signatory facility.

NB Make sure that the Financial Regulations have been amended to permit the setting up of internet banking.

GDPR:

The General Data Protection Regulation (GDPR) came into force on 25 May 2018. The Council approved the adoption of a General Privacy Notice and a Privacy Notice for staff and Councillors in September 2018 (Min 10 – 5 Sept 2018). Both documents are on the website under the “policies” webpage.

One of the areas previously suggested for consideration were dedicated e-mail addresses. The Clerk’s e-mail address is clerk@sellingparishcouncil.gov.uk. I understand the house style email address has been set-up for each Councillor and on the “Your Councillors” webpage there is a link to send an email to any of the 5 Councillors.

David J Buckett CPFA DMS

3 October 2019