

Selling Parish Council

Internal Audit Report for the year ended 31 March 2017

I have completed the year-end internal audit of the Selling Parish Council's (the Council) records for the year ended 31st March 2017 and signed off the Annual Return (Annual Internal Audit Report). The internal audit covered the financial transactions, the internal controls, Council Minutes and the draft final accounts for the financial year ended 31 March 2017.

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 the course of 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, Mrs Glenda Smart for her assistance given to me during the audit, the working papers and the original documents were ready for checking/inspection.

Previous Audits:

External Audit 2015-16

The external auditors PKF Littlejohn LLP signed off Section 3 of the Annual Return for the year ended 31 March 2016 on 24 August 2016. There were no comments made other than the lack of a contract for the former Clerk Ms Shaw. I made sure that the new Clerk is aware that all the External Audit firms have been instructed to be more rigorous in their approach to the "Limited Assurance Regime" for the 2016-17 reporting season. Any errors on the Annual Return or digressions from "proper practice" as dictated by the Practitioners' Guide and guidance notes on the Annual Return will now be reported as "except for" matters.

Internal Audit 2015 -16

My first Internal Audit Report for the Council highlighted the importance of having a good website, which must now contain copies of the Annual Returns as well as the Disclosable Pecuniary Interests of Councillors. It also referred to the new regime for approving and publicising the Annual Return. And compliancy with the Transparency Code for Smaller Authorities with a turnover below £25,000pa. Other matters highlighted was the need to update the Standing Orders and Financial Regulations and the outstanding VAT claims for 2014-15 and 2015-16.

Year-end Internal Audit 2015-16:

The internal audit covered all the internal control objectives listed in the Annual Internal Audit Report section of the Annual Return. The visit concentrated on the year-end accounts and the requirements for the completion of the Annual Return 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:

As part of my audit I reviewed the content of the Council's website, which is becoming more important as a method of communication with residents as well as being part of the statutory requirement for the publication of Councillors register of interests, more frequently referred to as Disclosable Pecuniary Interests (DPI's) and the new statutory requirement regarding the publication of the Annual Returns commencing with the 2015-16 Return. The Annual Returns must be available for "public access" for a period of 5 years from the date of publication (as per Accounts & Audit Regulations 2015). The easiest and probably the preferred means of public access is via your website. The website has a "Finances" tab with a drop-down link to the 2015-16 Finances, which includes the Annual Return requirements. The Clerk will be shortly establishing a 2016-17 Finances page.

Members will be aware of the Transparency Code, which was detailed in my Report last year, considered by the council at the November 2016 meeting (Min. 11). This requires smaller authorities with a turnover below £25,000 pa like Selling to publish a lot more information on its website, effective from 1 April 2015. Most of the additional information must be published annually, like the list of all payments above £100, a list of public land and building assets owned by the Council and the Annual Return. Agendas and Minutes must also be published within the timescales set by the Code. The website used to be managed by a volunteer who uploaded material provided by the former Clerk and then the Chairman during the short period when the Council had no appointed Clerk. The website is now managed by the new Clerk, considering the Clerk only took up her post in Mid-October 2016 the website is much improved and is being populated with the relevant information required by the Code on a regular basis. There are new pages and menu items and the DPI link to the Swale BC website has been re-established. The latest improvement has been the addition of the supporting documents presented as part of the agendas considered by Members, which began in February 2017. The "Policies" page will be "added to" as existing policy documents are reviewed and new ones approved helping to create the electronic filing cabinet for all the Councillors and parishioners to view, as recommended in my previous Report.

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. The front page describes them as the Standing Orders 2010 with a schedule of revisions and amendments made since then. The current NALC Model is based on a completely new version published in 2013, hence the first few references to revisions are superfluous as they refer to previous sets of standing orders. Why not "rebrand" the Standing Orders as 2016? A more important issue is the Financial Standing Orders, which were last adopted on 7 July 2010! I realise that the Council does not have a large annual budget with few contracts of great value, but nevertheless the adoption of the NALC Model Financial Regulations published in January 2016 would bring the Council up to date in terms of financial management. The advantage of using the NALC Model is that any future amendments required due to legislative changes (e.g. Procurement changes in 2015) will be notified by NALC via one of their "Briefing Notes". There will be sections

of the Financial Regulations that will not be applicable to Selling PC, such as the section on “charities”, but these can be crossed out.

Risk Management, Insurance Arrangements and Asset Register:

The Council has a Long-Term Agreement for insurance cover with Aviva, which expires on 31 May 2018. The insurance policies were inspected and are in-line with the standard conditions for parish councils. The £150,000 Fidelity Guarantee cover is adequate for the Council’s needs. Last year the former Clerk gave me a copy of the Risk Assessment carried out in February 2015, which covered the financial management risks and the physical risks to assets and electronic data. The Clerk, Glenda Smart showed me the back-up arrangements to a portable hard-drive she has in place for the Councils files, which are NOT held on her personal PC. Ideally the portable hard-disk should be swapped with say the Chairman of the Council at each monthly Council meeting, but this will require the purchase of a second hard-drive.

The risk assessment should be reviewed annually. To supplement this I have also provided the Clerk with a Statement of Internal Control, widely used by my other clients as a “catch-all” in terms of the “internal control procedures” that should be in place and similarly reviewed annually. Both documents support the Annual Governance Statement to be signed off by the full Council as part of the Annual Return process.

Part of the risk management arrangements should include the back-up of the computer systems and files and can easily be done by the exchange of memory sticks between the Clerk and Chairman (or other nominated Councillor) at each Council meeting. The Council does have a portable hard drive which was purchased following a risk assessment conducted in February 2015. **Post Audit Note:** A back-up should be one of the first tasks for the new clerk.

The Council owns very few assets with a declared value of £7,695 on the Asset Register published on the website as at 31 March 2016. The only change to the Asset Register is the removal of the computer, which reduces the value to £7,077 as at 31 March 2017. I discussed the suggestion made last year of creating a digital photographic library as part of the Asset Register. It is on the Clerk’s “to do list”.

Budgetary Control/Cashbook:

The Clerk provides a “Draft Level of Reserves and Payment Sheets” for every Council meeting, something she inherited from the previous Clerk. Whilst this shows the “cash position” of the Council it does not show the actual spend against approved budget. For a council of this size a quarterly Budget Monitoring Report would suffice, which would incorporate a bank reconciliation statement, similar in style to the one produced at the Year-End for the Annual Return. There may be a need to produce an additional Report to coincide with the Budget/Precept meetings. The regularity would normally be stipulated in the Council’s Financial Regulations.

The Council held a Budget meeting on 14 December 2016 to consider the Budget and Precept requirements for 2017-18. The January 2017 Extraordinary Council meeting formally ratified the Budget and the Precept Request of £10,056 for 2017-18 was approved (Min 3 – 25 Jan 2017). I noted that one Councillor voted against the proposal declaring it “totally illegal”. From the evidence provided to me by the Clerk, this is absolute nonsense.

The cashbook is maintained on Excel spreadsheets inherited from the previous Clerk. I have had several discussions with the Clerk about some improvements to the spreadsheet, mainly to breakdown the income and expenditure providing more columns, making it easier for all to understand. The Clerk is planning to make some improvements for the new financial year 2017-18.

Payroll, Payments and Income:

The Council had two employees during 2016-17, the former Clerk, Mrs Shaw and the current Clerk. The payroll is out-sourced to McCabe, Ford Williams, Chartered Accountants, who take care of the on-line submissions to HMRC and provides a segregation of duties. The Clerk is below the earnings threshold to require a workplace pension provision set-up, but that the Accountants would advise the Council on any future pension provision responsibilities as they arise.

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 former Clerk was paid by a variable Standing Order scheduled for the 24th of the month, the current Clerk is paid by cheque. There was also a Direct Debit for the electricity supply provided by SSE Energy. It would be best practice if the payment details in the Minutes included the “cheque number or DD” reference against each payment.

The Minutes also record the receipt of any income, when it arises.

The former Clerk submitted the VAT Claim for the years 2014-15 (£433.84) and 2015-16 (£209.20) before she left the Council. This leaves a sum of £ 423.27 to be reclaimed for 2016-17.

Banking Arrangements:

The Council has two accounts with NatWest Bank with total funds available as at 31 March 2017 of £13,008 with one unrepresented cheques for £72.

Other matters:

Clerk advised me of the “bullying” tactics of one Councillor. The Council has a duty of care to its employees and needs to be aware of this duty and take the appropriate action to avoid any grievance scenario. The officers at KALC will be able to advise the Council of its duty of care.

David J Buckett CPFA DMS

15 April 2017