

Selling Parish Council

Internal Audit Report for the year ended 31 March 2018

I have completed the year-end internal audit of the Selling Parish Council's (the Council) records for the year ended 31st March 2018 and signed off the Annual Internal Audit Report 2017-18. The internal audit covered the financial transactions, the internal controls, Council Minutes and the draft final accounts for the financial year ended 31 March 2018.

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 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. The Vice-Chairman, Mrs Deborah Cook was also present during the audit visit, I hope she was enlightened about the independent internal audit process that I conduct.

Previous Audits:

External Audit 2016-17

Although the external auditors PKF Littlejohn LLP signed off Section 3 of the Annual Return for the year ended 31 March 2016 on 25 September 2017 it had a caveat regarding the certification of the "Completion of the Audit", due to the receipt of correspondence from an elector. I was surprised to hear that this matter had not been resolved.

Internal Audit 2016 -17

My last Internal Audit Report highlighted the improvements to the website, which has continued to improve. Other matters included the need to update the Standing Orders and Financial Regulations, the creation of a digital photographic library of the Council Assets and the "duty of care" towards the employees of the Council.

Year-end Internal Audit 2017-18:

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:

As part of my audit I reviewed the content of the Council's website including the two statutory requirements for 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 commencing with the 2015-16 Return. Both items are complete and can be easily accessed via the "your councillors" and "finances" tabs.

Members will be aware of the Transparency Code, which has been detailed in my previous Reports. 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. The Clerk has improved the content on the Council's website, which is provided by Ipage via a hosting package, which includes the e-mail address used by the Clerk clerk@sellingparishcouncil.org.uk The financial information includes the Annual Returns, Budget & Precept, Asset Register, Payments and the Financial Regulations, well done.

The Clerk is the "webmaster" and has obviously spent some time uploading the data to the website. During 2017-18 the Council was successful in getting a Transparency Fund Grant towards the cost of setting up the website and continual maintenance. The grant for £450 was minuted as being received at the 6 September 2017 Council Meeting (Minute 5 ii). This grant should have been used to pay the Clerk for the work she has done on the website. To date no such payment has been made either via an overtime claim or an uplift to the Clerk's contracted hours, which are currently, 7 hrs per week. This MUST be rectified or otherwise the Council should repay the Grant! Please note that the grant is a one-off as the Transparency Fund was closed to new applications on 31 March 2017. Councils are expected to self-fund the cost of future maintenance of the website, which I assume will require a permanent adjustment to the Clerk's contracted hours to take account of the time spent maintaining the website. I noted that Cllr Elvy had been asked to act as a mentor to the Clerk regarding her employment and contract (Min. 8 – 6 Sept 2017)

Since my last audit report Cllr Deal has resigned and following an uncontested election Cllr Andrew Neame was elected to the Council.

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 have just 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. The Financial Regulations have not been reviewed since 2010 and need reviewing using the 2016 NALC Model Financial Regulations.

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's needs. This task should be done over the next 12 months.

Risk Management, Insurance Arrangements and Asset Register:

The Council has a Long-Term Agreement (LTA) for insurance cover with Aviva, which expires on 31 May 2018. The Clerk will be writing to Came & Co to request them to seek at least 3 competitive tenders for a renewal of the 3-year LTA. **Post Audit Note:** - The Clerk has e-mailed Came & Co. The £150,000 Fidelity Guarantee cover is adequate for the Council's needs.

The Clerk advised me of the back-up arrangements to a portable hard-drive (owned by the Council) she has in place for the Council's files, which are NOT held on her personal PC. A copy of the back-up is saved to a flash-drive, which is exchanged monthly with the Chairman of the Council.

The Council's risk assessment should be reviewed annually and supplemented with a Statement of Internal Control, widely used 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 AGAR process.

The Council owns very few assets with a declared value of £7,077 on the Asset Register as at 31 March 2017, which has not changed during 2017-18. The Clerk has created a digital photographic library as part of the Asset Register, mentioned in my last Audit Report.

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 or a proper bank reconciliation statement like the one that will be prepared for the Year-end to support the Accounting Statements, something along these lines could be introduced to supplement the existing payment schedules provided by the Clerk.

The Council held a Budget meeting on 6 December 2017 to consider the Budget and Precept requirements for 2018-19. The spreadsheet provided details of the previous year's actuals (2016-17), the spend to date for 2017-18 and the proposed Budget for 2018-19. The Council meeting formally ratified the Precept Request of £11,029 a 6.02% increase.

Payroll, Payments and Income:

The Council's only employee is 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 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 Clerk was paid by cheque, but this changed to standing order in December 2017. There was also a Direct Debit for the electricity supply provided by SSE Energy. The Clerk has recently implemented the best practice of including the "cheque number or DD" reference against each payment in the payment details in the Minutes.

The Minutes also record the receipt of any income, when it arises, which included the Transparency Fund Grant previously mentioned as well as the VAT re-imburement for 2016-17 for £424.26 received in May 2017.

Banking Arrangements:

The Council has two accounts with NatWest Bank with total funds available as at 31 March 2018 of £14,981 with one un-presented cheque for £279, leaving a net balance of funds available of £14,702.

AGAR 2017-18

2017-18 is the first year that smaller authorities like Selling PC can seek exemption from the “limited assurance review” carried out by PKF Littlejohn, who have been appointed the external auditor for Kent Town & Parish Councils for another 5-year term.

The Annual Return as explained earlier is now known as the Annual Governance & Accountability Return (AGAR) 2017-18. The AGAR has three parts, but a parish council can only complete part. Selling PC meets the criteria to certify itself exempt from a limited assurance review, which means it only needs to send the Certificate of Exemption (page 3 of the AGAR Part 2 form) to PKF Littlejohn together with details of the Public Rights Inspection period. The Clerk knows what is required and can explain to Councillors at the time the AGAR is approved by the Council.

In all other regards the completion of the AGAR and the publication of it simultaneously on the website and the Council’s public noticeboards is no different to previous years. The Public Consultation and right to inspect the accounts etc is no different.

Other Matters

GDPR

The General Data Protection Regulation (GDPR) comes into force on 25 May 2018. At this stage I am only seeking to establish that the Council are aware of the Regulation and are planning their response to the implementation deadline and the appointment of a Data Protection Officer (DPO). This time next year I will be reviewing what the Council actually did to comply.

David J Buckett CPFA DMS

14 April 2018