

Eastling Parish Council

Internal Audit Report for the year ended 31 March 2019

I have completed the year-end internal audit of the Council's records for the year ended 31st March 2019 and signed off the Annual Internal Audit Report on 10 April 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 Parish Clerk, Mrs Wendy Licence for her assistance given to me during the audit itself.

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 Eastling with both gross income (£5,779) and gross expenditure (£4,456) 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.

Internal Audit 2017-18

There a few matters to follow up on from my Report for 2017-18 including review of the Standing Orders and GDPR compliance. This audit will follow up any matters arising.

Year-end Internal Audit 2018-19:

The internal audit covered the internal control objectives listed in Annual Internal Audit Report of the new style Annual Governance and Accountability Return (AGAR). The visit concentrated on the year-end accounts and the requirements for the completion of the Accounting Statements, the Asset Register, VAT claims and inspection of the payment arrangements including payroll. Other matters included website content, risk management, insurance cover and any service specific issues.

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

Findings

Members and the Website

The Council uses the free website designed by EiS Kent a "not for profit" business unit of Kent County Council, the Clerk is the "webmaster". It contains the two statutory items being the Disclosable Pecuniary Interests (DPI's) of Councillors, which has been updated to reflect the uncontested Election in May 2019. The DPI's can be viewed via a link to the Swale BC website. The other statutory requirement, other than the information required as part

of the Transparency Code for Smaller Authorities, is the AGAR formerly known as the Annual Return. The 2018-19 AGAR is on the website following sign-off by the Council on 15 May 2019 including the Certificate of Exemption from the need for an External limited Assurance Review. Other financial information includes the schedule of payments made during the year that were above £100, a Transparency Code requirement.

The website is populated with a Policies & Procedures section including Standing Orders and Financial Regulations which were both approved in January 2017, although the Standing Orders were reviewed again in May 2018 (Min 13 – 31 May 2018) using the NALC Model issued in April 2018.

NALC published a new Model Financial Regulations in April 2019, which I would suggest that the Council reviews its current Regulations against the new Model and updates accordingly. **Post Audit Note:** The Clerk has advised that the new Model Regulations is being considered in September 2019.

The last published Minutes available on the website is the Draft Minutes of the Annual Parish Meeting held on 15 May 2019. There are no draft minutes for the Council Meeting held on 31 July 2019, which I assume is because the Minutes have not been approved and will not be until the September 2019 Meeting. I strongly recommend that the “draft” Minutes are published on the website as soon as possible, a note can be added advising the “reader” that these Minutes are subject to approval by the Council at its next bi-monthly Meeting and may change, although most changes are typing or similar minor corrections. **Post Audit Note:** The Clerk advised that she went on holiday straight after the July Meeting hence the reason for the draft minutes not being on the website.

Risk Management/Insurance/Asset Register:

The Council’s insurance cover was provided by Inspire (AXA) including Fidelity Guarantee cover to £150,000 as part of the Long-Term Agreement due to expire on 8 February 2020. The renewal of terms was agreed by Council in January 2019 (Min 10iv – 16 Jan 2019)

The Council carried out the required annual review of the Risk Assessment Policy in November 2018 (Min 11 - 7 Nov 2018). The Policy is on the website.

There were no amendments required to the Council’s Asset Register during 2018-19.

Budgetary Control and Bookkeeping:

The Council receives regular updates on the Council’s financial position from Cllr Payne. At the January 2019 Meeting the Council considered the Budget proposals for 2019-20 and agreed a Precept Request of £5,116 (£5,137 for 2018-19), equivalent to a £35 Band D Council Tax levy, no change from last year (Min 10iii – 16 Jan 2019).

The accounting records were provided to me by Cllr Payne. The payments spreadsheet needs to show the amount of VAT paid on each invoice where applicable, which can be reclaimed usually in the following year. The amount of VAT paid during 2018-19 is not shown within the accounting records and needs to be to enable reconciliation with any future VAT claim. In theory the schedule of other payments shown in the Income & Expenditure Account for 2018-19 should include the amount of VAT paid rather than included in the various expenditure heads.

The Council should be accounting on a strict “Receipts and Payments” basis, i.e. a “cash” basis. However, included in the 2018-19 Accounts and the AGAR figures are 5 payments made in April 2019 amounting to £491.46, the

largest sum being £334.95 relating to the Village Hall, which I believe has been treated as a creditor. This is an unnecessary complication.

A VAT claim for the period from 1 June 2017 to 31 March 2018 amounting to £229.64 was received in August 2018.

Payroll and Payments:

The HMRC on-line Real Time Information system is used to calculate any PAYE and NI liability and the Council has agreed to pay pension contributions to NEST for the Clerk. The Clerk is contracted to work 12 hrs per month and is paid on a quarterly basis.

The management of the payments is carried out by Cllr Payne, which includes a BACs payment facility via the new bank account with NatWest. I found no errors or omissions in the Excel spreadsheet used to manage the accounts, although VAT on expenditure needs to be identified as mentioned above.

Bank Accounts:

At the 31 March 2019, the Council had two bank accounts with Nat West, the current account carried a balance of £50.00 with all other monies in a Business Reserve account, which had a balance of £5,485. There were four outstanding payments listed relating to payroll at the yearend amounting to £157. A copy of the year-end Bank Reconciliation is on the website as required by the AGAR and Certificate of Exemption rules for the year ending 31 March 2019.

GDPR:

The General Data Protection Regulation (GDPR) came into force on 25 May 2018. The Council at its meeting in September 2018 (Min 11 – 4 Sept 2018) approved a Record Management Policy, a Data Protection Policy, a Subject Access Request Policy and a General Privacy Notice as well as completing a Data Audit. All these documents have been uploaded onto the website under the “Policies & Regulations” webpage.

The Council decided not to pursue separate email addresses for “Council” business (Min 11ii – 7 Nov 2018), when debating the KALC briefing paper by John Rivers (a member of the KALC Executive and parish councillor) titled “Data Protection Act 2018 (GDPR) ~ Encryption: Part 2 Emails by John Rivers”.

David J Buckett CPFA DMS

5 September 2019