

## **Egerton Parish Council**

### **Internal Audit Report for the year ended 31 March 2016**

I am pleased to report to Members of the Egerton Parish Council (the "Council") that I have completed the year-end internal audit of the Council's records and final accounts for the 2015-16 financial year ended 31 March 2016. There are no significant matters to report and I have accordingly completed and signed off the Annual Return (Annual Internal Audit Report) on 21 April 2016.

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 Clerk to the Council, Mrs Heather James for the assistance she gave me during the audit, which as last year was carried out over two mornings on the 24<sup>th</sup> March & 21<sup>st</sup> April 2016. I would also like to thank Cllr Mrs Alison Richey who attended both meetings and provided the Telecottage Accounts and went through the establishment of the new quarterly magazine, the Egerton Update and its bank account!

#### **Previous Audits:**

##### External Audit 2014-15

The Annual Return for 2014-15 was signed off by PKF Littlejohn on 15 September 2015. There were no comments from the Auditors.

##### Internal Audit 2014-15

My Report for last year raised several matters, which need attention during 2015-16. These matters will be considered in this Report.

#### **Year-end Internal Audit 2015-16:**

#### **Findings**

The Audit was carried out over two mornings on the 24<sup>th</sup> March & 21<sup>st</sup> April 2016 and covered the main internal control systems including income collection and invoicing arrangements to the payment of invoices through to the bank accounts. Insurance policies and risk management arrangements were also inspected together the supporting documents for the completion of the year-end accounts and the Annual Return such as the Asset Register and Bank Reconciliation.

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

### **Council's Website and future External Audit arrangements:**

Last year I raised the issue about the statutory requirement to publish details of the individual Disclosable Pecuniary Interests (DPI's) declared by Members and their partners on the Parish Council Website. The same information should also be published on the Ashford BC website. I am pleased to say that the required DPI information is available on the parish website via a link to the Ashford BC website. I would suggest that the Clerk occasionally checks that the web-link is working. The Clerk advised me that the website, which is designed/supported by the KCC EIS, who also provide websites for schools across the County, are developing a new website platform for parish councils. Training sessions will be provided once the roll-out of the new website design begins. The Council's website already contains a lot of detail about the parish council and what it does. It will be important to make sure this detail is transferred over to the new website.

The Council's agendas and minutes are regularly posted to the site, but apart from the monthly listing of payments within the Council Minutes there is very little financial information about the Council on the website. Under "other matters" at the end of this Report I comment on the greater emphasis on Corporate Governance", the publication of the Council's Annual Budget, the Budget Monitoring Reports should form the basis of the type of financial information that should contribute to the greater openness and governance of the Council's activities. The Clerk has advised that she will address this matter by adding financial appendices to future sets of published Minutes.

The External Audit Review regime will continue for this Council, although the External Auditor may change from the 2017-18 financial year at the expiry of the existing PKF Littlejohn LLP contract. The Council has recently approved the appointment of the Sector Led Body for the appointment of a new External Auditor from 1 April 2017. As announced by NALC, SLCC and the ADA the Government has allowed these three organisations to establish a "Sector Led Body" (SLB) to effectively procure the external audit services for smaller councils and drainage boards. A new Company called Smaller Authorities' Audit Appointments Ltd (SAAA) has been formed by the three organisations in association and on behalf of DCLG (Department for Communities and Local Government). SAAA will set the contract specification, tender and appoint the external auditors to a 5-year contract starting from 1 April 2017. The SAAA will manage the new external auditors and assign an external auditor to each smaller council. The SAAA will set a scale of external audit fees for smaller councils. The SAAA intention is that the fee rates will not exceed the current levels charged by PKF Littlejohn set by the Audit Commission to last until the 2016-17 Audit (i.e. the end of PKF Littlejohn's contract), BUT until the external audit contracts have been awarded the SAAA cannot provide a definitive scale of fees. The outcome of the tenders and award of contracts is expected later this calendar year.

### **Standing Orders and Financial Regulations:**

The Financial Regulations were reviewed in March 2016, although I was surprised to see the matter being discussed under "any other business". The updated version is available of the Council's website. Cllr Richey and the Clerk confirmed that the Standing Orders are to be reviewed early in the new Municipal Year.

### **Insurance, Risk Management and Asset Register:**

The Council's insurance cover was put out to tender last June/July. The Finance Committee met in July to discuss the tenders from Zurich Municipal and quotes via Came & Co (Brokers). The quote from Zurich

Municipal was considerably cheaper than the quotes received from Came & Co. Came & Co. were asked to look at their prices as they had provided a good service to the Council for a number of years. By the time the Council considered the insurance quotes at its meeting on 4 August 2016, Came & Co had been able to secure a cheaper quote than Zurich Municipal. A 3-year Long Term Agreement was awarded to Hiscox, one of the quotes received by Came & Co.

In previous Reports I have praised the way the Council conducts the reviews of its Risk Assessments, especially those covering the higher risk areas like play areas. There is a weekly visual inspection of all the play facilities carried out by either the Clerk or Councillors, which is supplemented by a monthly inspection by Ashford BC and a RoSPA style annual inspection.

The Council has introduced an Annual Statement of Internal Control, which is considered alongside the Annual Governance Statement in Section 2 of the Annual Return.

Last year I mentioned the issue raised by the external auditors PKF Littlejohn LLP on the valuation of Assets shown in the Annual Returns. The value of assets held by a parish council is shown in Box 9 in Section 1 of the Annual Return. Strictly speaking the value shown in Box 9 should be the original cost of the asset and where not known a proxy value such as the insurance value used. The commercial concept of depreciation and appreciation of assets does NOT apply to Local Councils.

During the last year the Clerk and Cllr Richey have checked the Asset Register of the Council and the separate Telecottage Register. This review has resulted in a correction of the total asset value in Box 9 of the Annual Return, which has been mentioned in the Variances Schedule submitted to PKF Littlejohn. The March 2015 value was £293,591; this has been reduced to £262,019 as at 31 March 2016. I have provided the Clerk with some example Asset Registers, which the Council may care to adopt in the future.

### **Bookkeeping & Budgetary Control:**

The monthly financial reporting to the Council has remained the same for some while. However, the “minuting” merely states “approval of the accounts for the month”. Earlier in this Report I referred to the need to include more financial information on the website. Copies of the monthly financial reports could be posted with the resultant “minutes”, which should mention more detail of what is seen/reviewed by Councillors at the monthly meetings. The Finance Committee discussed the Budget/Precept proposals for the forthcoming year on 10 November 2015. The Council subsequently approved a precept of £17,402 for 2016-17 (Min 7 – 1 Dec. 2015), a 1.47% increase. The Finance Committee Minutes should be made available on the Council’s website so parishioners are made aware of discussion that takes place prior to approving the Precept.

### **Payments, Income, Payroll and VAT.**

The approved schedule of payments prepared by the Clerk in advance of the Council meetings are recorded in the Minutes giving details of the cheque number, payee and amount, although most payments are now processed by BAC’s were ever possible.

Random checks were carried out on the payment arrangements and the invoicing across all the activities of the Council including the Games Barn, the Telecottage and the Egerton Update magazine. The bookkeeping of the last two areas of activity, the Telecottage and Egerton Update are managed by Cllr Alison Richey. Across all the accounting spreadsheets and bank accounts, no anomalies were found.

The Clerk uses the Inland Revenue software to calculate the PAYE and NI position. The year-end return and P60 had been satisfactorily produced.

The VAT for 2014-15 amounting to £1,179 was repaid in May 2015 and covered the VAT elements of the Games Barn and Telecottage as well as the other Council activities. The VAT claim for 2015-16 amounts to £3,321, the Parish Council £2,980, Games Barn £74 and the Telecottage £267.

### **Banking Arrangements:**

The Council's Lloyd's Bank banking arrangements during the audit year remained largely the same with the addition of a new separate account for the Egerton Update magazine. The Council at its meeting in January 2016 approved the annual advertising rates for the Magazine ranging from £45 for a 1/12<sup>th</sup> page to £450 for the back page. It is hoped that the advertising revenue will cover all the magazine costs and if there is a small surplus this should go to "good causes" around the Village.

The bank balances as at 31 March 2016 across all the accounts amounted to £61,907 compared to £61,335 the previous year. The Clerk will need to provide another explanation for the high level of Reserves (more than twice the Precept i.e. £61,907 compared to £17,150) to satisfy the External Auditor, PKF Littlejohn.

### **Other Matters:**

#### Community Assets

The Council has successfully applied to make the George pub and the Egerton Village Stores Community Assets. Another initiative to facilitate the re-location of the Pre-school to free up the block-booking of the Village Hall has moved on with the plans approved. The accumulated funds in the Village Hall Improvement Fund increased substantially during 2015-16 rising from a Fund balance as at 31 March 2015 of £7,010 to £18,380 as at 31 March 2016.

#### Clerk – pension provision

During my brief conversation with the Clerk I did mention the need to consider a pension scheme for employees of the Council, although there are eligible and non-eligible criteria to consider such as level of gross pay and age. I understand the "staging date" for the Council is November 2016, by which time the Council should have some proposals in place to provide a pension scheme.

#### Corporate Governance

When the Council considers the Annual Return for 31 March 2016 the Clerk will advise Members of the change of emphasis whereby the Council will have to agree and acknowledge their responsibilities for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. Effectively the Annual Governance Statement for 2015-16 has to be considered and approved BEFORE the Accounting Statements and separately "minuted" to demonstrate this. The signed Annual Return has to be posted onto the Council's website by 30 June 2016. This Council has adopted a strong sense of corporate governance, which is in part delegated to the Finance Committee. There is room for improvement by better use of the website for publishing more information, although this may be best deferred until the new website becomes available.

There has been some positive feedback on the new style parish magazine from residents, which does include content from the Parish Council.

**David J Buckett CPFA DMS**

**11 May 2016**