

Egerton Parish Council

Internal Audit Report for the year ended 31 March 2014

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 2013-14 financial year ended 31 March 2014. There are no significant financial matters to report and I have accordingly completed and signed off Section 4 of the Annual Return on 24 April 2014.

Members should be aware that my work cannot be relied upon to identify the occasional omission or insignificant error, or to disclose breaches of trust or statute, neglect or fraud which may have taken place, and which it is the responsibility of Members of the Council to guard against.

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 27th March & 24th April 2014. The Chairperson Mrs Alison Richey attended the second meeting and provided the Telecottage Accounts and assisted with the year-end bank reconciliation of the 7 bank accounts.

Previous Audits:

External Audit 2012-13

The external auditors PKF Littlejohn signed off Section 3 of the Annual Return for the year ended 31 March 2013 on 21 September 2013. There were several issues raised by the Auditor, the most important being the failure to complete and approve Section 2, the Annual Governance Statement by 30 June 2013. No explanation for this omission was provided. Other matters included the incorrect precept figure used in Box 2, which had mistakenly included other grants from the precepting authority and there was no explanation for the high level of reserves held by the Council as requested. Hopefully these largely administrative errors will not occur for the March 2014 Annual Return.

Internal Audit 2012-13

Ironically the identification of the various reserves was a matter I had flagged up in earlier Internal Audit Reports. Other than the recommendation to compile a digital photographic record of all the Council's assets there were no major issues for the Council to consider from the 2012-13 Internal Audit.

Year-end Internal Audit 2013-14:

Findings

The Audit was carried out over two mornings on the 27th March & 24th April 2014 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 Agendas, Minutes and Members:

The Council agendas and minutes are available on the Council's website as is the Council's Code of Conduct, which was updated with some amendments provided by Ashford BC at the December 2013 meeting. One of the specific requirements of the Localism Act 2011 is the publication of details of the individual Disclosable Pecuniary Interests declared by Members and their partners. The Monitoring Officer at Ashford BC has to ensure that the Register of Disclosable Pecuniary Interests (DPI's) and non-pecuniary interests of all the Members of the Parish Council are published on the Borough Council's website and where individual parish councils have their own website, the same information has to be made available on the parish council website (Section 29(6) and (7) of the Localism Act 2011). There is no DPI information available on the Council's website and I have not been able to find any details of parish councillor DPI information on the Ashford BC website. The Clerk advised me that she had attended an Area KALC meeting on behalf of the Chairperson where it was suggested that "parish councils need not worry about doing anything with DPI forms onto web sites until 2015 after the next elections".

(POST AUDIT NOTE – In my view this is bad advice. I have been in touch with the KALC Secretary who was not at this Area KALC meeting and will be conferring with Clive Powell, the KALC Adviser, as the minimum should be a link to the Ashford BC website. This needs to be taken up with the Monitoring Officer at Ashford BC as a matter of urgency, who should be able to supply the web-link to post onto the Egerton PC website.)

Standing Orders and Financial Regulations

The Council adopted a new set of Standing Orders at its meeting held on 7 May 2013 (Min Matters Arising [j]) and requested the Clerk to post the Standing Orders on the Council's website together with the Financial Regulations. I did query this with the Clerk as I could not find the documents on the website. This matter may have been resolved by the time Members read this Report.

NALC launched a new book titled "Local Councils Explained" written by NALC's Head of Legal Services, Meera Tharmarajah last autumn 2013. Contained within the book is NALC's new Model Standing Orders which are also available in a down-loadable version available via their website. I would strongly advise purchasing this readable book and compare the existing Standing Orders against the new Model Standing Orders. I have provided a downloaded copy of the Standing Orders to the Clerk.

With regard to the Financial Regulations, NALC has issued a Financial Briefing (F04E-14) advising that the Legislative Reform Order (LRO) to repeal s. 150(5) of the Local Government Act 1972 came into force on 13 March 2014. This long awaited reform allows local councils to abandon the "two signature rule". However, the Financial Briefing emphasised the need for local councils to put in place "safe and efficient arrangements" before abandonment of the two signature rule. It is essential that those local councils wishing to take advantage of this relaxation continues to maintain robust procedures and controls as part of the Council's overall financial control system.

NALC has re-issued their Model Financial Regulations, which was originally issued as a “consultation draft” in July 2012, when changes to the two signature rule was first proposed. There are a few changes from the consultation draft, which include the following:-

- A council’s accounting control systems must include measures to provide for the safe and efficient safeguarding of public money.
- Regular review of bank mandates of all council bank accounts
- An optional financial regulation is the seeking of credit references in respect of councillors and employees who act as signatories
- Councillors who are bank signatories, who have declared a disclosable pecuniary interest, or has any other interest, must determine whether it is appropriate and/or permissible to be a signatory to the transaction in question.
- Where council’s introduce payments by direct debit, by standing order, by BACS/CHAPS, these payment methods should be renewed by council resolution at least every two years

NALC’s Financial Briefing also referred to the new Appendix 11 to the Governance and Accountability for Local Councils – A Practitioner’s Guide (England) 2010. Appendix 11 entitled “Safeguarding Public Money” provides guidance to local councils wishing to take advantage of the modern payment methods, whilst safeguarding the public assets in their care. It goes into great detail, describing the various types of “money” (e.g. credit/debit cards, electronic transfers), the reasons for repealing s. 150(5), the roles and responsibilities of Councils (as the responsible corporate body) the Responsible Financial Officer (RFO) and councillors.

I gather the Finance Committee has considered these new freedoms and the Chairperson and Clerk will be visiting the bank to enquiry about internet banking and will report back to the Council/Finance Committee. Whatever the outcome the Council’s Financial Regulations will need to be updated. The Clerk advised me that the Council is to continue with the two signature rule. I have provided the Clerk with the new Financial Regulations Model and associated Appendix 11 information.

(POST AUDIT NOTE – I understand from the Clerk, the Council will be utilising internet banking facilities, with the Clerk being given “administrative access” to all the bank accounts, but the “authorising rights” will remain with the nominated Members authorised to sign cheques. The various bank mandates and the setting up of passwords need to be done)

Risk Management, Insurance Arrangements and Asset Register.

The Council’s insurance cover is with Aviva via the insurance broker Came & Co. There is a long term agreement (LTA) in place until 31 July 2015, but there are separate policies for the Games Barn and Telecottage. The insurance policies expect a level of risk management to be undertaken by the Council especially for 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. The inspection sheets are held in the Clerk’s Office. The play equipment manufacturer, Wicksteed also carry out a RoSPA style annual inspection and produce a report considered by the Council in July. I have provided the Clerk with a Statement of Internal Control and samples of a Risk Assessment schedule, which would bring together all the areas of risk to be monitored by the Council. Ideally this schedule and Statement of Internal Control should be reviewed annually complementing the Annual Governance Statement in Section 2 of the Annual Return.

The insurance schedules of assets covered have up to now mirrored the Asset Register i.e. Buildings £212,741 and Property £44,194. The total value of assets as at 31 March 2013 is £293,440. The assets plus the War Stock, a long-term investment, is shown in Box 9 in Section 1 of the Annual Return. The clerk advised that the compilation of the digital photographic library of major assets by Cllr Peter Rawlinson (Min AOB page 1326), was in progress.

With regard to the Council's Asset Register an interesting technical point has been brought to light with some of the comments I've seen from the external auditors PKF Littlejohn LLP on the Annual Returns for the year ended 31 March 2013. 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. Community assets such as public open space/village green, which has in some cases been bequeathed to the parish council are usually valued at a nominal £1 in the Asset Register. Play equipment that may be located on these community assets, should be valued and listed at their original purchase price.

Although this issue has not been raised with this Council, I would suggest that the Council may like to consider including an additional column in the Asset Register to record the "original cost" of assets including any community assets at £1. The existing Asset Register has not been reviewed since May 2011, it would make sense to revisit the Asset Register during the next year to establish the original costs where known and include the location and link to the digital photographic record. The Telecottage has its own Asset Register, which needs a similar review as the assets belong to the Council. The Clerk and I have agreed to keep the value of Assets for 31 March 2014 the same as the previous year in the knowledge that any revision of asset value from the Asset Review will be reflected at 31 March 2015.

Bookkeeping & Budgetary Control:

The bookkeeping arrangements remain the same with the Council receiving a schedule of the income received and payments made or to be approved since the last Council meeting and a bank reconciliation for the preceding month. The Finance Committee met to discuss the Budget proposals for forthcoming year taking into account the new tax base and the various grant money from Ashford BC. The back-up arrangements for the electronic records of the Council held on the Councils' laptop has not changed, namely a copy onto two memory sticks, one held by the Chairman which is swapped over at the Council meetings. The Excel spreadsheets recording the income and expenditure were accurate.

Payments, Income, Payroll and VAT.

The approved schedule of payments prepared by the Clerk in advance of the Council meetings is clearly recorded in the Minutes giving details of the cheque number, payee and amount. The balance (£1.27) of the small petty cash float of £50, primarily for postage was paid back into the bank account on 8 May 2013.

The Council receives money from the Games Barn bookings managed by Cllr Bill Smyth. I have suggested some tweaks to the invoice template used by Cllr Smyth making it more obvious that the invoice has been raised by the parish council. Income from the Games Barn just reached £4,000 in the year and almost £5,500 from the Telecottage including the very successful Film Club, managed by the Chairperson Mrs Alison Richey, the Honorary Treasurer of the Telecottage activity.

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

The VAT for 2012-13 amounting to £1,319.02 was claimed in May 2013 and covered the VAT elements of the Games Barn and Telecottage as well as the other Council activities. The VAT claim for 2013-14 amounts to £2,308.12, the Parish Council £1919.33, Games Barn £200.84 and the Telecottage £187.95.

Banking Arrangements:

The Council's Lloyd's Bank banking arrangements during the audit year remained the same with six accounts, a current and deposit account each for the Parish Council, the Games Barn and the Telecottage and a separate deposit account for the Village Hall Improvement Fund. The bank balances as at 31 March 2014 across all the accounts amounted to £54,480, almost £14,000 more than the previous year. The Clerk must ensure that the explanation for the high level of Reserves is adequate to satisfy the External Auditor to avoid a repeat of the comments for 2012-13.

Other Matters:

Defibrillators

There have been long-standing concerns about the remoteness of the parish and the response time of the emergency services particularly the ambulance service. During the course of the year there has been a big community effort to fundraise for the purchase of several defibrillators to be placed around the parish and to establish a team of 12 people trained in the use of a defibrillator. The fundraising has been carried out by various village groups and grant applications submitted with all the money raised passing through the Parish Council's books. South East Coast Ambulance Service have been involved in holding the interviews to find the Community Responders and training them. The Audit of the Accounts covered the fundraising monies and the corresponding expenditure on the defibrillators. There are several defibrillators deployed around the Parish. Several similarly remote parishes have sought help/advice from Egerton with a view to establish their own defibrillator facilities. The balance of the funding raising monies (£3,595.03) is to be transferred into a non-parish council account during 2014-15.

Websites

The Council makes use of the free KCC developed website designed for parish use across Kent. In addition a village website, www.egerton-kent.co.uk (set-up and managed by Telecottage volunteers) has been established to promote the many activities, clubs and facilities within the parish and neighbouring parishes. Links between the two websites have been set-up and the Clerk regularly posts information on the village website on behalf of the parish council.

David J Buckett CPFA DMS

24 May 2014