

## **Egerton Parish Council**

### **Internal Audit Report for the year ended 31 March 2015**

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 2014-15 financial year ended 31 March 2015. There are no significant financial matters to report and I have accordingly completed and signed off Section 4 of the Annual Return on 23 April 2015.

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 24<sup>th</sup> March & 23<sup>rd</sup> April 2015. The Chairperson Mr Richard King attended the first meeting and Mrs Alison Richey attended the second meeting and provided the Telecottage Accounts. It is always a pleasure to come to Egerton, which has a vibrant village community and a very active group of parish councillors punching well above their collective weight!

#### **Previous Audits:**

##### External Audit 2013-14

The external auditors PKF Littlejohn signed off Section 3 of the Annual Return for the year ended 31 March 2014 on 16 September 2014. There was only one minor issue raised concerning the ticking of a box related to trust finds on the financial statement.

##### Internal Audit 2013-14

There were several matters mentioned in my Report for 2013-14, which I will comment on under the specific paragraphs of this Report, the most important being the requirement to have the Disclosable Pecuniary Interests (DPI's) of all Councillors available to view on the Council's website. Other matters concerned website content and internet banking arrangements.

#### **Year-end Internal Audit 2014-15:**

##### **Findings**

The Audit was carried out over two mornings on the 24<sup>th</sup> March & 23<sup>rd</sup> April 2015 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, Members and Website:**

One of the matters raised in my 2013-14 Audit Report was the website content and in particular the lack of information regarding the Disclosable Pecuniary Interests (DPI's). In terms of content I was referring to the "best practice" of having the Council's statutory documents available on the website. Not only is this best practice but it is also a useful way of collecting all the various policies and procedures approved by the Council in one place providing easy access for Members and parishioners. The Clerk has established a "Statutory Documents" web-page, which contains the Council's Standing Orders (approved 7 May 2013), Financial Regulations (3 June 2014), Annual Statement of Internal Control (2013-14 - 3 June 2014), Risk Assessment (3 June 2014), Code of Conduct (3 Dec. 2013) and the Practitioners' Guide 2014, which is a very useful guide on the financial compliance arrangements for parish councils. This covers the main documents I was referring to, a missing document I would recommend is a scanned copy of the Annual Return, which could be usefully supplemented by the Annual Budget of the Council. The Council agendas and minutes have been available on the Council's website for several years, although historical years Minutes do not appear to be available, but this may be due to a restriction of content built into the web-design provided by EIS of Kent CC.

In my previous Report I flagged up one of the specific requirements of the Localism Act 2011 to publish details of the individual Disclosable Pecuniary Interests declared by Members and their partners on the Parish Council Website. The Monitoring Officer at Ashford BC has to the legal duty 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). Currently there is no DPI information available on the Council's website. Last year the Clerk advised me that she had attended an Area KALC meeting on behalf of the Chairman 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". I was not particularly impressed with this advice particularly where there appeared to be no functioning link to the Ashford BC website, which has to contain the same information.

Allegedly there is to be closer scrutiny of compliance with the Relevant Authorities (Disclosable Pecuniary Interests) Regulations (part of the Localism Act 2011 requirements) post May 2015 Elections, which may include financial penalties. At the time of my audit visits I was made aware of the fact that a couple of long-standing Councillors were proposing to stand-down in May 2015. The Clerk has also had some guidance from Ashford BC about the forthcoming parish elections and the requirements for new DPI forms to be completed. (POST AUDIT NOTE – The Council had a contested election, which has resulted in three new Councillors being elected and Ashford BC officers are visiting the parish office on 28 May to sort out the DPI information with the Clerk)

## **Standing Orders and Financial Regulations**

As mentioned earlier in this Report the Council's current set of Standing Orders approved on 7 May 2013 and the Financial Regulations approved on 3 June 2014 are available on the Council's website.

One piece of legislation that has been passed during the last year, which requires an updating of the Standing Orders is the right to film and/or record any Council/Committee meeting open to the public as per Section 40 of the Local Audit & Accountability Act 2014. Whilst there is reference to photography and recording of meetings in SO Number 1(i) this does not sufficiently cover the provisions of Section 40. The Council therefore

needs to update its Standing Orders accordingly. NALC has produced some suggested wording to cover this issue.

### **Risk Management, Insurance Arrangements and Asset Register.**

The Council has insurance cover with Aviva via the insurance broker Came & Co. The existing long term agreement (LTA) expires on 31 July 2015. In addition there are separate policy with Came & Co for the Telecottage, but there is no LTA, the current policy expires on 17 January 2016.

The Council reviews its Risk Assessment annually, which covers 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.

The Clerk and I 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. Unfortunately due to illness, the Clerk and Cllr Richey have not been able to revise the values in the Asset Register in time for March 2015. Hopefully this can be completed during 2015-16 to establish the original costs where known and include the location and link to digital photographic records of the assets, a recommendation I made in a previous Report. The Telecottage has its own Asset Register, which needs a similar review as the assets belong to the Council.

The 3½ % War Stock held by the Council was redeemed on 9 March 2015 for £152.13.

### **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 are recorded in the Minutes giving details of the cheque number, payee and amount, although more payments are being processed by BAC's as the bank details of the regular payees are obtained.

The Council receives money from the Games Barn bookings managed by Cllr Bill Smyth who has introduced the suggested changes to the invoice template. Separate accounts are kept for the Telecottage including the very successful Film Club, managed by the Cllr Mrs Alison Richey, the Honorary Treasurer of the Telecottage activity. At the 31 March 2015 the Telecottage had just over £10,000 held in the two bank accounts.

Random checks were carried out on the payment arrangements and the invoicing across all the activities of the Council. No anomalies were found. The Council has recently taken on a new "handyman" who will be submitting invoices for the work done.

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 2013-14 amounting to £2,308 was repaid in June 2014 and covered the VAT elements of the Games Barn and Telecottage as well as the other Council activities. The VAT claim for 2014-15 amounts to £1,179.87, the Parish Council £858.95, Games Barn £101.88 and the Telecottage £219.04.

### **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 2015 across all the accounts amounted to £61,504 compared to £54,481 the previous year. The Clerk will need to provide an explanation for the high level of Reserves to satisfy the External Auditor to avoid a repeat of the comments for 2012-13.

### **Other Matters:**

#### Defibrillators

Egerton was one of the first rural parishes in Kent to establish a network of defibrillators deployed around the Parish. The balance of the fund raising monies (£3,595.03) was transferred to a separate bank account operated independently by the Community First Responders Group led by Stratton Richey.

#### Community Assets

The Council is applying to make the village pub and the shop Community Assets. Another initiative is to facilitate the re-location of the Pre-school who currently block-book the Village Hall. The Council has helped by paying for the Planning Application Fee (£1,155) to provide accommodation at the Village School. This will free up the Village Hall for other bookings, which may present opportunities to review the layout of the building and make use of the accumulated funds in the Village Hall Improvement Fund (Fund balance as at 31 March 2015 - £7,010)

**David J Buckett CPFA DMS**

**26 May 2015**