

## **Egerton Parish Council**

### **Internal Audit Report for the year ended 31 March 2017**

I have completed the year-end internal audit of the Council's records for the year ended 31<sup>st</sup> March 2017 and signed off the Annual Return (Annual Internal Audit Report) on 18 April 2017.

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 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 21<sup>st</sup> March & 18<sup>th</sup> April 2017. I would also like to thank Cllr Mrs Alison Richey who attended the second meeting and provided the Telecottage Accounts.

#### **Previous Audits:**

##### External Audit 2015-16

The external auditors PKF Littlejohn LLP signed off Section 3 of the Annual Return for the year ended 31 March 2016 in September 2016. Unfortunately, the submitted Bank Reconciliation figures were not correct, which meant Boxes 3, 6, 7 and 8 were not correct on Section 2 the Accounting Statements. The Clerk had not dated her signature on Section 1.

##### Internal Audit 2015-16

There were several matters to follow up from the 2015-16 Audit Report such as progress with the website content, asset register and work place pension provision. These and other matters are covered in the Audit Findings.

#### **Year-end Internal Audit 2016-17:**

#### **Findings**

The Audit was carried out over two mornings on the 21<sup>st</sup> March & 18<sup>th</sup> April 2017 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 Minutes:**

The Council uses the website designed/supported by the KCC EIS, which migrated to a new "platform" using WordPress early in 2017. This has caused many problems for parish councils particularly where the migration has not brought across all the data previously held. Whilst the Clerk was concerned about the change-over she did not comment on any loss of data, but did refer to the possible consideration of using the Hugo Fox free web design.

There two statutory requirements for the Council to comply with, the first being the publication of details of the individual Disclosable Pecuniary Interests (DPI's) declared by Members and their partners on the Parish Council Website. This is now available via a link to the Ashford BC website and was working at the time of my audit visit. The second requirement is the need to publish details of the Annual Return, firstly the "unaudited" Return to be posted to the website at the same time as it is posted to the noticeboards and when the Section 3 of the Annual return is returned signed off by PKF Littlejohn, this Section must be added to the website together with the Notice of Completion of Audit. The Annual Return information must remain on the website for a period of 5 years. This was explained in my Report last year under Corporate Governance.

The Council's website does NOT contain the Section 3 of the 2015-16 Annual return and is one of the documents that PKF Littlejohn will probably look for when conducting their Audit as it was a new statutory Regulation brought in last year. This needs to be sorted out ASAP. The existing Sections 1 & 2 of the Annual Return are "upside down" at present. I understand the Clerk is responsible for uploading documents to the website, but I would suggest Councillors check the website periodically to make sure items are there and are easy to find and display. There is little financial information about the Council, which could be shown on the Finance pages other than in the Minutes, however there is more information about the Governance arrangements of the Council under the Statutory Documents pages.

Regarding the Agendas and Minutes the number of items discussed under the heading AOB at the end of the Meetings appears to be increasing. Strictly speaking any AOB items should be for "information only" with NO DECISIONS being made. The Clerk and Councillors should be aware of this protocol. I suggest the Clerk consults Clive Powell at the KALC Offices on the correct procedure. **Post Audit Note:** This was discussed at the June meeting and Councillors were made aware of the need to reduce AOB items and where possible not make a financial decision. **NB Council needs to be aware that any decision regardless of financial implications could be challenged, there should not be an agenda item AOB, meetings can only deal with business on the agenda.**

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

The Financial Regulations were reviewed in March 2016 and the Standing Orders on the website are dated 7 May 2013. The Council may have reviewed these since May 2013. If not they are due for a review particularly bearing in mind the previous comment about AOB items.

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

The Council has a 3-year Long Term Agreement (LTA) with Hiscox to 31 July 2018, one of the quotes received by Came & Co. in 2015. The Telecottage insurance is with Aviva, the current policy covering the period 18 Jan. 2017 to 17 Jan 2018, there is no LTA in place.

The Council has a good approach to conducts Risk Assessments, especially those covering the higher risk areas like play areas with a weekly visual inspection of all the play facilities carried out by either the Clerk or Councillors and a RoSPA style annual inspection by Wicksteed.

The Asset Register of the Council and the separate Telecottage Register needs to be updated with the purchases and disposals during 2016-17 to make sure the Fixed Asset figure to be provided in Box 9 of Section 2 of the Annual Return is accurate. The new assets include a new laptop for the Clerk.

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

The Finance Committee discussed the Budget/Precept proposals for the forthcoming year on 14 November 2016. The Council subsequently approved a precept of £18,331 for 2017-18 (Min 6b – 3 Jan. 2017) and a Budget of £32,840. There was no reference made to the Finance Committee discussion or Minutes on the Budget or the Precept recommendations, something I commented on last year. This sort of information should be available on the Council's website so parishioners are made aware of the discussions that take 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 when possible. Payments connected with the Telecottage and Film Club are also mainly bank transfers.

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. Across all the accounting spreadsheets and bank accounts, no anomalies were found. Make sure the correct Bank Reconciliation figures are provided with the Annual Return this year!

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 Clerk is currently below the earnings threshold to qualify for a workplace pension entitlement, but needs to make sure the Council has registered this position with the Pension Regulator.

**Post Audit Note:** The has registered the non-participation position with the Regulator.

The VAT for 2015-16 amounting to £3,321 was repaid in June 2016 and covered the VAT elements of the Games Barn and Telecottage as well as the other Council activities. The VAT claim for 2016-17 amounts to £3,232 in total, the Parish Council £2,970, Games Barn £131 and the Telecottage £131.

### **Banking Arrangements:**

The Council's Lloyd's Bank banking arrangements during the audit year remain the same with the inclusion of the new account for the Egerton Update magazine setup at the end of the last financial year. The bank balances as at 31 March 2017 across all the accounts amounted to £56,674 compared to £61,907 the previous year. The Clerk will need to provide another explanation for the high level of Reserves (more than twice the Precept i.e. £56,674 compared to £17,402) to satisfy the External Auditor, PKF Littlejohn.

**Other Matters:**

Community Assets

The 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 and some fees paid by the Council. The accumulated funds in the Village Hall Improvement Fund stand at £16,485 as at 31 March 2017, ring-fenced for hall improvements and support to the pre-school. **POST AUDIT NOTE:** The Chairman at a recent meeting proposed that the Fund be re-named Village Projects Fund and each month the Clerk be asked to report on the fund balances in ALL the ring-fenced Funds.

**David J Buckett CPFA DMS**

**13 June 2017**