

Tunstall 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 31st March 2017 and signed off the Annual Return (Annual Internal Audit Report) on 16 May 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 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, Mrs Wendy Licence for her assistance given to me during this audit.

Previous Audits:

External Audit 2015-16

The external auditors PKF Littlejohn signed off Section 3 of the Annual Return for the year ended 31 March 2016 on 27 September 2016. There was one minor comment regarding Box 11 being left blank on Section 2 of the Annual Return, which should be NO.

Internal Audit 2015-16

There are a couple of matters that require follow-up from my previous report relating the Transparency Code compliance, which will be covered in the "findings" below.

Internal Audit 2016-17:

The internal audit covered all the internal control objectives listed in the Internal Audit Report section of the Annual Return. The visit concentrated on the year-end accounts and the requirements for the completion of the Annual Return Section 2 (Accounting Statements), the Asset Register, VAT claims and inspection of the payment arrangements including payroll. Other matters included risk management, insurance cover and 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. Earlier this year, 2017, EIS Kent migrated all the local councils to the new "WordPress" based web design. Many of my clients use this free website solution and all have suffered problems with the migration, ranging from lost data to poor training arrangements. Those Clerks that have made the time and the willingness to try and sort out the migration issues, like Mrs Licence have emerged with a reasonable website, which will only improve as

the Clerks gain in confidence, experience, but more importantly the time! However, one continuing complaint is the dreadful slowness of up-loading new data to the website system. This is not reliant on the broadband speed used by the Clerks, it appears to be an issue at the KCC end. This is a matter I have raised with the Officers at KALC to see if their Executive can apply pressure on the KCC EIS Department to address this major weakness. Some clients have already switched to other website providers like Hugo Fox. I am sure the Clerk will keep Councillors informed of the website difficulties.

The Council's website is now a statutory requirement for the publication of the Annual Returns, commencing with the 2015-16 Return, as well as for the publication of Councillors register of interests (DPI's). The Annual Returns must be available for "public access" for a period of 5 years from the date of publication (as per Accounts & Audit Regulations 2015). The easiest and probably the preferred means of public access is via your website. The Clerk has created a "Finances" page, which includes the Annual Return information. The website contains the 3 Annual Returns from 2013-14 to 2015-16. According to the published Minutes the 2016-17 Annual Return was approved at the Council meeting held on 5 June 2017 (Min. 7i & ii). Once approved and signed off a copy of the Annual Governance Statement and Accounting Statements (Section 1 & 2) MUST be posted onto the Council's website as well as the Council Noticeboards alongside the Notification of the Public Rights of Inspection. At the time of writing this Report this information was not available on the Council's website. **Post Audit Note:** The Clerk has rectified this omission.

The website is managed by the Clerk and contains the agendas and minutes, financial information, some governance documents such as the Standing Orders and Financial Regulations and policy documents like the Grants Policy and Complaints Procedure. For the last 2 years, I have mentioned the requirements of the Transparency Code 2014 (the Code) in terms of website content applicable to parish councils like Tunstall with a turnover of below £25,000 pa. The Code requires parish councils to annually disclose details of all payments made above £100 (net of VAT), which was done for 2014-15 and 2015-16. Additional financial information such as the Council's annual budget could be put on the website. As the Council has to comply with the Code, the Annual Return information should also include the Bank Reconciliation Statement and the Variance Schedule (if required) that was sent to PKF Littlejohn. Effectively everything that has to be sent to the External Auditor, PKF Littlejohn, needs to be put on the parish council's website. This additional information needs to be added for the 2014-15 Annual Return as well. Similarly, the Code requires a copy of my Internal Audit Report to be placed on the website. The Clerk has created a web-page for the Annual Return information, it just needs to be populated with the information when it becomes available, the next item being the signed-off Section 3 by PKF Littlejohn and Conclusion of Audit notice.

Standing Orders and Financial Regulations:

The Council reviewed the Financial Regulations at the meeting held on 4 April 2016 (Min 12 [iii]), which is on the website. The Standing Orders need reviewing.

Risk Management, Insurance Arrangements and Asset Register:

The Council has in place a 3-year Long-Term Agreement with Hiscox via the Broker Came & Co., which expires on 31 May 2018. The policy includes Fidelity Guarantee cover up to £150,000, one of the standard terms.

Last year I advised that the Council had to create an Asset Register, which should include items such as the speed watch equipment, the street furniture, a defibrillator and laptop & software. I forwarded a few examples of an asset register to the Clerk, which could be adopted by the Council. The asset values MUST be the original purchase cost (net of VAT) or suitable "proxy" value and once entered remains at that value until disposed of, appreciation/depreciation of assets is NOT applicable in terms of the Annual Return and Council's accounts. The insurance company may apply an annual indexation to the value of assets insured, which is why I suggest a separate column is maintained in the asset register.

Linked with assets are often risk assessments particularly in the case of high risk areas such as play equipment. The Council doesn't have many physical assets, but items like the street furniture should be inspected as part of a risk assessment and the operation of the speed watch equipment similarly needs a risk assessment (e.g. the wearing of hi-vis vests/jackets). There are other risks that the Council must review annually to satisfy one of the "assertions" within the Annual Governance Statement (No. 5), such as the financial risks, which can be mitigated by insurance cover. The Clerk is aware of the need for a Risk Management Register, which is simply a list of all the possible risks and what action/prevention arrangements need to be taken and assigning responsibility for those actions etc. I have provided the Clerk with example Risk Management Registers.

Bookkeeping & Budgetary Control:

The bookkeeping is maintained on Excel Spreadsheets held on the Council's laptop. All the information on the laptop is back-up on a monthly basis using memory sticks which are exchanged with the Chairman at each Council meeting.

The Council approved an increase in its Precept for 2017-18 to £17,560 from £17,000 for 2016-17 (Min. 9(ii) – Jan 2017). There are no details of the Budget for 2016-17 within the Minutes and no mention of the Budget or Precept setting on the January 2017 Agenda. The Council needs to be more transparent with more financial information available on the website.

Payments, Payroll and VAT:

A monthly schedule of payments is prepared by the Clerk in advance of the Council meetings and is well minuted giving details of the cheque number, payee and amount. During the Audit visit I carried out a sample check on the payment system tracing invoice payments through the cheque issued to the resultant debit on the Council's bank account. No errors or omissions were found.

The Clerk is the only employee of the Council and appointed McCabe Ford Williams (Accountants) to manage the payroll process providing the Clerk with the information to draw cheques for her net salary and HMRC payment for PAYE and NI.

An amount of £655.14 was reimbursed by the VAT Office during the year relating to a claim period April 2015 to March 2016. The Clerk has submitted a claim for the 2016-17 financial year for £1,154, which will be received in 2017-18.

Banking Arrangements:

The Council's banking arrangements are with Barclays and includes two accounts, which had year-end balances as follows: -

Barclays Account	Balance as at 31 March 2016	Balance as at 31 March 2017
Business Saver Account	£10,251	£10,255
Current Account	£22,290	£23,282
TOTAL	£32,541	£33,537

There were 4 cheques totalling £60 that were unrepresented at 31 March 2017.

The Council's cash reserves are approaching a level of nearly twice the Precept Sum (i.e. £17,000 for 2016-17). The Council needs to be clear why it has this level of Reserves and should approve the Reserves annually, appropriately done at the Budget/Precept discussions in December/January each year. **Post Audit Note:** One of the reasons the Council had ordered planters for the parish (cost £2762), but they did not arrive until the end of May and subsequently invoiced.

Council experienced difficulties in changing the bank following the May 2015 election of a new Council. With the changes in Councillors in recent months the Clerk advised that a new mandate needed to be put in place (Min 13[v] – 6 June 2016).

Other Matters:

Clerk – pension provision

The Council agreed to contribute the equivalent of 10% of the Clerks salary into a pension scheme of the Clerk's choice from April 2017 (Min 13 – 6 March 2017).

David J Buckett CPFA DMS

1 August 2017