

Eastling 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 7 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 Parish Clerk, Mrs Wendy Licence for her assistance given to me during the audit itself.

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 on 5 January 2017. The Council failed to meet the approval deadline of 30 June and the publishing deadline 30 September in 2016. There were several "other matters" raised by the Auditors relating to the governance arrangements in place.

Internal Audit 2015-16

I conducted a limited audit of the parish council in October 2016. I assisted Cllr Payne, the acting RFO to compile the Annual Return to a stage where it could be considered by the Council and sent to the External Auditors. I produced some notes on the various objectives within the Annual Governance Statement (Section 1). This audit will follow up any matters arising from those notes.

Year-end 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 website is populated with a Policies & Procedures section including Standing Orders and Financial Regulations which were approved in January 2017. There is a Finance section with information relating to 2015-16 including the Annual Return (Sections 1, 2 and 3) and payments made over £100 one of the relevant information required by the Transparency Code for smaller local authorities like Eastling. It contains the two statutory items being the Disclosable Pecuniary Interests (DPI's) of Councillors, perhaps more commonly known as the Register of Interests (a link to the Swale BC website) and as previously mentioned the Annual Return information, which now includes the Annual Return for 2016-17 (Sections 1 & 2) bank reconciliation and variances.

Other essential information includes the agendas and minutes are available.

Risk Management/Insurance/Asset Register:

The Council's has insurance cover with Aon due to expire on 7 February 2018. I would suggest the Council seeks a long-term agreement (usually 3 years) and seek quote from Zurich Municipal and other quotes from Came & Co. a broker well versed in parish council business.

The Council has recently approved a Risk Assessment Policy (Min 13 - 10 May 2017), but noted that the Council plans to review the policy every 2 years. The Council **must** review the policy every year. Assertion 5 of the Annual Governance Statement expects the Council to carry out an annual review of risk, be it financial risk or physical or other type of risk.

The Council's Asset Register has been updated with the addition of the new laptop reflected in the Annual Return submission for 31 March 2017.

Budgetary Control and Bookkeeping:

The Council considered the half-year accounts at the November 2015 meeting (Min 14(ii) – 9 Nov. 2015). The Budget and Precept requirement for 2017-18 were discussed and finalised in January 2017 with a resolution to increase the Precept to £5,110 for 2017-18 (Min 8(iii) – 12 January 2017). Cllr Payne continued managing the accounts until the end of March 2017, but has since handed over the accounting records to the Clerk, who is now officially recognised as the Council's RFO. I found no errors or omissions in the payment records provided to me by Cllr Payne.

The Clerk is aware that a VAT claim needs to be submitted for 2016-17 and previous years. **Post Audit Note:** The VAT for the last 3 years was claimed 13 June 2017, but because of the change of bank account, the Council did not receive the re-imbusement until 27 July 2017.

Payroll:

In 2016-17 the Council became properly recognised as an employer and registered with HMRC, having mistakenly been advised by the previous Clerk that she could remain self-employed. The previous Clerk left the Council on 5 November 2016 and the new Clerk took up her duties in January 2017. The HMRC "Real-Time Information" (RTI) on-line submission of employee and pay details have been submitted satisfactorily during the latter part of the year. Part of the checks on the payments mentioned above included the Clerk's salary payments. The Council needs to ensure it has registered with the Pensions Regulator regarding the "workplace pension arrangements". **Post Audit Note:** The Council has agreed to pay into NEST pension scheme, which has been registered with the Pensions Regulator.

Bank Accounts:

At the 31 March 2017, the Council had two bank accounts with Nat West, the current account carried a balance of £38.48 with all other monies in a Business Reserve account, which had a balance of £3,025. The bank accounts had previously been with Lloyds, but had been switched earlier in the year as reported to the March 2017 Meeting of the Council.

Other Matters:

Transparency Code for Smaller Authorities (the Code):

I have already referred to the website content earlier in this report, which has been enhanced to comply with the Transparency Code, with more information to be uploaded. The Council was successful in its bid for funding towards the laptop and for the additional hours spent by the Clerk in keeping the website up to date etc. However, I did not notice any increase in the salary/hours of the Clerk to reflect this additional work, which has been supported by the Transparency Fund. The Clerk can submit further bids for on-going funding support in 2017-18 assuming there are funds available within the Transparency Fund. This would usually be for the time spent by the Clerk in maintaining the website to the required standard. I have been advised that there are checks being made to make sure the Council is complying with the Code and proof that additional hours are being worked and paid for.

The Council are expected to "pass-on" the funding received for the additional hours to set-up and manage the website etc. to the Clerk.

Future External Audit Arrangements

In theory, this could be the last financial year that the Council must undergo an External Audit "limited assurance" examination by PKF Littlejohn. The Annual Return process will continue with the requirement for public examination and publication of the Annual Return on the Council's website. At the moment, it is unclear what administrative arrangements will be put in place for this change in the annual audit arrangements. PKF Littlejohn want to complete the 2016-17 Annual Audits first before establishing what the future will be for the

smaller councils below the £25,000 turnover threshold. I will be working with KALC to find out what will be put in place for 2017-18. However, if the Council receives a qualified audit opinion, this may result in a continuation of the external audit regime until a clear audit opinion is achieved.

David J Buckett CPFA DMS

31 July 2017