

## **Graveney with Goodnestone 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 21 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, Ms Bex Ratchford for the assistance she gave me during the audit, the working papers and the original documents were ready for checking/inspection.

#### **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 6 September 2016. There were no matters raised by the Auditors.

##### Internal Audit 2015-16

The Internal Report prepared by Mr Kevin Funnell in May 2016 had no matters outstanding for me to follow up.

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

The internal audit covered all the internal control objectives listed in the Internal Audit Report 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 and insurance cover.

Following my visit there are some observations I wish to bring to Members' attention.

#### **Findings**

##### **Website:**

The Council's website has the two statutory requirements in place namely the Disclosable Pecuniary Interests (DPI's) and the Annual Return documentation, which must be available for 5 years after the completion of the Audit. Hopefully, the Council will receive another unqualified audit, which will mean that the next Annual Return 2017-18 will NOT need to be sent to PKF Littlejohn for the External Audit procedure. BUT in lieu of this concession the Council is expected to be compliant with the Transparency Code requirements. At the moment, the Council is not compliant with the Code, which became effective from 1 April 2015. Councillors will be aware of the Transparency Code (the Code) as the Council has successfully applied for and received a grant from the

Transparency Fund to support the Council in purchasing a laptop and associated software to meet its obligations.

The Council uses the KCC provided website design, which has been migrated to a new version that has caused problems for many parish councils due to lost data, inadequate training and the very slow speed to upload new material to the website. The Council has benefitted from the Clerk learning how to use the new system with her other parish council who were a “pilot” authority.

It is only through the diligence and persistence of the Clerk that the website is up to date in terms of agendas and minutes, although there is only so much time that can be spent due to her limited hours without incurring overtime. The Clerk is aware of the possibility of claiming more funding from the Transparency Fund towards time spent managing the website, which is available for the last time during 2017-18.

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

The Standing Orders and Financial Regulations along with other policies of the Council are reviewed annually in May/June. The last version of the Standing Orders (May 2017) is on the website and the Financial Regulations are to be reviewed at a later meeting.

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

The Council did have a long-term agreement (LTA) with Aviva via Came & Co, insurance brokers, which expired 30 November 2016. The Council has renewed the policy for another 12 months to November 2017. Within the policy is Fidelity Guarantee Insurance cover up to £150,000. One of the policies reviewed recently was the Risk Assessment policy, which is an integral part of risk management and insurance cover, one of the “assertions” in the Annual Governance Statement.

The Clerk maintains the Asset Register, which is up to date and includes the laptop and gateway signs purchased during 2016-17. The Clerk has also established a digital library of photographs of the assets to support the Asset Register.

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

The bookkeeping and budgetary control statements are held on Excel spreadsheets, which are used to produce the monthly financial statements presented to Councillors. I reviewed the 2017-18 budgetary process. A Finance Working Group considers the Budget working papers produced by the Clerk, who then make recommendations to the Council on the level of Budget and the resultant Precept Request. The Council meeting of 9 January 2017 set a Budget of £14,000 and a Precept Request of £6,118 equivalent to £33.20 per Band D property for 2017-18.

The Council has a new laptop computer, which is backed-up on Dropbox a “cloud” based storage facility.

### **Payments, Payroll, VAT and Income:**

The Clerk is the only employee of the Council, who uses the on-line “Real Time” Inland Revenue software to calculate the PAYE and NI position. The pay records for 2016-17 were in order.

I carried out a random sample check on payments from the original invoice to the issue and the clearance of the cheque against the bank account.

There was a VAT refund of £254 received in August 2015 in respect of a claim up to 31 March 2015. The Clerk has recently submitted a VAT claim covering the period April 2015 to March 2017 (2 years) for £689, which I understand was received in May 2017.

### **Banking Arrangements:**

The Council has two bank accounts with HSBC, a Community Account with £3,002 and a Business Money Manager Account with £13,013 as at 31 March 2017. There were three unrepresented cheques totalling £223 giving a cleared total cash balance of £15,792 at the year-end. This is almost 3 times the annual Precept of £5,500, which will require explaining to the External Auditor. I appreciate that during 2017-18 the Council plans to spend £14,000 compared to a Precept of £6,118, but the Council needs to have a clear plan for holding this level of Reserves.

I also noted that the Council only has three signatories to the bank accounts. I strongly recommend that this is increased to at least 4 if not 5 signatories, which will provide greater resilience and with rotation of the signatories a wider spread of controls in place.

There is no petty cash held.

### **Other Matters:**

#### Transparency Code & Transparency Fund

In terms of complying with the Code, there is a lot more information that needs to be on the website, particularly financial information. The Council needs to address these matters as a priority. To assist Councillors, I have reproduced the Annex to the Code at the end of this Report, which sets out the detail of the requirements to be published on the Council's website to be compliant with the Code.

I noted that the submitted Transparency Fund claim included a 5-hour set-up cost and an on-going 2 hours per month cost. The Council has claimed for 35 hours work, but the Clerk has only claimed for 20 additional hours above her contracted 25 hours per month. The funding for the extra hours worked by the Clerk MUST be paid over to the Clerk and should ideally be reflected in her contract of employment. Hence, if say 2 hours per month is being claimed for additional time spent on the website to ensure compliance with the Code, the Clerk's monthly salary should be increased by the 2 hours accordingly.

As mentioned earlier the Council can submit another claim to the Transparency Fund for additional hours worked on the website for 2017-18. During my discussion with the Clerk about the Transparency Funding it brought to light the possibility to claim funding for a printer/scanner necessary for uploading hard-copy to the website. I understand the Clerk uses an aging printer belonging to a Councillor for Council use. I would strongly recommend applying for a new printer/scanner, which would then belong to the Council as this is the last opportunity to claim for a free piece of equipment under the Transparency Fund.

**David J Buckett CPFA DMS**

**3 July 2017**

## Annex A: Transparency Code for Smaller Authorities

Parish councils, internal drainage boards, charter trustees and port health authorities with an annual turnover not exceeding £25,000 should publish:

### Information title

### Information which should be published

#### All items of expenditure above £100

Annual publication no later than 1 July in the year immediately following the accounting year to which it relates.  
Publish details of each individual item of expenditure.  
Copies of all books, deeds, contracts, bills, vouchers, receipts and other related documents do not need to be published but should remain available for inspection.  
For each individual item of expenditure the following information must be published:

- date the expenditure was incurred,
- summary of the purpose of the expenditure,
- amount, and
- Value Added Tax that cannot be recovered.

#### End of year accounts

Annual publication no later than 1 July in the year immediately following the accounting year to which it relates.  
Publish signed statement of accounts according to the format included in the Annual Return form. It should be accompanied by:

- a copy of the bank reconciliation for the relevant financial year,
- an explanation of any significant variances (e.g. more than 10-15 percent) in the statement of accounts for the relevant year and previous year, and
- an explanation of any differences between 'balances carried forward' and 'total cash and short term investments', if applicable.

#### Annual governance statement

Annual publication no later than 1 July in the year immediately following the accounting year to which it relates.  
Publish signed annual governance statement according to the format included in the

Annual Return form.  
Explain any negative responses to governance statements, including how any weaknesses will be addressed.

**Internal audit report**

Annual publication no later than 1 July in the year immediately following the accounting year to which it relates.  
Publish signed internal audit report according to the format included in the Annual Return form.  
Explain any negative response to the internal controls objectives, including how any weaknesses will be addressed. Explain any 'not covered' responses to internal controls objectives.

**List of councillor or member responsibilities**

Annual publication of councillor or member responsibilities no later than 1 July in the year immediately following the accounting year to which it relates, including:  
a) names of all councillors or members,  
b) committee or board membership and function (if Chairman or Vice-Chairman), and  
c) representation on external local public bodies (if nominated to represent the authority or board).

**Location of public land and building assets**

Annual publication no later than 1 July in the year immediately following the accounting year to which it relates.  
Parish councils and port health authorities to publish details of all public land and building assets – either in its full asset and liabilities register or as an edited version.  
Internal drainage boards to only publish details of registered land and buildings that have a market value and appear in Fixed Assets Register.  
The following information must be published:  
a) description (what it is, including size/acreage),  
b) location (address or description of location),  
c) owner / custodian, e.g. the authority manages the land or asset on behalf of a local charity,  
d) date of acquisition (if known),

e) cost of acquisition (or proxy value), and  
f) present use.

**Minutes, agendas and papers of formal meetings**

Publication of draft minutes from all formal meetings not later than one month after the meeting has taken place.

Publication of meeting agendas and associated meeting papers not later than three clear days before the meeting to which they relate is taking place.