

Graveney with Goodnestone Parish Council

Internal Audit Report for the year ended 31 March 2019

I have completed the year-end internal audit of the Council's records for the year ended 31st March 2019 and signed off the Annual Internal Audit Report on 11 April 2019.

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 2017-18

In previous years the external auditors PKF Littlejohn LLP have carried out an external "limited assurance review" of the Council's Annual Return, which is now been re-styled and re-named the Annual Governance and Accountability Return (AGAR). This coincided with the change in governance arrangements, which permits smaller authorities where the higher of gross income or gross expenditure was £25,000 or less, that meet the qualifying criteria, and that wish to certify themselves as "exempt" from a limited assurance review. These changes came into effect for the financial year 2017-18. For 2017-18 the AGAR Statement of Accounts recorded total gross annual income as £8,094 and total gross annual expenditure as £17,974, well below the £25,000 threshold. The Certificate of Exemption was signed by the Responsible Financial Officer and Chairman on 14 May 2018.

Internal Audit 2017-18

Last year I commented on the improved website content required to become compliant with the Transparency Code for Smaller Authorities, the need for improved resilience in terms of number of bank signatories and the arrival of GDPR and the impact on Council business. provided an extract of the appendices of this Code to show the areas to improve the website content and the Council's compliance. My Report was considered by the Council in July 2018 (Min 51c) and an agreement to add the remaining Councillors to the signatory list (Min 51d).

Year-end Internal Audit 2018-19:

The internal audit covered the internal control objectives listed in Annual Internal Audit Report of the new style Annual Governance and Accountability Return (AGAR). The visit concentrated on the year-end accounts and the requirements for the completion of the Accounting Statements, the Asset Register, VAT claims and inspection of the payment arrangements including payroll. Other matters included risk management, insurance cover and any service specific issues.

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

Findings

Website:

The financial information page contains information relating to the last three financial years, including the Annual Return/AGAR information (a statutory requirement) and the list of payments made during the year in compliance with the Transparency Code. Part of the conditions of “exemption” from the “limited assurance review” is that more information must be published alongside the AGAR and public rights information. This includes the Bank Reconciliation Statement as at 31 March as well as the list of variances in income and expenditure between the two financial years on the AGAR that exceed 15%. Both items had to be provided to the External Auditor in previous years and would have been part of the approval process of the Statement of Accounts shown on Section 2 of the AGAR. Hence, there is no relaxation in the information to be provided to Councillors to approve and sign-off the AGAR each year, BUT this information must be published on the Council’s website and also the public noticeboards (during the 6-week period of public inspection of the Accounts)

The other statutory requirement for the website apart from the AGAR information is the publication of the Disclosable Pecuniary Interests (DPI’s) of Councillors (more commonly known as the Register of Interests). The DPI’s of the co-opted Councillors are on the website. The result of the Election due in May 2019 has been an uncontested re-election of 4 existing Councillors. This leaves the Graveney Ward with two vacancies and the Faversham without Ward with one vacancy. The Clerk is expecting that the two Councillors who did not seek re-election will be co-opted, leaving one vacancy.

Standing Orders and Financial Regulations:

The Standing Orders and Financial Regulations were adopted in during 2017 and reviewed again in May 2018. The Clerk will be bringing forward the two core policy documents to the May 2019 Meeting for review along with any other policies that should be reviewed annually.

Risk Management, Insurance Arrangements and Asset Register:

The Council renewed the long-term agreement (LTA) for insurance cover with AXA Inspire in December 2017, which will expire in 3-years’ time in December 2020. The policy includes Fidelity Guarantee Insurance cover up to £150,000.

The Council reviewed its risk management arrangements in May 2017 and reviewed them again in May 2018 (Min 8c). The annual review of risks is a requirement of the Annual Governance Statement, which the Clerk will bring forward in May 2019.

The Clerk maintains the Asset Register, which has been updated to include a dog bin (cost was £174) a new street signage at a cost of £369, increasing the total Asset Value to £39,013 as at 31 March 2019. 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. The Finance Working Group considered the Budget working papers produced by the Clerk, who made recommendations to the January 2019 Council meeting. The

approved Budget was set at £12,525 including £2,500 towards the continuation of street lighting replacement and £1,500 towards costs related to the opposition to Cleve Hill Solar Park. A Precept Request of £11,127 was approved (Min 141a – 14 Jan 2019).

The Council’s laptop computer 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 Clerk’s contracted hours are 25 hours per month but there is an agreement in place to pay for additional hours worked in respect of the Cleve Hill Solar Park Planning Application. The random sample check on payments including payroll did not reveal any errors or omissions.

The Clerk submitted a VAT claim covering the period 1 April 2017 to 30 April 2018 (13 months) for £2,148, which was received in June 2018. The VAT to claim for the 11 months of the 2018-19 amounts to £207.

Banking Arrangements:

The bank reconciliation as at 31 March 2019 was: -

HSBC Bank Account	Balances as at 31 March 2019	Balances as at 31 March 2018
Current Account	6,449.17	2,438.00
Reserve Account	4,026.56	4,019.87
TOTAL	10,474.73	6,457.87
LESS unrepresented cheques	0.00	545.30
Bank/Cash balances as at 31 March	10,474.73	5,912.57

There is no petty cash held.

Last year I recommended that bank signatories be 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. The Council agreed in July 2018 to extend the list of signatories to all Councillors. It was disappointing to read Minute 141 c – 14 January 2019 that this had still not been resolved due to some confusion at the “bank” end and that the Council had requested the Clerk to investigate online banking. The Clerk did contact me about on-line banking with a two-signatory facility to mimic the current requirement for two signatures on cheques. Please see the comment under “Other Matters” at the end of this report.

GDPR:

The General Data Protection Regulation (GDPR) came into force on 25 May 2018. Following NALC’s subsequent advice, the Council had not appointed a DPO. A Privacy Notice has been approved and is on the website. I noted that most Councillors do not have a parish specific email address and encryption of emails I gather the Council felt this was not necessary. The council has registered with the ICO however. The Clerk does have an email disclaimer, which could be adopted by Councillors.

Other Matters:

On-line Banking:

On-line banking or as it is perhaps more commonly known, “internet banking” is becoming very popular amongst my clients and generally across Kent, particularly in areas where local bank branches have been closed (with more closures to come). The bank most favoured amongst my clients is Unity Trust Bank. Based in Birmingham it has its own registration with the Financial Services Compensation Scheme (FSCS) and NOT shared with another financial institution. www.unity.co.uk/business-current-accounts

The Unity Trust Bank has come to prominence amongst parish/town councils since the changes in the regulations governing the use of electronic banking. The Bank has a very flexible authorisation process as shown in the extract copied from their website below (**see also the web link above**).

Access and Authority levels

The following access levels are available to all users of our Internet Banking Service, which allows greater flexibility:

- Authorise only – authorise payments only, they do not have access to view the account
- View only – access to view activity only, they cannot carry out any activity
- **View and submit** – access account and setup payments (**CLERK/RFO**)
- **View and authorise** – access account and authorise payments, unable to setup payments (**COUNCILLORS**)
- View, submit and authorise – view the account and setup and authorise payments (**NEVER**)

Our different authority levels give you the freedom to make sure your online banking meets your organisational needs.

- **Triple Authority** Allows three people to authorise account activity
- **Dual Authority** Allows two people to authorise account activity
- **Single Authority** Allows one person to authorise account activity

My clients have told me that the change-over process is relatively straight forward, and an account can be opened by forwarding a cheque for £500 to set up the Account. The Clerk would have “view and submit” access and Councillors “view and authorise” access. Details of the Clerk and all the Councillors can be submitted on-line, there is no visit to a branch to provide documentation to prove “who you are and where you live etc”. I am sure the submission of such information can be co-ordinated by the Clerk.

There is a monthly service charge (currently £6 pm) but that is more than offset by the time saved in administering/writing out cheques, the postage of the cheques and the benefits to the Councils “creditors” like myself in receiving an electronic payment, especially where there is no local branch to cash the cheque is at least

worth serious consideration by the Council. I have quite a few clients who use Unity Trust Bank, who would be happy to pass on their experiences to the Council. **If you do decide to introduce internet banking amend your Financial Regulations and inform your Insurer.**

In my opinion it is by far the best option with a dual signature facility readily available to parish and town councils.

David J Buckettt CPFA DMS

5 May 2019