

## **Hawkhurst Parish Council**

### **Internal Audit Report for the year ended 31 March 2018**

I have completed the year-end internal audit of the Council's records for the year ended 31<sup>st</sup> March 2018 and signed off the Annual Internal Audit Report on 11 April 2018, the day of my visit.

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, Nicole Godwin and Anita Maxwell, Deputy Clerk for their assistance given to me during this audit.

#### **Previous Audits:**

##### External Audit 2016-17

The external auditors PKF Littlejohn LLP signed off Section 3 of the Annual Return for the year ended 31 March 2017 on 17 July 2017. There were no matters raised by the Auditors.

##### Internal Audit 2016-17

Last years' internal audit was conducted by Mr Peter Morgan of Morgan & Co, Hawkhurst. Three weaknesses were identified relating to the bank reconciliation, VAT reclaim and a duplication in the Scribe accounting system. The Internal Audit Report was considered by the F&GP Committee on 2 May 2017 – Min 6.4.

#### **Year-end Internal Audit 2017-18:**

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 service specific issues.

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

#### **Findings**

##### **Council's Website and Minutes:**

One of the first things I do when starting a new Internal Audit is to look at a Council's website just like any resident of Hawkhurst with access to the internet. The Council's website uses a web design provided by webd.co.uk, which is responsive to a single click on a "blue" tab ranging from the selection of Minutes and Payments schedules going back to August 2015, when the payment schedules first appeared, to a list of Council Policies and Regulations providing access to the items like Standing Orders and Financial Regulations and the new Investment Strategy approved in February 2018.

The Clerk is aware of the statutory responsibilities of having access to the Disclosable Pecuniary Interests (DPI's) of all the Councillors and the Annual Returns on the website. The DPI's can be viewed via a link on the "Home Page" to the Tunbridge Wells BC website, where 11 Notifications of Interest can be viewed. The Council currently has 2 vacancies. The Annual Returns from the year ending 31 March 2016 must be posted to the website in its "unaudited form" at the same time as the Notice of Public Rights, which must also be made available on the Council's official noticeboards. Once the Annual Return has been signed off by the External Auditor, PKF Littlejohn (Section 3 of the Return), the Section 3 must be published on the Noticeboards along with the Conclusion of Audit Notice. Both Section 3 and the Conclusion of Audit Notice must join the existing Annual Return on the website and remain there for 5 years. The Annual Returns are found under the "Finance" tab and I am pleased to report that the Council is fully compliant for both 2015-16 and 2016-17 and will soon have the 2017-18 AGAR posted as well.

The website has details of the "journey" of the Neighbourhood Plan for Hawkhurst, which was formally made by Tunbridge Wells BC on 26 March 2018.

The website provides a good shop-window to the activity of the Parish Council.

The website contains the Minutes of the Council and the 5 main Committees. I was particularly pleased to see how the Clerk had minuted those items that are discussed in "closed session" as the resultant Minute provider the "reader" with a brief description about the item that was discussed without revealing the confidential information. A good example of "Best Practice" which I will take with me.

### **Council's Policies and Procedures:**

As mentioned earlier there are a lot of policies and procedures contained on the Council's website. These include the Allotment Rules & Regulations, the Cemetery Regulations including the latest set of fees from 1 October 2017. There are also "strategies", such as the Sports and Youth Strategies, both approved in September 2017.

### **Insurance/Asset Register/Risk Management:**

The Council has a Long-Term Agreement (LTA) with Aviva Insurance via Came & Co a Broker specialising in parish council insurance business. The LTA runs to 31 March 2019. The policy included a Fidelity Guarantee up to £150,000, which was subsequently doubled to £300,000 following my recommendation in a Health Check visit last year (F&GP Min. 7.2 -17 July 2017).

The Council has a Risk Register in place, which needs to be extended to other areas of the Council's activities and supported with specific risk assessments. The Council has a new Play Equipment inspection regime in place, which includes weekly checks by the Council's External Caretaker (ROSPA trained), a bi-monthly inspection by Sovereign Design Play Systems Ltd and an annual ROSPA inspection by Playsafety Ltd. The Lands Committee at its meeting in July 2017 instigated a stability check on the gravestones in the Cemetery (Land Comm. Min. 5.4 – 24 July 2017). Other initiatives include a Lone Worker Policy (Council Min 7.1 – 10 April 2017).

The Clerk provided an updated Asset Register providing evidence to support the increase in the Asset Register value to be included in the Statement of Accounts as at 31 March 2018, from £187,697 (March 2017) to £234,505, the main items being the adult gym equipment and the LED lighting upgrade. The Asset Register could be improved with the dates of acquisition. The Asset file includes copies of the deeds, valuations and plans, where they exist.

The Council has a contract with Microshade Business Solutions Ltd, based in Plymouth, Devon, which provides a hosting service for the Council including the back-up of its files and Scribe Accounting System. The service includes Microsoft Office applications, managed anti-virus systems and allows the Clerk to access files from her home as required via a dial-in arrangement.

### **Budgetary Control/Cashbook:**

The Council's accounting records are maintained on the Scribe 2000 accounting package. The F&GP Committee receive detailed budgetary control statements extracted from the Scribe package including the Budget Reports for consideration prior to making recommendations to the Council. The Committee also receives reports on any outstanding debts owed to the Council. The draft 2018-19 Budget was reviewed in detail by the F&GP Committee on 5 December 2017, which included a new budget code for GDPR. The Clerk was asked to re-work and re-issue the draft Budget to F&GP (version dated 11 Dec 2017) prior to a final recommendation to full Council in January 2018. The full Council on 8 January 2018. (Min. 7.1) agreed a Budget of £165,437 and a Precept of £131,957, which equated to an 8.9% increase, adding 40p per annum to a Band D property. This financial information on the Budget and Precept was NOT part of the Minute relating to the Council's approval, I have suggested to the Clerk that this be incorporated next year.

### **Payments, Payroll (Inc. contracts) & Income:**

The Clerk is the one of four employees of the Council as at 31 March 2018. The payroll is outsourced to Beechcroft Accountancy Services, which includes the management of the workplace pension scheme, Peoples Pension. I inspected the pay records for 2017-18 including the P60's issued at the year-end.

There is a standing Finance item on the Council agenda, which includes a schedule of payments to be approved by Council and a listing of the payments approved at the previous meeting and bank reconciliation. The lists of approved payments are shown on the Council's website.

Most of the payments are made by cheque, although the payroll payments are via bank transfers and there are standing orders and/or direct debits set-up for most of the utility bills. Contracts are in place for grass and hedge cutting, streetlighting, printer facilities and as already mentioned, payroll services and IT hosting and support. All invoices for payment go through an internal check procedure facilitated by a rubber stamp system, which includes an area for the two signatories to initial.

The Council used to have a petty cash account, but this has been closed (Council Min. 9.2 - 12 March 2018). VAT claims are submitted on a quarterly basis, the amount due for the period 1 January 2018 to 31 March 2018 was £3,186.71, which has probably been received by now.

### **Banking Arrangements & FSCS Protection:**

At the year-end 31 March 2018, the Council had cash balances of £215,149 reduced to £213,278 after considering uncleared cheques and unbanked receipts. The Council has taken onboard the FSCS protection available to parish council investments and has sensibly spread the risk across three financial institutions, £76,142 with Cambridge & Counties Bank, £75,201 with Cambridge Building Society and the balance with Lloyds Bank in two accounts amounting to £63,806. I gather the local Lloyds Bank branch closed in 2017.

The Council approved an Investment Strategy in February 2018 based on the three key principles of security of funds, the liquidity of the funds and the investment return. The Investment Strategy is a very good example of a strategy easily understood and quite specific to the aims and objectives of the Council, with no long-term investments of more than 12 months and of low risk.

## **Other Matters:**

### Neighbourhood Development Plan (NDP)

The NDP referendum held on 8 February 2018 had a 35% turnout and showed a 91% support for the Development Plan. This is the first NDP to get to this stage and passed to TWBC for adoption, well done.

### GDPR

The General Data Protection Regulation (GDPR) comes into force on 25 May 2018. At this stage I am only seeking to establish that the Councillors are aware of the Regulation and the Council is planning a response to the implementation deadline and the appointment of a Data Protection Officer (DPO). This time next year I will be reviewing what the Council did to comply. The Clerk brought GDPR to the attention of Councillors at the Council meeting in November 2017, when the appointment of a Data Protection Officer (DPO) was mentioned.

One of the areas for consideration are dedicated e-mail addresses. The Clerk's e-mail address is currently [hawkhurstpc@bconnect.com](mailto:hawkhurstpc@bconnect.com). Many of my clients are advocating that similar addresses be set-up for each Councillor. This is something that the Council's IT support company, Microshade would be able to advise on. A common format adopted is [clerk@hawkhurstpc.gov.uk](mailto:clerk@hawkhurstpc.gov.uk) or something similar. This way the content of "parish council emails" can be contained under the one e-mail address, which would help towards the Council's compliance with GDPR.

As well as the appointment of a DPO, encryption of data is another issue, but no doubt the "goal posts" will move between now and the next Audit!

### Retirement of the Clerk

The Clerk advised me that she intends to retire at the end of June 2018 and that the Council had advertised for a replacement. The Clerk will be handing over an administrative and accounting system in pretty good shape.

**David J Buckett CPFA DMS**

**4 May 2018**