

## **Hawkhurst 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 31<sup>st</sup> March 2019 and signed off the Annual Internal Audit Report on 17 April 2019, 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, Richard Griffiths and Anita Maxwell, Deputy Clerk & RFO for their assistance given to me during this audit.

#### **Previous Audits:**

##### External Audit 2017-18

The external auditors PKF Littlejohn LLP signed off Section 3 of the Annual Return for the year ended 31 March 2018 on 20 August 2018. There were no matters raised by the Auditors.

##### Internal Audit 2017-18

My first internal audit report last year flagged a couple of areas for consideration. The first point related to the minute referring to the approval of the Annual Budget and Precept Request for the next year. For the 2018-19 Budget & Precept there were no figures mentioned in the Council Minute (Min 7.1 – 8 Jan 2018). The other matter related to the response of the Council to the new GDPR, which came into force on 25 May 2018, something I am checking with all my clients this year.

#### **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 service specific issues.

The new Clerk, Richard Griffiths asked me to attend the Council Offices to go through some matters he and Ms Maxwell wanted to clarify concerning some of the action points from the last audit report, the Reserves allocation and protocol, the Asset Register and best practice for use of the Council Credit Card. Some of the following findings will cover these issues.

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

## Findings

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

The Council's website uses a web design provided by webd.co.uk, which is responsive to a single click on a "blue" tab listed along the top of the website's "homepage". One of the statutory requirements in terms of website content for the Council are the Annual Governance and Accountability Returns (AGAR's formally the Annual Return), which are available to view under the "Finance" tab. The 2018-19 AGAR will be added once approved by Council in June 2019. The other statutory requirement for the website is the Register of Interests of Councillors (Disclosable Pecuniary Interests [DPI's] ).

There is a tab linking to a list of Council Policies and Regulations providing access to the items like Standing Orders and Financial Regulations and the new Reserves and Assets Policies approved in March 2019. Under a separate tab are the various Privacy Notices and Policies relating to the new General Data Protection Regulations (GDPR) as well as the GDPR Report to Council.

The Clerk explained that the Council were considering a new website design with a ".gov.uk" domain, i.e. Hawkhurst-pc.gov.uk and with it Councillor email addresses, which would comply with the GDPR requirements, at the moment Councillors use their own style email addresses, which are not solely for Council business use. The Clerk has advised that the new website is due to go live on 1 June 2019 ( <https://hawkhurst-pc.gov.uk/> ) and the new email address launched on 1 July 2019.

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

As mentioned above 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 (the Clerk has advised that a bench-marking exercise is underway, and a full review of all fees & charges will be brought to the September 2019 Council Meeting). There needs to be a regular review of these policies especially when there are new initiatives such as the introduction of a credit card facility or in compliance with various statutory requirements such as the annual review of Risk Management required to meet one of the assertions of the Annual Governance Statements.

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

The Council had a Long-Term Agreement (LTA) with Aviva Insurance via Came & Co a Broker. The LTA runs to 31 March 2019. The policy included a Fidelity Guarantee up to £300,000. The March 2019 Council meeting approved the appointment of Zurich Municipal as the new insurer from 1 April 2019 for 3 years to 31 March 2022. The Council does not own the Council Offices, which are insured through an Aon property insurance arranged by Broomhill Management Co Ltd.

The Council has a Risk Register in place, which was last approved in May 2018 and I assume will be reviewed again shortly. The Play Equipment inspection regime in place has not changed during the year, 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 RFO provided an updated Asset Register providing evidence to support the £22,300 increase in the Asset Register value to be included in the Statement of Accounts as at 31 March 2019, to £256,800, the main items being

some play equipment replacement and a further tranche of LED lighting upgrading. The Council approved the Asset Policy in March 2019 with a report back on the updated Asset Register and Inventory (Min 8.4 – 11 March 2019)

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 staff to access files from their homes as required via a dial-in arrangement.

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

The Council's accounting records are maintained on the Scribe 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. A detailed review of the current year (2018-19) against Budget was given by the Deputy Clerk and then the Clerk gave a full briefing on the proposed draft 2019-20 Budget to the F&GP Committee on 19 November 2018, which concluded with a recommendation to full Council for a Precept request of £172,265, the net Budget figure for 2019-20. The level of Reserves (£217,602) held by the Council were also noted having just been approved by Council the previous week on 12 November 2018.

A new Reserves Policy was discussed by F&GP Committee in February 2019 and approved by Council in March (Min 8.4 1 – 11 March 2019). At the same Council meeting a new 5-year Strategy 2019-2024 was discussed and approved (Min 8.5 – 11 March 2019)

The full Council on 10 December 2018. (Min. 7.1) agreed a Budget of £149,265 having removed £23,000 from the proposed Budget although two schemes would remain but be funded from the unallocated Reserves. A Precept of £149,265 was approved by full Council on 14 January 2019, (Min 12.1).

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

The former Clerk retired at the end of June 2018; the new Clerk took over from 1 July with increased hours from 24 to 30 hours per week. On the same date the Deputy Clerk, Anita Maxwell took over as the RFO and similarly her hours were increased from 13 hours to 20 hours per week. The External and Internal Caretakers contracted hours were 15 hrs and 13 hrs per week respectively. The Council approved the appointment of a full-time External Caretaker to commence in 2019-20, Minute 14.2 – 11 March 2019. 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 2018-19 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. Most of the utility bills are paid via standing orders and/or direct debits. All invoices for payment go through an internal check procedure facilitated by a rubber stamp system, which includes an area for the two cheque signatories to initial.

The VAT claims are submitted on a quarterly basis, the amount due for the period 1 January 2019 to 31 March 2019 was £2,636.

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

The signatory list was considered during the year and at the F&GP Committee the clerk was instructed to follow up on a one to one basis the completion of new mandates for the new signatories and the Committee reconfirmed that the Clerk and RFO should have “view only” access to the bank account (Min 6e F&GP – 19 Nov 2018) At the same meeting the Clerk advised the Committee of his meeting with the Cranbrook Lloyds Bank Manager about setting up a Council Credit Card facility, which would require amendments to the Financial Regulations. As at 31 March 2019 the credit card facility is still awaited.

At the year-end 31 March 2018, the Council had cash balances of £236,890 an increase from £213,278 after considering uncleared cheques and unbanked receipts. The Council has spread the cash and therefore the risk across three financial institutions, £77,400 with Cambridge & Counties Bank, £75,340 with Cambridge Building Society and the balance with Lloyds Bank in two accounts amounting to £84,150.

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.

**David J Buckett CPFA DMS**

**29 May 2019**