

Tunstall Parish Council

Internal Audit Report for the year ended 31 March 2016

I am pleased to report to Members of the Tunstall Parish Council (the "Council") that I have completed the year-end internal audit of the Council's records and final accounts for the 2015-16 financial year ended 31 March 2016.

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 the course of 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, Mrs Wendy Licence for her assistance given to me during this audit.

Previous Audits:

External Audit 2014-15

The Annual Return for 2014-15 was signed off by PKF Littlejohn. There were no comments to follow up.

Internal Audit 2014-15

My Report was considered by the Council at its meeting held on 9 September 2015 (Min. 8.1). There are no exceptional issues for me to follow up from my year-end internal audit carried out last year other than progress with the Transparency Code. Items that required updating are noted in the Report "findings".

Year-end Internal Audit 2014-15:

Findings

As in previous years the audit included inspection of the Minutes, Standing Orders, Financial Regulations, insurance policies and risk management arrangements. It also covered the internal control systems in place especially the payment of invoices, the payroll arrangements and the general financial reporting to Members. The rest of my time was centred on the year-end accounts and supporting documents for the completion of the Annual Return and Bank Reconciliation.

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

Members and the Website:

I have previously mentioned the requirement of the Localism Act 2011 to publicise details of the individual Disclosable Pecuniary Interests (DPI's) declared by Members and their partners. The web-link to the Swale BC website has been established and shows details of 6 Councillors at the time of writing this Report. One of the newly appointed Members is missing.

By the time Members get to see this Report the Annual Return for 31 March 2016, will have been approved by the Council. The Clerk will have reported on the change of emphasis when approving the Annual Return in that the Annual Governance Statement has to be approved prior to the Accounting Statements AND once approved and signed off a copy of the Annual Governance Statement and Accounting Statements (Section 1 & 2) has to be posted onto the Council's website as well as the Council Noticeboards alongside the Notification of the Public Rights of Inspection. At the time of writing this Report this information was not available on the Council's website. **Post Audit Note:** The Clerk has rectified this omission. This is part of the Governments push for greater accountability and transparency. It is becoming increasingly important for Council's to have a good website, which is up to date and easy to navigate. The Council's website is now a statutory requirement for this year's Annual Return 2015-16 as well as for the publication of Councillors register of interests (DPI's). The Annual Returns have to be available for "public access" for a period of 5 years from the date of publication (as per Accounts & Audit Regulations 2015). The easiest and probably the preferred means of public access is via your website.

The website is managed by the Clerk and contains the agendas and minutes, financial information and some governance documents such as the Standing Orders and Financial Regulations. In my Audit Report last year, I mentioned the requirements of the Transparency Code 2014 (the Code) in terms of website content applicable to parish councils like Tunstall with a turnover of below £25,000 pa. The Code requires parish councils to annually disclose details of all payments made above £100 (net of VAT), which was done for 2014-15 and is also available for 2015-16. Additional financial information such as the Council's annual budget could be put on the website. As the Council has to comply with the Code, the Annual Return information should also include the Bank Reconciliation Statement and the Variance Schedule (if required) that was sent to PKF Littlejohn. Effectively everything that has to be sent to the External Auditor, PKF Littlejohn, needs to be put on the parish council's website. This additional information needs to be added for the 2014-15 Annual return as well. Similarly, the Code requires a copy of my Internal Audit Report to be placed on the website as well. It would make sense for all this information to be available under the one "tab" for each financial year.

Standing Orders and Financial Regulations:

The Council reviewed the Financial Regulations at the meeting held on 4 April 2016 (Min 12 [iii]), which is on the website.

Risk Management, Insurance Arrangements and Asset Register:

The insurance policy in place during the financial year 2014-15 was with Zurich Municipal until 31 May 2015. I reported last year that the Council at its first meeting following the May 2015 Elections considered insurance quotes for the period commencing 1 June 2015 and approved a 3-year Long-Term Agreement with Hiscox via the Broker Came & Co. Additional street furniture was added to the cover in February 2016.

The Council has had very few assets so there is no asset register and no risk management policy. However, during 2015-16 there has been several purchases, which should be included on an asset register such as

the speed watch equipment, the street furniture, a defibrillator and more recently a laptop and software. I have forwarded a few examples of an asset register, which could be adopted by the Council, which provides provision for an insurance column to indicate which assets the Council has bothered to insure, i.e. if the excess value is say £500, there is no point in insuring the laptop. The asset values MUST be the original purchase cost (net of VAT) or suitable "proxy" value and once entered remains at that value until disposed of, appreciation/depreciation of assets is NOT applicable in terms of the Annual Return and Council's accounts. The insurance company may apply an annual indexation to the value of assets insured, which is why I suggest a separate column is maintained in the asset register.

Bookkeeping & Budgetary Control:

The bookkeeping is maintained on Excel Spreadsheets held on the Council's new laptop. All the information on the laptop is back-up on a monthly basis using memory sticks which are exchanged with the Chairman at each Council meeting.

The Council approved an increase in its Precept for 2016-17 to £17,000 from £16,703 for 2015-16, which had been boosted by the additional houses included as a result of the parish boundary changes in 2015. The draft Budget was discussed at the December 2015 meeting and confirmed along with the Precept for 2016-17 at the 12 January 2016 meeting. There are no details of the Budget or the Precept request for 2016-17 within the Minutes. The minimum I would expect to see in the minutes is the total Budget, the Precept request and an indication of say a % increase/decrease, hence my earlier recommendation to include the Annual Budget on the Council's website.

Payments, Payroll and VAT:

A monthly schedule of payments is prepared by the Clerk in advance of the Council meetings and is well minuted giving details of the cheque number, payee and amount. During the Audit visit I carried out a sample check on the payment system tracing invoice payments through the cheque issued to the resultant debit on the Council's bank account. No errors or omissions were found.

The Clerk is the only employee of the Council and appointed McCabe Ford Williams (Accountants) to manage the payroll process providing the Clerk with the information to draw cheques for her net salary and HMRC payment for PAYE and NI. As Members will know there was a change of Clerk during the year. The appropriate P45 for Lynda Fisher had been issued and the new Clerk Wendy Licence was confirmed as permanent in February 2016 Minutes.

An amount of £311.47 was reimbursed by the VAT Office during the year relating to a claim period April 2014 to March 2015. The Clerk has submitted a claim for the 2015-16 financial year for £655.14, which will be received in 2016-17.

Banking Arrangements:

The Council's banking arrangements are with Barclays and includes two accounts, which had year-end balances as follows: -

Barclays Account	Balance as at 31 March 2016	Balance as at 31 March 2015
Business Saver Account	£10,251	£13,825
Current Account	£22,290	£10,246
TOTAL	£32,541	£24,071

The Council experienced difficulties in changing the bank following the May 2015 election of a new Council. With the changes in Councillors in recent months the Clerk advised that a new mandate needed to be put in place (Min 13[v] – 6 June 2016).

Other Matters:Clerk – pension provision

In my Report last year, I mentioned my brief conversation with the previous Clerk about the need to consider a pension scheme for Council employees. The new Clerk, Mrs Licence will follow this up post audit.

David J Buckett CPFA DMS

16 August 2016