

Dunkirk Parish Council

Internal Audit Report for the year ended 31 March 2015

I am pleased to report to Members of the Dunkirk Parish Council (the "Council") that I have completed the year-end internal audit of the Council's records and final accounts for the 2014-15 financial year ended 31 March 2015. There are no significant matters to report and I have accordingly completed and signed off Section 4 of the Annual Return on 5 May 2015 the day of my Audit 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 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 to the Council, Ms Louise Blackshaw 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 2013-14

The external auditors PKF Littlejohn signed off Section 3 of the Annual Return for the year ended 31 March 2014 on 19 August 2014. There were no comments from the Auditor on the Annual Return.

Internal Audit 2013-14

The report I prepared last year was considered by the Council at its meeting on 23 June 2014, noting the references to asset register and the possible introduction of electronic banking. The Report did also flag up the need for some risk assessment reviews with a sample risk assessment schedule provided to the Clerk.

Year-end Internal Audit 2014-15:

Findings

The main focus of the year-end Internal Audit is to verify the Final Accounts and the figures in Section 1 of the Annual Return. However, the scope of the internal audit requires sample testing of the internal controls in place, such as the arrangements for the payment of cheques. Other governance arrangements include insurance cover, risk management, bookkeeping arrangements and the reporting to Members. In future the Council will have to comply with the Transparency Code, accordingly I have provided a detailed summary at the end of this Report. I also reviewed the Budget Process for 2015-16.

There are some items I wish to bring to Members' attention, as detailed in the following paragraphs.

Members and the Website:

As part of my audit I reviewed the content of the Council's website, which is increasingly becoming more important as a method of communication with local residents as well as being part of the statutory requirement for the publication of Councillors register of interests, more frequently referred to as Disclosable Pecuniary Interests (DPI's).

The Council has its own website, which is managed by the Clerk.

One of the areas I have been looking at with all my parish audits in recent years has been the success or not of publishing the Disclosable Pecuniary Interests (DPI's) of Councillors on parish/town council websites, perhaps more commonly known as the Register of Interests.

What many Borough/District Councils have established is a quick link facility enabling visitors to the parish website to be redirected to their website in this case Swale Borough Council (SBC) site for the DPI information for Dunkirk Parish Council. There is such a link in existence with SBC, which I have tested. At the time of writing this Report the information held on the SBC site relates to the 7 Members prior to the "uncontested Election in May 2015". It might be advisable for the Clerk to check with SBC when the updated DPI information for the re-elected Members will be updated on the website. Allegedly there is to be closer scrutiny of compliance with the Relevant Authorities (Disclosable Pecuniary Interests) Regulations (part of the Localism Act 2011 requirements) post May 2015 Elections, which may include financial penalties. The "responsible officer" is the Monitoring Officer of Swale BC (SBC) who has a duty to publish the DPI information of all the parish councillors as well as the Members of SBC on the SBC website. **Post Audit Note:** The Clerk has asked SBC to notify her as soon as the DPI information for the Council is available on the SBC website.

On inspection of the Council's website I could not find any governance policies or procedures of the Council. The only information related to the Annual Return for 2013-14 and information on the Neighbourhood Plan. It is "best practice" to have information about the running of the Council such as the Council's Standing Orders, Financial Regulations, Freedom of Information Policy and copies of the Budget and Annual Returns on say a "published documents" web-page. I realise that this will involve some work for the Clerk to set-up, but once in place will only need visiting to update and will be a good reference point for Councillors. The Transparency Code requires specific information to be made available, which I have set-out at the end of this Report. **Post Audit Note:** The Clerk uploaded the Standing Orders and Financial Regulations soon after they had been reviewed by the Council on 18 May 2015, after the Audit Visit.

Standing Orders and Financial Regulations:

The Council reviewed its Financial Regulations in January 2014, when the financial limits were brought in line with the Standing Orders (Min No. 6a 20 Jan 2014). It was also decided to review both documents again in 12 months' time. At the time of my visit this review had not taken place, but the Clerk advised that the two documents would be on the Agenda for the next Council meeting to be held on 18 May 2015. **Post Audit Note:** The Standing Orders and Financial Regulations were approved with no amendments to the draft reviewed.

Risk Management, Insurance Arrangements and Asset Register:

There are no changes to insurance policies, which are with Zurich Municipal until the end of the three year Long-Term Agreement in January 2017. The insurance policies include a standard Fidelity Guarantee cover of £250,000.

Similarly, there have been no significant changes to the list of assets belonging to the Council, which are primarily street lighting fittings and the war memorial and the memorial plaques on the church wall.

The Clerk advised that the Risk Assessments would be updated/written following the “parish walk”, which would also include digital photographs to be linked to the Asset Register and insurance schedules.

Bookkeeping & Budgetary Control:

The Clerk maintains the listing of the receipts and payments on a spreadsheet, linking back to the current bank balance. The Clerk provides updated reports of the spreadsheet and the bank position to every Council meeting along with the schedule of cheques for authorisation. The Budget for 2015-16 was discussed in January 2015, when it was agreed to increase the Precept by 1.99%, but due to the increase in the Tax Base for 2015-16 the net result is a reduction of 0.52% for a Band D property. The budget papers provided to Members by the Clerk were very good providing the previous year 2013-14 actuals, the 2014-15 actuals to December 2014 alongside the Budget proposals for 2015-16 and options of various % increases in Band D for 2015-16.

All the data held on the Council’s laptop is held on the cloud-based storage system “Drop Box”, which is accessible to all Members.

Payments, Payroll, VAT and Income:

The Council did not change the arrangements in place to authorise payments and sign cheques (two signatures), due in part to the low volume of transactions. The recording of the payments in the Minutes is excellent providing a good audit trail. The Council has a contract in place for grass-cutting but not for the cemetery maintenance/tidying work. The Council may wish to consider formalising this arrangement, although I realise attracting 3 quotes may prove problematic. This is an issue for small rural parish councils, especially when the contract values are small and the travelling costs for potential contractors are dis-proportionate to the cost of the actual work.

The Clerk uses the HMRC Toolkit for the “Real-Time” software on the Council’s laptop, to calculate the PAYE and NI calculations (if any), which I inspected as part of the Audit. Everything was in order and up to date. The Clerk’s hours were increased to 12 hrs per week effective from 1 October 2014.

The Clerk has caught up with the back-log of VAT claims she inherited and has recently submitted the 6 month claim to 31 March 2015 for £460.12, which will be re-imbursed in the 2015-16 financial year. Well done.

Banking Arrangements:

The Council has two accounts with NatWest and the balances as at 31 March 2015 were the Current Account (£4,372) and the Business Reserve Account (£18,041), with outstanding cheques amounting to £80. The bank

account mandate requires updating post May Elections, which should also resolve the Clerk's position as a non-authorized signatory if the mandate can accommodate two tier authorisation.

Other Matters:

Clerk – pension provision

During my brief conversation with the Clerk I mentioned the need to consider a pension scheme for Council employees, there being eligible and non-eligible criteria to consider. Parish Councils are already required to register whether or not staff are eligible. The web link below relates to a NALC Legal Topic Note (LTN 79) issued April 2015, which explains the current situation. <http://www.nalc.gov.uk/library/members-library/legal-topic-notes/employment-2/1537-79-staff-pensions-april-2015-1/file> **Post Audit Note:** The Clerk has since received notification from the Pensions Regulator that our Staging Date is 1.10.16 and has registered herself as the nominated contact.

Transparency Code for Smaller Authorities (the Code):

Below is an extract of the first three paragraphs of the Transparency Code, which Dunkirk Parish Council will have to comply with from 1 April 2015!

Policy context

1. This Code is issued to meet the Government's desire to place more power into citizens' hands to increase democratic accountability. Transparency gives local people the tools and information they need to hold local public bodies to account.
2. The Local Audit and Accountability Act 2014 sets out a new audit framework for local public authorities which are currently covered by the Audit Commission regime. Under the new audit framework smaller authorities, including parish councils, internal drainage boards, charter trustees and port health authorities, with an annual turnover not exceeding £25,000 will be exempt from routine external audit. In place of routine audit, these smaller authorities will be subject to the new transparency requirements laid out in this Code. This will enable local electors and ratepayers to access relevant information about the authorities' accounts and governance.
3. The Government considers that publication of the items in this Code will provide the local electorate and ratepayers with a clear picture of the activities of these smaller authorities. Most of this information is already produced by the majority of smaller authorities with a turnover not exceeding £25,000, and the Government therefore considers that compliance with this Code will not place a significant burden on these authorities.

The Kent Association of Local Councils has run three workshops during February and March 2015 to alert those smaller authorities that will have to comply with the Code. The Clerk attended one of these Workshops and reported back to the Council on 20 April 2015 (Min 8c – 20 April 2015). The Code DOES NOT apply to local parish councils where the gross income or gross expenditure in any one year exceeds £25,000. On both counts this Council does not have gross income or expenditure above £25,000, ***so therefore has to comply with the Code.***

To assist Councillors to understand the extent of the data to be published, I have reproduced the Annex A to the Code, which sets out the information to be published. Most items have to be published once per year by 1

July immediately following the accounting year to which it relates, i.e. for 2014-15 all items above £100 have to be published by 1 July 2015. However, minutes, agendas and papers of formal meetings of the Council have to be published from 1 April 2015, the first meetings held after this date was the Planning Committee on 6 April and the Council meeting on 20 April 2015. Planning Agendas with all the accompanying paperwork etc. would be very difficult to comply with the Code unless “planning portal” links are easily set-up. For the Council meetings the Clerks “budget spreadsheets” etc. should now be available with the Agenda. There is supposed to be some Government financial support available in due course via KALC/NALC, but details of the arrangements to claim this support have not been released yet. KALC will contact all the Kent parish councils that might be affected by this legislation once there is something tangible to pass-on!

David J Buckett CPFA DMS

27 June 2015

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

All items of expenditure above £100

Information which should be published

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:

- a. date the expenditure was incurred,
- b. summary of the purpose of the expenditure,
- c. amount, and
- d. 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. a copy of the bank reconciliation for the relevant financial year,
- b. 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
- c. 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.