

## **New Romney Town Council**

### **Internal Audit Report for the year ended 31 March 2017**

I have completed the year-end internal audit of the Council's records for the year ended 31<sup>st</sup> March 2017 and signed off the Annual Return (Annual Internal Audit Report) on 18 May 2017.

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 Town Clerk, Mrs Catherine Newcombe and Mrs Tracy Morris the Finance Clerk for their assistance given to me during this audit. I am pleased to report that I did not find anything significant to bring to Members attention.

### **Previous Audits:**

#### External Audit 2015-16

The external auditors PKF Littlejohn LLP signed off Section 3 of the Annual Return for the year ended 31 March 2016 on 25 September 2016. There were no matters raised by the Auditors.

#### Internal Audit 2015-16

There were several matters to follow up from the 2015-16 Audit Report such as progress with the payroll outsourcing, the workplace pension provision and more electronic banking arrangements. These and other matters are covered in the Audit Findings.

### **Year-end Internal Audit 2016-17:**

The internal audit covered all the internal control objectives listed in the Internal Audit Report of the Annual Return. The visit concentrated on the year-end accounts and the requirements for the completion of the Annual Return Section 2 (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 records.

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

### **Findings**

#### **Council's Website:**

The Council's relatively new website <http://www.newromneytc.co.uk/> , a bespoke website designed by Total Computer Services. [www.totalcompservices.co.uk](http://www.totalcompservices.co.uk) , which went live in early March 2015 has developed well in the last 12 months. The Amenities Clerk, Ms Anne Williams is regarded as the "webmaster" and is mainly responsible for the uploading of new content and managing the "news" items. Ms Williams does a weekly "live

check” via Google to ensure that the website is fully functional and that all documents are accessible. The Town Clerk and Deputy Town Clerk do maintain an overview of the site to ensure that all required information is posted and accessible in appropriate locations. The Town Clerk is considering extending the checking procedures to the committee clerks to make sure their own agendas and minutes have been promptly posted.

As mentioned last year the Council’s website is now a statutory requirement for the Annual Returns from 2015-16 as well as for the publication of Councillors register of interests, more frequently referred to as Disclosable Pecuniary Interests (DPI’s). On inspection of the website during this visit all Councillors had a “live” DPI link attached to their entry on the Town Council Members webpage with three vacancies.

The externally audited Annual Return for 2015-16 can be viewed on the excellent “Documents” tab found on the Home Page with an entry already in place for the “unaudited” 2016-17 Annual Return to be loaded once the Council has approved and signed-off Sections 1 & 2 of the Annual Return.

The Agendas and Minutes are well laid out under their respective Committee headings and are up to date. The Town Clerk did advise that only two years of agendas and minutes are held on the website at any one time due to the sheer size of the documentation. However, Ms Williams is exploring ways to increase the content with the Council’s IT Consultant. In respect of all other documents, there is adequate space to leave them on the website for multiple years – notably, the annual return, minutes/agendas of the Town Meeting, notices of public rights to view the annual accounts, notices of delegated decisions – can all stay up for a minimum five years.

#### **Standing Orders and Financial Regulations:**

The Standing Orders and the Financial Regulations have been reviewed and updated by the Standing Orders Working Party as well as several financial and policy documents such as the Capital Spending Plan for 2017-18 and the Risk Management Statement 2016-17. All the amendments and updated policies and procedures were presented to the 10 April 2017 meeting of the Council (Min 755/2016-17 refers). These documents are available to view on the Council’s website.

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

The Council accepted a new quote from Zurich Municipal last year for another three-year LTA to 31 March 2019. The policy details are unchanged from that reported last year i.e. “motor vehicle insurance for casual business use for staff using their own cars for business purposes, the Fidelity Guarantee cover of £1m. The buildings insurance covers the main buildings owned by the Council and the All Risks cover includes the Clock Face on St Nicholas Church Tower and a schedule of the “Fine Arts and Collections”, which were separated valued in November 2012 at £476,890. Bearing in mind the level of cash reserves at the year-end (i.e. £919,752) and the 2017-18 Precept instalment due in April 2017, the cash reserves will be more than the £1m cover. I appreciate that this will be a temporary position, but it may be worth exploring the additional cost, if any, to increase the Fidelity Guarantee threshold.

The Asset Register value has increased by £12,670 from 2016 to 2017 reflecting the new acquisitions less any disposals during the year. The full list of assets forms part of the Annual Accounts and Supporting information for the 2016-17 financial year prepared by Tracy Morris. I have NOT audited all the entries in this document but did refer to it to check the summarised figures included in the Section 2 part of the Annual Return.

The Council has good risk management controls in place, the Risk Management Statement is considered by the Council annually. The playgrounds are visually inspected by the contractor, Landscape Services and subject to an annual RoSPA inspection. The Parish Caretaker and/or other Staff regularly inspect the Assembly Rooms, Town Hall premises and other buildings. Risk Assessments are undertaken as necessary for one-off events as well as regular risk assessments such as “fire safety” as detailed in the Risk Management Statement.

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

The Council received a Statement of Intent on Internal Control for the year ending 31 March 2017 last year and will be getting one for the year ending 31 March 2018 at the next Council meeting. As part of this internal audit I have tested some of the statements of intent and found the Council to be compliant with its Statement of Intent on Internal Control during the last financial year.

Members of the Finance and General Purposes Committee (F&GP) received regular budgetary control statements extracted from the detailed accounting records maintained in an Excel spreadsheet and a manual ledger managed by the Deputy Town Clerk & Finance Clerk, Mrs Morris. These reports compared the budget against the actual expenditure/income to date.

The annual Budget and Precept setting cycle is very thorough with the Spending Committees reviewing their existing Budgets and submitting new bids, which are then considered by the Finance & General Purposes Committee, including their own Budgets. The Finance & General Purposes Committee at its meeting on 19 December 2016 recommended a draft Budget for 2017-18 of £222,797 to the Council (Min 527/2016-17). The Council at its meeting on 16 January 2017 approved the Budget and the Precept request for 2017-18 of £222,797 (Min. 564/2016-17)

My Audit covered the detailed analysis of the Annual Return and the supporting papers to the Annual Return. In addition, the audit covered areas such as the VAT reconciliation the schedules of debtors and creditors etc., but not every entry in the Annual Accounts pack. Mrs Morris had prepared supplementary notes for the Internal Audit such as the 2016-17 Reserve Fund Transfers, which was very helpful to track the movement of funds.

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

The Council has an approved establishment of 7 employees, all are part-time ranging from 32 hours per week for the Parish Caretaker to the occasional hours worked by the Mayors Sergeant. The F&GP meeting on 18 July 2016 recommended the outsourcing of the payroll function to SH Bureau Ltd based in Maidstone, which commenced in August 2016. The Council also approved the Local Government Pension Scheme for its work place pension provision as approved by the Council on 29 June 2016 (Min 153/2016-17)

The Council has a wide range of income sources such as the Assembly Room hire, Allotments, Hut and Winch sites, and the Town Hall rent. I found the billing and receipting arrangements to be very comprehensive. The ordering system is also good.

VAT returns for the period from 1 April 2015 to 31 March 2016 (£20,524) and 1 April to 30 September 2016 (£5,632) were submitted during 2016-17. The VAT claim for 1 October 2016 to 31 March 2017 for £10,430 is to be claimed in 2017-18.

## **Banking Arrangements:**

The Council reviewed and approved the Annual Investment Strategy & Investment Plan for 2017-18 in April 2017 (Min 755/2016-17 (ii) (b)). At the year end 31 March 2017, the Council had total bank balances of almost £920,000, £651,000 in National Savings Bonds the rest in various Nat West Accounts. The Nat West Current Account and Business Reserve Account are managed together keeping the Current Account to a minimum level, which combined had funds of £223,000 allowing for unpresented cheques as at 31 March 2017. In my previous Report, I mentioned the investor protection afforded to individual savers/investors had been extended with new eligibility rules introduced for parish/town councils. The protection threshold is per FSCS registration, currently £85,000, which are available on the FSCS website [www.fscs.org.uk/](http://www.fscs.org.uk/) as some banking groups have one registration (e.g. Nationwide is linked with the Cheshire, Derbyshire and Dunfermline Bu. Socs., HSBC is linked with First Direct as one registration, whereas NatWest has no such links). The Council is there not fully protected.

Last year I mentioned the possible introduction of “internet banking” following the closure of the local branch of Nat West. The Council should also consider the introduction of a bank debit or credit card facility to avoid staff and councillors having to fund expenditure from their own resources to be refunded by cheque some weeks later. The controls and paper trails that are available are easy to establish and monitor. There are agreed financial limits imposed usually £XXXX per single transaction and £YYYY per monthly transaction total per card issued.

The Town Council has already approved the use of a Town Council debit card for use by the Town Clerk and a pre-paid credit card for use by the Deputy Town Clerk in the absence of the Town Clerk, linked to the setting up of a Unity Trust Bank account. It has taken an inordinate amount of time to complete the setting up of a new Lloyds Bank account to create a wider spread of Town Council funds and this has, in fact, only just been completed. Now that this matter has been concluded, the Finance Clerk will focus on the setting up of the Unity Trust Account and the associated credit cards. It will not now be possible to set up an associated pre-pay card in line with the Council’s adopted Financial Regulations as Unity Trust no longer offer this facility. It will be necessary, therefore, to request an amendment of the Financial Regulations to reflect the arrangement to be set-up with the Unity Trust Bank.

## **Other matters:**

### New Romney Community Hall & Sports Pavilion Project

The Clerk updated me with progress on the Community & Sports Pavilion Project with appointment of Guy Hollaway Architects for the design of the project and The Synergy Construction & Property Consultants as the Project Management Team.

### Accounting Arrangements

As mentioned earlier in this Report the Deputy Town Clerk, Tracy Morris is also the Finance Clerk responsible for all the detailed accounting records and monitoring reports presented to Members. The current accounting arrangements include the use of a manual cashbook, which is replicated/supplemented by various Excel spreadsheets. I believe I have persuaded Mrs Morris to give up on her manual cashbook and solely rely on her excellent spreadsheets. However, in my view a local council the size of New Romney Town Council should be using an accounting package, which would make life a great deal easier once established, although I appreciate

there will be some angst in migrating from one system to another. I audit several comparable Town Councils, the majority use the Rialtas Business Solutions (RBS) financial package <http://www.rbssoftware.co.uk/> (Tenterden Town Council, Faversham Town Council, Folkestone Town Council) another alternative package used is SAGE 50 (Hythe Town Council and Swanley Town Council). The SAGE system requires extensive customisation to produce financial reports. By contrast the RBS system offers an accounting structure producing year-end reports in the style of Section 2 of the Annual Return and interim monitoring reports. Interestingly, Tenterden TC did use SAGE but transferred over to the RBS package 2 years ago, on the other hand Swanley TC switched the other way as they wanted better reporting of its commercial activities, a more profit and loss scenario. I would recommend the RBS system because there is less customisation required, the Council doesn't have an extensive trading activity and would be less reliant on the support of a SAGE consultant. There are other reference sites I can provide that use the RBS system should the Town Clerk require these details.

**David J Buckett CPFA DMS**

**6 June 2017**