

New Romney Town 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 31st March 2018 and signed off the Annual Internal Audit Report on 17 May 2018.

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 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 September 2017. There were no matters raised by the Auditors.

Internal Audit 2016-17

There were several matters to follow up from the 2016-17 Audit Report such as the website content, review of the Fidelity Guarantee insurance cover and the cash investments to take advantage of the FSCS protection available to parish/town councils. The Town Clerk reviewed the actions undertaken in the light of my Report for 2016-17 to the Council meeting held on 9 April 2018, when it was reported that three action points remained outstanding, although progress was on-going. These and other matters are covered in the Audit Findings.

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 such as the allotment and beach facilities.

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

Findings

Council's Website:

As part of my preparation for the Internal Audit visit I viewed the Council's website <http://www.newromneytc.co.uk/> , a bespoke website designed by Total Computer Services. Last year I

commented on the checking procedures to ensure the website links were working and that the content listed was viewable via a search engine like “Google” and that the Town Clerk was proposing to extend the checks particularly for the agendas, reports and related minutes. At the time there was also a limit on the content such as up to two year’s agendas and minutes. The Town Clerk reported to the Council in April 2018 that the additional checks on the website content had been put in place and that it was now possible to retain single links to a whole year’s collection of documents enabling access to material beyond the previous 2-year limit. This is particularly relevant to the holding of the AGAR (Annual Return) information for the statutory period of 5-years, which is made easy by creating a section within the website for the AGAR’s. Annual returns going back to 2013-14 are held on the website under the “Documents” tab.

I found no omissions during my “tour” of the Council’s website. Well done.

Standing Orders and Financial Regulations:

The Standing Orders and the Financial Regulations have recently been reviewed and approved by Council on 9 April 2018. The updated document is available on the website, Part 1 are the General Standing Orders and Part 2 the Financial Regulations. The Minutes imply that the only changes referred to the introduction of credit and trade cards. After this review NALC released a new 2018 version of the Model Standing Orders, the Town Clerk will be comparing the New Model with Council’s latest version and bringing any proposed changes back to the Council in due course.

Insurance/Asset Register/Risk Management:

The Council has a 3-year Long-Term Agreement with Zurich Municipal to 31 March 2019. I commented on the Fidelity Guarantee cover of £1m, 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. A similar position existed at 31 March 2018 with £940,930 in cash reserves and the imminent receipt of the 2018-19 Precept instalment of approx. £155,000. the cash reserves will be more than the £1m cover. I understand that the Finance Clerk is waiting for a response concerning this matter from Zurich Municipal.

The Finance Clerk produces a comprehensive set of Annual Accounts and supporting information, which includes the Asset Register value of £3,548,469, recording a modest increase of £8,540 compared to the value as at 31 March 2017.

The Council has good risk management controls in place, the Risk Management Statement is considered annually by the Council and was last reviewed on 9 April 2018. The Statement is published on the Council’s website and what is extremely helpful to the reader is that the amendments approved by the Council on 9 April are highlighted in “red”, a great example of good practice. A couple of the changes/notes listed include new appointments (to be made during 2018-19) of Councillors to become bank account signatories and non-bank signatories to sign-off the monthly bank statement reconciliations.

Budgetary Control/Cashbook:

The Council reviews its Statement of Intent on Internal Control every year, the one for the year ending 31 March 2018 was reviewed at 9 April 2018 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 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 27 November 2017 recommended a draft Budget for 2018-19 of £306,507 to the Council (Min 456/2017-18). The Council at its meeting on 24 January 2018 approved the Budget and the Precept request for 2018-19 of £309,507 (Min. 565/2017-18), an increase of £3,000 to take account of the professional fees required to comply with GDPR (see para. later in this Report)

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 2017-18 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 part-time) plus the occasional hours worked by the Mayors Sergeant and Town Sergeant, who are both employees in another capacity. The Council outsourced the payroll function to SH Bureau Ltd based in Maidstone, which commenced in August 2016, part of the payroll checks I made was the inspection of the year-end P60's.

The Council has a wide range of income sources such as the Assembly Room and Community Room hire (£11,236), Allotments (£1,124), Hut and Winch sites (£5,420), and the Town Hall rent (the rental income for 2017-18 was lower than the previous year due to the eviction of the previous tenant, a new tenant has been from February 2018). I found the billing and receipting arrangements to be very comprehensive. The ordering system is also good.

The Council has a sound contract arrangement in place to review, renew and to seek tenders/quotes for various goods and services. The outcome of tenders/quotes are well minuted (e.g. Grounds Maintenance quotes for various sites – F&GP Committee 20 November 2017).

The VAT claim for 1 October 2016 to 31 March 2017 for £10,430 was received 20 June 2017, for the period 1 April to 30 Sept 2017 for £15,902 was received 17 Nov 2017. A VAT claim for the period 1 Oct 2017 to 31 Mar 2018 for £7,262 was in the process of being submitted at the time of my visit.

Banking Arrangements:

As mentioned earlier, in my previous Report, I raised the matter of spreading the Council's cash holdings across more financial institutions to take advantage of the FSCS investment protection, currently £85,000 per FCSC registration, which are available on the FSCS website www.fscs.org.uk/

Last year the Council opened a new bank account with Lloyds Bank (balance as at 31 March 2018 - £70,097), during 2017-18 another bank with Unity Trust Bank was established (balance as at 31 March 2018 - £74,964). The Council still has three accounts with NatWest with a total balance of £144,415 at 31 March 2018 (taking into account o/s cheques and lodgements). The largest investment the Council has is with National Savings, £651,453 as at 31 March 2018.

Last year the Town Council 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. Things have moved on and a “corporate multipay card” facility through Unity Trust Bank has been put in place for the Town Clerk and Deputy Town Clerk. There is a monthly total spend limit of £2,500 and a single transaction limit of £500.

Other matters:

New Romney Community Hall & Sports Pavilion Project

The Clerk updated me with progress and design of the Community & Sports Pavilion Project, which has progressed to RIBA Stage 2 and Council approval has been given to move onto the formal submission of plans to the District Council subject to formal approval of the actual planning submission by the Town Council once prepared. There is an inevitable “funding gap” to close.

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.

One of the areas for consideration are dedicated e-mail addresses. The Town Clerk’s e-mail address is townclerk@newromneytc.co.uk. Similar addresses could be set-up for each Councillor. 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.

The Town Clerk advised that the Council has appointed Satswana Ltd as the external data protection officer for the Council (Min. 564/2017-18 – 24 Jan 2018), who will no doubt look at the e-mail issue.

David J Buckett CPFA DMS

4 June 2018