

## **New Romney Town 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 15 May 2019.

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 Mrs Tracy Morris Deputy Town Clerk & Finance Clerk for her assistance given to me during this audit. The Town Clerk, Mrs Catherine Newcombe was not available to assist as she was signed off sick with stress, but despite this I am pleased to report that I did not find anything significant in terms of the Accounts and the completion of the AGAR to bring to Members attention.

#### **Previous Audits:**

##### External Audit 2017-18

The external auditors PKF Littlejohn LLP signed off Section 3 of the AGAR for the year ended 31 March 2018 on 14 September 2018. There were no matters raised by the Auditors.

##### Internal Audit 2017-18

There were a few matters to follow up from the 2017-18 such as the review of Standing Orders (SO's) in the light of the new Model SO's published by NALC in April 2018, the Insurance Contract due for renewal before 31 March 2019 and the Council's response to the GDPR which came into effect in May 2018. The Report was circulated to all Councillors prior to the 11 June 2018 Council Meeting that reviewed the effectiveness of internal control procedures for 2017-18 as part of the consideration of the Annual Governance Statement within the AGRA 2017-18. My Report was received and approved Min 114/2018-19 (1) – 11 June 2018.

#### **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 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. The website is very comprehensive in terms of information about the business of the Council, its committee structure, its policies & procedures, financial information and hire/booking arrangements related to the various services/facilities provided. Mrs Morris explained that the "webmaster" duties were carried out by the former Amenities Clerk who had resigned in February 2019 and the Council, before re-filling the post wanted to re-assess the skill set and job content. Therefore, some of the website content was not up to date. The two pieces of statutory information, the Disclosable Pecuniary Interests [DPI's] of Councillors and the AGAR's (formerly known as the Annual Return) were available on the website. The Council had two contested elections in May 2019 with some new Councillors elected, some of the DPI's are missing as a result. This needs to be rectified as soon as possible.

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

The Standing Orders and the Financial Regulations have recently been reviewed and approved by Council on 8 April 2019. The updated documents are currently available on the website for the reasons explained above.

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

The Council has just entered into a new 3-year Long-Term Agreement with Zurich Municipal to 31 March 2022 approved by Council on 25 March 2019. I commented on the Fidelity Guarantee cover has increased to £2m, a recommendation in my previous Report. The insurance policy includes a motor policy.

The Finance Clerk produces a comprehensive set of Annual Accounts and supporting information, which includes the Asset Register value of £3,562,079 an increase of £13,610 compared to the value as at 31 March 2018.

The Council has good risk management controls in place, the Risk Management Statement is considered annually by the Council and was recently reviewed on 8 April 2019 as part of the "Review of the Standing Orders and Appendices" agenda item. The updated Statement will be published on the Council's website in due course.

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

The Council reviews its Statement of Intent on Internal Control every year, the one for the year ending 31 March 2019 was reviewed at 11 June 2018 Council meeting (Min 114/2018-19). 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 actual expenditure/income to date.

The annual Budget and Precept setting cycle is like previous years with a review of existing budgets by the Spending Committees and submission 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 26 November 2018 recommended a draft Total Budget for 2019-20 of £326,992 to the Council (Min 492/2018-19). The Council at its meeting on 14 January 2019 approved the Budget and the Precept request for 2019-20 of £326,992 (2018-19 = £309,507) (Min. 577 i/2018-19).

My Audit covered the detailed analysis of the AGAR and the supporting papers to the AGAR. 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 2018-19 Reserve Fund Transfers tracking the movement of funds. Much of this information is included in the Annual Accounts, which will be presented to Councillors at the June 2019 Meeting.

### **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, part of the payroll checks I made was the inspection of the year-end P60's and related HMRC returns.

The Council has a wide range of income sources such as the Assembly Room and Community Room hire (£11,638), Allotments (£1,560), Hut and Winch sites (£6,020), and the Town Hall rent (£7,800). I found the billing and receipting arrangements to be very comprehensive, although the recent invoicing for the Allotments (1 April 2019 to 31 March 2020) did not provide details within the bills to make payment direct to the Council's bank. With the closure of the local NatWest bank branch cash & cheque payments are deposited via the Post Office with the inherent delays in receiving the funds. The Finance Clerk also uses the local Lloyds Branch for over the counter facilities.

The Council has a sound contract arrangement in place to review, renew and to seek tenders/quotes for various goods and services, which are well minuted.

The VAT refunds received during 2018-19 amounted to £29,657, leaving an amount of £24,300 to claim as at 31 March 2019.

### **Banking Arrangements:**

In previous years I have 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/](http://www.fscs.org.uk/)

The year-end bank accounts balances for 31 March 2019 are as follow: -

<b>Financial Institution</b>	<b>Balance as at 31 March 2019</b>	<b>Balance as at 31 March 2018</b>
National Savings Income Bonds	651,453	651,453
NatWest Treasury Reserve – 1 month rolling	45,000	45,000
Unity Trust Bank – current account	74,892	74,964
Lloyds Bank - business account	20,444	70,097
NatWest – business reserve account	122,184	103,292

NatWest – current account (NET of outstanding cheques and lodgements)	-30,574	-3,877
<b>BALANCE as at 31 March</b>	<b>£883,398</b>	<b>£940,930</b>

A “corporate multipay card” facility through Unity Trust Bank is in place for the Town Clerk and Deputy Town Clerk with a monthly total spend limit of £2,500 and a single transaction limit of £500.

The current cheque signatory requirements include 2 Councillors and either the Clerk or Deputy Clerk. There may be a need to review the signatory list following the May 2019 election results.

**Other matters:**

Council Projects

The Deputy Clerk updated me with progress of the Community & Sports Pavilion Project and the appointment of Synergy for Project Management Services.

I was also advised of the possible sale of a parcel of land owned by the Council to help with the funding of the above project with any shortfall being met by a PWLB loan of up to £1m.

GDPR

The General Data Protection Regulation (GDPR) came into force on 25 May 2018. The Council appointed Satswana Ltd as the Council’s Data Protection Officer (DPO) (Min 107/2018-19 – 11 June 2018), who undertook a data audit and an impact assessment.

One of the areas for consideration mentioned last year were dedicated e-mail addresses similar to the Town Clerk’s e-mail address is [townclerk@newromneytc.co.uk](mailto:townclerk@newromneytc.co.uk) This suggestion has not been progressed, but the Deputy Clerk did advise that all Councillors are to be issued with Council owned laptops with the appropriate security on which to receive all the Council papers such as agendas and minutes in a move to “go paperless”. Several of my other clients have already gone down the route with great success.

Staffing

It was disappointing to hear about the sickness of the Town Clerk caused by harassment in the workplace. Sadly, this is becoming more prevalent even within my own clients, but I know is occurring across the County. The Council and therefore ALL Councillors have a corporate duty of care towards their staff. I have seen several large “settlements” in recent years caused by such incidents, which is a cost to the local taxpayer. Your Town Clerk is very diligent, and it would be tragedy if the Council were to lose her services and perhaps others over such a matter. Good staff are hard to find!

**David J Buckett CPFA DMS**

**7 June 2019**