

## **Report to Lowestoft Town Council**

### **Interim Internal Audit (September 2018)**

#### **1. Introduction and Summary.**

1.1 The Internal Audit reviews programmed for the year 2018/19 provide for two Interim Audits during the year which will lead into and support the End-of-Year Audit which will take place in April/May 2019. In this way the Town Council is supported throughout 2018/19 in terms of receiving assurance upon the adequacy and efficiency of key systems in place. This audit report relates to the first interim review undertaken in the 2018/19 year of account.

1.2 The Town Council is now building upon the achievements secured during its first year of operation. Both Town Councillors and Officers continue to prioritise the need to develop and secure a high standard of financial management and control. Having overcome the initial operational and administrative challenges that had to be addressed as a new council, the Town Council continues to ensure that effective and efficient financial administration is in place. During the inaugural year 2017/18 a wide range of formal policies, procedures and protocols were introduced and these have provided a solid foundation for the operation of strong financial management and control during 2018/19.

1.3 The Town Council's development has continued during the initial months of 2018/19. Notably, the Town Council secured a £200,000 loan from the PWLB to assist in the funding of the £335,000 cost of the purchase of the Marina Theatre Box Office ('Zenith') building. The Council has introduced the RBS accounting system and there has been significant development in a number of Asset Management Programmes. The Council has also undertaken a comprehensive survey of the views of residents to assist in formulating the Budget for 2019/20 and to inform the future direction of the provision of services and the use of assets.

1.4 The Town Council is making good progress towards the construction of the Budget for the 2019/20 year, with a Capital Programme to cover the next 5 years, both of which will shortly be formally presented to Committees and the full Town Council for consideration and approval.

1.5 The Town Council set a precept of £1,608,848 for the year 2018/19 following a comprehensive review of budget documentation prepared for consideration and approval by Councillors. Budgetary control arrangements are in place to ensure that Town Councillors have sufficient financial information to make informed decisions. The role and responsibilities of Ms Shona Bendix, the Town Council's Clerk (Proper Officer) and Responsible Financial Officer (RFO), were re-confirmed at the Annual Meeting of the Council on 8 May 2018 (Minute 280 refers).

1.6 This Interim Internal Audit has confirmed that the Town Council continues to successfully meet the significant challenges and demands faced by a new council

and is moving forward in an overall framework of effective and robust financial management and control.

1.7 The following Internal Audit work was carried out on the adequacy of systems of internal control in accordance with the agreed Audit Plan. Comments and any recommendations arising from the review are made below.

**2. Governance issues, Including Financial Regulations and Standing Orders (examination of Financial Regulations and Standing Orders, Tenders where relevant, appropriate payment controls including acting within the legal framework with reference to Council Minutes. Identifying VAT payments and re-claims. Electronic payments, cheque books and other relevant documents).**

2.1 The membership and terms of reference for each Committee were reviewed and agreed by the Town Council at its meeting on 8 May 2018 (Minute 281) with confirmation that the Town Clerk (the Proper Officer) is the Responsible Financial Officer (RFO).

2.2 At the meeting on 8 May 2018 the Town Council noted that a Working Group from the Finance and Governance Committee had reviewed Standing Orders in the light of the New Model Standing Orders (2018) published by the National Association of Local Councils (NALC). The Standing Orders presented to the Town Council were agreed and adopted at the meeting on 8 May 2018 (Minute 279 refers).

2.3 The Town Council agreed at its meeting on 5 June 2018 that Standing Orders should be revised to reflect the fact that local councils are not required to formally appoint a Data Protection Officer (Minute 324.1g refers). Further consideration and agreement by the Town Council of a revision to Standing Orders was made at the meeting held on 4 September 2018 (Minute 382.1c refers) relating to the changes largely prompted by the changes in Data Protection Regulations.

2.4 Following a review of Financial Regulations and recommendations put forward by the Clerk/RFO, the Town Council adopted the updated and revised Financial Regulations at its meeting on 8 May 2018 (Minute 280 refers). The agreed Financial Regulations included confirmation that the Clerk is the Town Council's Responsible Financial Officer.

2.5 The Town Council continues to demonstrate good practice by maintaining a wide range of formal Policies and Procedures. These include policies for Data Protection, Document Retention, Equality and Diversity, Grant Awarding, Health and Safety, Media, and Training and Development, all of which were originally agreed for adoption at the inaugural meeting of the Town Council on 16 May 2017. A Privacy Notice have been introduced during the current year of account and a Recycling Policy and a Reserves Policy are currently under review by the Finance and Governance Committee.

2.6 In response to its governance responsibilities, the Town Council agreed at its meeting on 8 May 2018 that a Review and Adoption of the Council's Policies and Procedures should be undertaken by the Finance and Governance Committee

(Minute 283 refers). In turn, the Committee resolved at its meeting on 26 June 2018 that the scope of the Standing Orders Working Group would be expanded to include the review of the Town Council's Policies and Procedures (minute 294b refers).

2.7 The Town Council is continuing to apply the General Power of Competence (GPoC) in 2018/19. At its meeting on 16 May 2017 the Council declared that it was an eligible Council to use GPoC, having two-thirds elected Councillors and a suitably qualified Clerk, and adoption of the Power was agreed.

2.8 The Suffolk Local Code of Conduct was adopted by the Town Council at its inaugural meeting on 16 May 2017; Councillors are briefed on the Code at their induction session. The Code was reviewed and accepted by the Town Council at its meeting on 5 June 2018 (Minute 324.1a refers).

2.9 The Town Council continues to use Unity Trust for its banking requirements and internet banking arrangements, with appropriate controls, are in operation. The Annual Investment Policy and Strategy is reviewed and agreed by the Town Council each year. A short-term Savings Account has been set up with the Debt Management Office (DMO).

2.10 A governance issue highlighted during the previous Internal Audit in May 2018 concerned the issue of registration of areas of land for which the Town Council is responsible. The Town Council had noted at its meeting on 19 September 2017 that contact had been made with the Land Registry and a bulk submission was expected to be made. However, although some progress has been made, this matter remains largely outstanding. The Clerk/RFO remains in discussion with Waveney District Council (WDC) on the issues involved and aims to address the issue as soon as practically possible

2.11 The Town Council is registered with the Information Commissioner's Office (ICO) as a public authority under Data Protection legislation (Registration ZA250273 refers, expiring 23 May 2019). The ICO was advised in June 2018 by the Clerk/RFO that the Council's address requires correction to display the official address of the Town Council.

2.12 During the year 2017/18 the Town Council had been regularly updated by the Clerk/RFO and Deputy Clerk regarding the impending application of the General Data Protection Regulations (GDPR) from 25 May 2018. At its meeting on 22 May 2018 the Finance and Governance Committee noted that the Deputy Clerk had completed relevant training through a SLCC GDPR Webinar (Minute 280a refers). Whilst the Town Council is not required to formally appoint a Data Protection Officer, it has demonstrated good practice by resolving that the Deputy Clerk should take the lead in data protection and freedom of information issues for the Town Council.

2.13 At the meeting of the Finance and Governance Committee on 26 June 2018 the Deputy Clerk presented a Model Privacy Notice that was considered and agreed and put forward to full Council for adoption. As part of this process the Committee agreed that all Town Councillors should be registered as Data Controllers under data protection legislation and this was confirmed by the Town Council at its meeting on 10 July 2018 (Minute 340.1b refers).

2.14 The Town Council's Minutes and those of the Council's Committees continue to be very well presented and provide clear evidence of the decisions taken by the Council in the year.

2.15 The Town Council is Registered for VAT purposes (as confirmed to the Town Council at its meeting on 19 September 2017, Minute 1091c refers). Re-claims for VAT paid in the years of account are being promptly submitted to HMRC and reimbursement being received. A claim for the £60,056.22 net VAT paid from 1 January 2018 to 31 March 2018 was submitted to HMRC on 4 May 2018 and was reported to Council at its meeting on 8 May 2018 (Minute 289.5 refers).

2.16 Similarly, a re-claim for the £41,598.67 net VAT paid from 1 April 2018 to 30 June 2018 was submitted to HMRC on 3 August 2018.

2.17 At an Extraordinary Meeting of the Town Council on 20 April 2018 consideration was given to the purchase of the Marina Theatre Box Office building by the means of a loan of £200,000 from the Public Works Loan Board (PWLB) with the remaining costs being funded from the Town Council's Reserves. Delegated authority was given to the Clerk, the Mayor and one or more Chairs of the Committees to sign the loan application (Minute 268 refers). The Town Council considered the matter again at its meeting on 21 May 2018 and agreed to proceed with the purchase of the Zenith building and gave approval to the Clerk to submit a loan application to the PWLB for a loan of £200,000 (Minute 303 refers).

2.18 The PWLB loan (£200,000 less a PWLB administrative fee of £70) was received on 19 July 2018 and its receipt was promptly reported to the Finance and Governance Committee on 24 July 2018 (Minute 318a refers). The Box Office building purchase amount of £335,000 was completed by payment from the Council's Unity Trust Bank Account on 13 July 2018.

**3. Matters arising from Transfer of Assets and Transfer of Existing Contracts to the Town Council (*balances/funding transferred from Waveney DC and any held in ring-fenced fund for use by the Town Council; transfer of assets. Operation of Contracts; contract monitoring processes; testing of some individual contract operations*).**

3.1 The previous Internal Audit Report in May 2018 explained in detail the background to the Section 113 Agreement (under the Local Government Act 1972) between the Town Council and the Waveney District Council being put into place during 2017/18. A Draft Agreement was presented to the Finance & Governance Committee on 8 September 2017. The Agreement enabled staff at WDC to provide assistance, where required, and to support the Town Council by facilitating the transfer of assets and responsibilities. The support under the Agreement included Legal Services, Finance/Accounting, Project Management, Estates/Asset Management, ICT, Communications, Press and Publicity and Event Management. The support services offered were provided free of charge with the exception of the building services provided in relation to the provision of basic compliance/inspections

(these operations have been undertaken in-house by the Town Council since April 2018).

3.2 The Town Council noted at its meeting on 6 March 2018 that the Section 113 Agreement had enabled WDC to progress payments, banking, invoicing and provide other financial support under the Safeguarding arrangements and that would continue until the end of the 2017/18 year of account, at which time the Town Council and WDC would decide whether to continue the arrangements. The Agreement was initially extended into 2018/19 (other than for some building services work, as referred to at item 3.1 above). It was confirmed at the Finance and Governance Committee at its meeting on 26 June 2018 that the Section 113 arrangements for the provision of financial support services by staff working for WDC had ceased (Minute 294.d refers). All services provided under the Section 113 Agreement came to an end on 31 August other than Asset and Legal Support Services, which have been extended to 30 September 2018.

3.3 The Finance and Governance Committee scrutinises the Waveney Norse Partnership Charges which, from February 2018, were received direct from Norse and not through WDC. Full Council at its meeting on 3 April 2017 (Minute 246.1a) delegated authority to the Clerk to authorise the monthly payments. These Charges are highly significant in relation to the Town Council's overall budget and are subject to close scrutiny by the Committee. Effective monitoring of the Partnership Charges is an important element of the Town Council's overall financial control framework.

3.4 The previous Internal Audit Report reported that the Facilities and Contracts Manager was at that time developing an Implementation Plan under which the WDC and Norse Joint Venture Service Level Agreement (SLA) transferred to the Town Council would be examined in detail, including monitoring of the current agreement.

3.5 Progress has been achieved towards developing a draft SLA which will reflect the Town Council's precise requirements in terms of the work required. In support of the SLA, Key Performance Indicators (KPI's) are also being prepared. It is expected that the draft SLA and KPI's will be presented to Committee and the Town Council for approval in preparation for their application from April 2019.

3.6 Work is continuing in the development of key Asset Management Programmes to ensure the protection of the Town Council's assets and the protection of their users. This includes the development of the Planned Preventative Maintenance Programme, which covers both revenue and capital for the five years 2018/19 - 2022/23. In due course it would be efficient for this Programme to be developed further to assist and inform the annual review and construction of the Capital Programme.

3.7 Similarly, significant progress has been achieved in the development of the Condition Survey Programme, the Cyclical Maintenance Programme and the Vacant Property Programme.

3.8 The Compliance Programme for asbestos and legionella necessarily remains at a high level of priority. Formal documentation relating to recommended policies and procedures in respect of both matters are currently being constructed by the Facilities

and Contracts Manager to support the detailed information being held on compliance issues. The Council is making good progress in obtaining the necessary information to evidence its compliance with the statutory requirements.

3.9 The internal audit has confirmed that the Town Council has satisfactory arrangements in place to ensure compliance issues are carefully considered and adequately addressed. Each meeting of the Assets, Inclusion and Development Committee has a standing item to consider compliance monitoring, maintenance and condition surveys. The Committee, with the support of the Facilities and Contracts Manager, has made significant progress during the first half of the 2018/19 year. At the meeting held on 25 June 2018 the Facilities and Contracts Manager presented the spreadsheets devised for overseeing the monitoring and maintenance of sites going forward. The Facilities and Contracts Manager also reported upon his review of leases and licences to identify the contractual responsibilities of the Town Council and those of tenants in terms of maintenance of sites. This had been organised into a 5-year Plan using condition surveys, to be supported by risk analyses to identify priorities and required budgets. The only vacant property under the Town Council's ownership is the Town Hall, which is inspected regularly for risk management and insurance cover purposes.

#### **4. Internal Control and the Management of Risk (*Review by Town Council of the effectiveness of internal controls, including risk assessment, and Minuted accordingly*).**

4.1 The Council's Risk Assessment and Management Policy and Corporate Risk Assessment were considered and agreed for adoption by the Council at its inaugural meeting on 16 May 2017 (Minute 16 refers). The documents are comprehensive and clearly identify the risks involved and the action being taken to manage and mitigate the risks identified.

4.2 The Risk Assessment documents were also considered by the Town Council at its meeting on 6 March 2018 (Minute 225.8 refers). It was noted by the Town Council that the Risk Assessment is in place, that it would be formally considered by full Council at least once each year and that it would be on the agenda of the Finance and Governance Committee.

4.3 The Town Council continues to place emphasis on ensuring that adequate and effective Internal Control arrangements are in place. During the year 2017/18 the Finance and Governance Committee constructed a check-list of internal controls and nominated Councillors to undertake all necessary checks. A Statement of Internal Controls is in place and nominated Councillors periodically undertake a review of the system of internal controls and sign a report (which is submitted to full Council) in confirmation that the review has been undertaken. Accordingly, the Town Council noted the completion of the internal controls review at its meeting on 8 May 2018 (Minute 289.6).

4.4 The Town Council similarly has a strong commitment to training for Councillors and Staff within the overall Risk Management framework operating within the Council and provides appropriate training budgets to accommodate agreed training

programmes, including those on data protection. At its meeting on 24 April 2018 the Finance and Governance Committee agreed that training for Councillors and staff on Safeguarding would take place during May 2018 as part of the Council's risk management plan (Minute 257b refers).

4.5 In order to comply with Section 4 of the Accounts and Audit Regulations 2015, the Town Council must undertake before the end of March 2019 a formal review of the effectiveness of the Council's system of internal control, including the arrangements for management of risk, and Minute the review accordingly. The Clerk/RFO has confirmed that this will take place and will include a review of any additional matters that may be required to be included in the risk management documentation following the cessation of the 113 Agreement and the purchase of the Box Office building during the year of account.

4.6 Insurance cover was put into place with Zurich Municipal during the Town Council's inaugural year (2017/18). The Town Council agreed at its meeting on 6 March 2018 that delegation would be made to the Town Clerk, the Deputy Mayor and the Chair of the Finance and Governance Committee to meet with the insurers and secure the optimum insurance coverage for 2018/19 to meet the interests of the Town Council (Minute 225.9 refers).

4.7 At its meeting on 3 April 2018 the Town Council agreed to replace the current one-year insurance arrangements with a Long-Term Agreement with Zurich Insurance for a period of 3 years; significant savings would be secured as a result. The Council noted that the level of cover would remain unchanged and should the Council acquire any further assets the premium would be amended accordingly (Minute 259.5 refers).

4.8 The Town Council confirmed the arrangements in place for with Zurich Insurance at its meeting on 8 May 2018 and noted that the cover provided included Personal Accident Cover and Key Personnel Insurance (Minute 287 refers).

4.9 The Town Council's Public Liability cover stands at £15m. The cover for Fidelity Guarantee (Employee/Councillor Dishonesty) currently stands at £2m which is in accordance with the recommended guidelines of year-end balances plus 50% of the precept/grants received. Insurance cover for the newly acquired Box Office building is in place, as confirmed to the Finance and Governance Committee on 21 August 2018 (Minute 334.3 refers)

4.10 The Finance and Governance Committee considers insurance cover under its Risk Management and Compliance responsibilities. At the Committee meeting on 24 April 2018 the Clerk/RFO confirmed that insurance cover would continue to be reviewed as part of the internal audit and risk management procedures. The reviews include the level of Fidelity Guarantee, which may require to be increased at various times depending upon the amount of precept and grants received in any one year. It is equally important that the list of Assets is regularly compared to the insurance schedule to ensure that all assets receive appropriate cover and it is recommended that this task is undertaken on an annual basis.

**5. Accounting Procedures and Proper Book-keeping (*examination of entries in the Cashbook, regular reconciliation of books and bank statements and supporting vouchers, invoices and receipts*).**

5.1 At its meeting on 24 April 2018 the Finance and Governance Committee noted that the new RBS financial software had been installed and that training had been given to staff in most aspects of the system. The Committee agreed the information it required to receive from the financial system (Minute 263 refers). Similarly, at its meeting on 8 May 2018 the Town Council noted that the installation of the RBS financial software had taken place and that training had been received by staff (Minute 289.1e refers).

5.2 Financial Reports are being produced from the RBS system, both for internal use by staff and for formal presentation to Councillors. An Excel accounting spreadsheet is currently operating alongside the RBS system in order to provide a 'safety-net' during the initial few months of the operation of the new package.

5.3 The RBS accounting system was confirmed as being up-to-date; entries within the system included transactions up to and including 31 August 2018, with a Bank Reconciliation at that date. The Communications and Customer Services Assistant has received basic training on the RBS system and confirmed that he is now able to access and operate the essential elements of the system, make necessary up-dates, generate reports and achieve regular reconciliations between the Accounts and the bank statements. As to be expected, a steep learning curve exists and the Clerk/RFO is aware of the additional training needs that may be required to enable the Communications and Customer Services Assistant to administer all aspects of the RBS system.

5.4 The Clerk/RFO and the Communications and Customer Services Assistant are the designated system administrators. The Communications and Customer Services Assistant demonstrated to the Internal Auditor the clear audit trail from the underlying financial records to the Accounts, with supporting documentation in place. Basic data security matters (including adequate password control and back-up arrangements for data) were reviewed during this audit but it is advisable for the Council to programme a comprehensive data security review by IT specialists in order to ensure that the security and integrity of the system and its data can be confirmed.

5.5 The following accounting issues were identified during a test-check of the data held within the RBS system:

- a) The investment of £300,000 to the DMO is shown solely as a 'payment' and needs to be identified as an investment (and shown to be still under the ownership of the Town Council) in the accounts.
- b) The loan of £200,000 received from the PWLB is shown as a figure of £199,930 viz. net of the £70 administrative fee charged by PWLB. The actual amount of the loan outstanding should be displayed as £200,000 to ensure that the capital

amount outstanding after repayments of principal will be correctly recorded. The £70 should be displayed as a separate expense.

- c) The values of the Earmarked Reserves and the General Reserves require review as some are currently mis-stated within the RBS system. For instance, the Earmarked Reserve in respect of CIL funds as at 31 August 2018 shows a value of £45,221 (unchanged from the value as at 31 March 2018). However, an amount of £6.112.01 CIL funding was received from WDC in April 2018 and has still to be reflected in the CIL Reserve value.

It is recommended that the above matters are reviewed and all necessary adjustments to the accounts are made as soon as practicably possible.

5.6 VAT payments are tracked and identified within both the RBS system and the Excel Spreadsheet and the data held can be used effectively for reclaims to HMRC.

5.7 The RBS accounting information is well referenced and overall provides a good audit trail to the supporting documentation. The data recorded provides good evidence in support of the income and expenditure in the year.

## **6. Budgetary controls (*Verification of the budgetary process with reference to Council Minutes and supporting documents*).**

6.1 The Finance and Governance Committee has received appropriate Budget Monitoring Reports (details of actuals to budget projections) during the 2018/19 year. The Town Council received detailed estimates of the annual budget and of income and expenditure in respect of the 2018/19 year and the estimates are being used effectively for financial control and budgetary control purposes during 2018/19.

6.2 Similarly, the Finance and Governance Committee has been presented with Bank Reconciliations for review; the meetings held on 26 June 2018 (Minute 297) and 24 July 2018 (Minute 316) refer.

6.3 The Clerk/RFO has confirmed to the Internal Auditor that the Finance and Governance Committee plans to undertake a detailed and in-depth consideration of the Draft Budget for 2019/20 and will consider all relevant budgetary issues surrounding a proposed Precept for 2019/20 leading up to the Committee's formal recommendation to full Council in January 2019. Regular budget working group and preparatory meetings are already taking place. Such formal, detailed examination by the Committee clearly demonstrates good financial practice operating within the Town Council.

6.4 The Finance and Governance Committee noted on 1 November 2017 that the Town Council would need to progress its own Capital Budget, through ring-fenced reserves, as part of the Budget Planning for each year of account. The Clerk/RFO has confirmed that the Capital Programme, which is being constructed alongside the 2019/20 budget plan, will consist of projections for a period of at least 5 years and will identify the estimated amounts to be set aside to meet future capital projects that the Council may determine.

6.5 The Clerk/RFO continues to ensure that the Town Council and its Committees are made fully aware of specific responsibilities, commitments, forward planning and the need for adequate reserves.

6.6 A Reserves Policy was considered by the Finance and Governance Committee on 8 August 2017 and it was agreed that Reserves should stand at 4 months of precept with an anticipated 3 months after the first year of operation. A review took place when the 2018/19 Budget was determined and a comprehensive Spreadsheet produced detailing the anticipated movements in the year and the projected End-of-Year Reserve Balances through to the financial year 2020/21. The Spreadsheet has been published on the Town Council's website as part of the 2018/19 Budget information.

6.7 The Reserves available to the Council as at 31 August 2018 were appropriate. The amount of £300,000 has been invested in a DMO Account for a period of 4 months (from 20 July 2018 to 20 November 2018), until some possible financial liabilities become clear (notably the recharge notice from WDC for £150,000 in respect of theatre management services). Overall, the Town Council is maintaining sufficient general reserves and contingency sums to meet, within reason, any unforeseen items of expense that may occur.

**7. Income controls (*Regarding Precept and other income, including fees and charges and credit control mechanisms*).**

7.1 The Receipts system is now managed in-house within the RBS Accounting System and was tested by means of examination of a sample of transactions; the audit trails were found to be in order, with supporting invoices/vouchers in place.

7.2 The Finance and Governance Committee considered the Charges for all Leisure Activities at its meeting on 28 November 2017 including the cost of collecting the income, use being made of facilities and how free facilities may encourage greater use and facilitate future external funding. The Committee agreed that the Council should move to lift charges for all leisure facilities from April 2018 for a trial period (Minute 116 refers). At its meeting on 5 December 2017 the Town Council agreed to the cessation of charges for a one-year trial. The Clerk/RFO has confirmed that the Town Council is reviewing this trial and considering its continuation as part of its consideration of the 2019/20 Budget.

7.3 The Town Council considered and agreed Fees and Charges 2018 at the meeting held on 9 January 2018 (Minute 183.1d). This included a freeze of charges to markets and events. The Clerk/RFO has confirmed that the Town Council plans to review the freeze in fees and charges during its consideration of the 2019/20 Budget.

7.4 The Audit Plan for the Interim Internal Audit Review to take place in January 2019 provides for detailed testing of a wide range of income items received over the first 9 months of the financial year to support the End-of-Year Review in April/May 2019.

**8. Petty Cash** (Associated books and established system in place).

8.1 A Petty Cash system is not being used in the 2018/19 year of account.

**9. Payroll controls** (PAYE and NIC in place; compliance with HMRC procedures; records relating to contracts of employment).

9.1 The Town Council's Payroll Services were initially operated in the year 2018/19 by the Suffolk Association of Local Councils (SALC) which received all necessary salary scale point information, prepared the payslips and these were then forwarded to Waveney District Council for payment on behalf of the Town Council as part of the Section 113 Agreement. Detailed pay-slips, at a cost of £7 each, were being produced for staff with PAYE in operation.

9.2 At the meeting on 5 June 2018 the Town Council agreed not to renew the subscription to SALC and accordingly an alternative provision for payroll was required. The Council agreed to contract with Guy McGregor and Associates and Accountants to provide Payroll Services at a cost of £4.50 per payslip (Minute 333.1 refers).

9.3 The Finance and Governance Committee receives details of salary costs per month; salary payment totals are recorded in the Committee's Minutes.

9.4 At its meeting on 8 May 2018 the Town Council noted the recently published 2018/19 NJC/SLCC/NALC salary scales (Minute 289.9) and resolved that staff salaries would be increased by 2%, backdated to 1 April 2018, as applied under the NJC terms and conditions (Minute 297.1 refers).

9.5 The Finance and Governance Committee discussed a delegated budget for additional staff hours (the meeting on 22 May, Minute 283.a refers). This budget would provide for the Deputy Clerk to work additional hours when the Clerk is away or when workloads are particularly high. The Committee resolved to provide a delegated budget of £10,000 in 2018/19 for additional staff hours (Minute 286 refers).

9.6 The Finance and Governance Committee also noted at the meeting on 22 May 2018 that the Pensions Regulator had confirmed that the Town Council is compliant with its auto-enrolment duties (Minute 286 refers).

9.7 At a meeting of the Town Council on 10 July 2018 it was noted that Staff Appraisals had been completed and the following Personnel matters were agreed (Minute 350.1 refers):

- a) The temporary contract for the post of Communications and Customer Services Assistant would be made permanent at Spinal Column Points (SCP) 18-20.
- b) The Committee Clerk and Customer Services Assistant would receive an additional two SCP.
- c) The Facilities and Contract Manager would receive two additional SCP.
- d) The Deputy Clerk would receive an additional SCP and payment for at least the first two years of the Degree in Community Governance.

e) The Town Clerk to receive two additional SCP.

9.8 The above increases in salary took effect as from 1 July 2018. The Internal Auditor undertook test checks on the salary payments currently in place (and which reflect the increases agreed by the Town Council) and these were found to be in order.

**10. Asset control & valuation (*Inspection of asset register, checks on existence of assets; recording of fixed asset valuations; cross checking on insurance cover*).**  
***insurance cover***.

10.1 The Town Council maintains a standing agenda item for Assets and Contracts at each meeting and receives reports on the ongoing work on asset records and the management and control of assets, including receiving the Minutes of the Assets, Inclusion and Development Committee meetings. At its meeting on 8 May 2018 the Town Council agreed that a review of the Register of Land and Assets should be undertaken by that Committee (Minute 286 refers).

10.2 A detailed Register of Land and Assets is maintained and is published on the Council's web-site. The Register details each asset transferred from WDC with an Acquisition Value of £1 against each asset. The Town Council received a report upon the total fixed assets at its meeting on 5 June 2018 and agreed to enter a figure of £87 at Box 9 of Section 2 of the AGAR (Annual Return for the year 2017/18 submitted to the External Auditor, PKF Littlejohn) to reflect the nominal Acquisition Value of the recorded assets in the Register.

10.3 Further detailed Asset Records for each significant asset or group of assets are currently being prepared by the Clerk/RFO and Councillors. These documents will be an important addition to the Asset Records currently maintained. They will provide detailed background information and data in support of the Asset Register and will be presented to the Assets, Inclusion and Development Committee and onwards to the full Town Council for consideration and approval.

**11. Bank Reconciliation (*Regularly completed and Cashbook reconciles with bank statements*).**

11.1 The Town Council's Accounts have been reconciled to the Town Council's Unity Bank Statements as at 31 August 2018. The Internal Auditor examined the Reconciliation in detail, including the list of Unpresented Cheques as at 31 August 2018 and the Reconciliation was confirmed to be correct.

11.2 The Council's Financial Regulations require a Councillor (who is not the Chair or a bank signatory) to take responsibility for checking quarterly Bank Reconciliations; a Town Councillor has been designated to undertake this duty. The Town Council agreed during 2017/18 (at its meeting on 22 August 2017, Minute 90.3) that Bank Statements and Bank Reconciliations are to be examined and confirmed by the Finance and Governance Committee.

11.3 The Finance and Governance Committee received confirmation of the satisfactory completion of a Bank Reconciliation as at 31 May 2018 at its meeting on 26 June 2018 (Minute 297). The Town Council subsequently noted at its meeting on 10 July 2018 (Minute 340.4) that Bank Reconciliations had been confirmed by the designated Town Councillor for the periods ending 31 May 2018 and 30 June 2018. The Town Council demonstrates good financial practice in this respect by overseeing this important area of financial control.

11.4 Similarly, the Bank Reconciliation as at the end of July 2018 was made available to Councillors at the Finance and Governance Committee meeting on 4 September 2018 (Minute 338 refers).

## **12. Sole Trustee (*The Council has met its responsibilities as a trustee*).**

12.1 The Arnold's Bequest is due to be formally transferred to the Town Council during the year 2018/19. The Council will be the Sole Trustee. The Town Council has a standing agenda item regarding the Arnold's Bequest at each of its meetings.

12.2 At the meeting of the Finance and Governance Committee held on 24 April 2018 it was noted that there is income attached to the land to be transferred from WDC under the Bequest but there were also repairs issues which required to be addressed by WDC prior to the formal transfer (Minute 265e refers). At the meeting of the Committee on 22 May 2018 the Clerk confirmed that WDC would be provided with the conditions to be met prior to the land under the Bequest being transferred to the Town Council (Minute 283.h refers).

12.3 The Clerk/RFO has confirmed that whilst the Town Council has accepted the transfer in principle, the formalities of the transfer have yet to be finalised.

## **13. Internal Financial Controls, Payments Controls and Audit Procedures (*Confirmation that the Council has satisfactory internal financial controls in place*).**

13.1 Detailed financial information has been provided by the Clerk/RFO to the Town Council and its Committees during the 2018/19 year in all aspects of the Town Council's operations. This has assisted in the development of a robust and effective financial control framework.

13.2 The Town Council has appointed signatories that are required on all financial transactions and has approved the sections of Financial Regulations to reflect the arrangements in place. Amendments to the list of approved signatories are formally considered and approved by the Town Council.

13.3 The Finance and Governance Committee receives schedules of payments to be made; the list of payments is included in the Minutes of the Committee. The Committee also receives and scrutinises details of income received. The full Council

considers and approves Payments: a detailed list of Payments is included within the Council's Minutes.

13.4 The Audit Plan for the Interim Internal Audit Review to take place in January 2019 includes detailed testing of the Payments system by means of examination of a sample of transactions over the first 9 months of the 2018/19 financial year, the supporting invoices and vouchers and confirmation of the necessary authorisations, to support the End-of-Year Review in April/May 2019.

13.5 The Town Council considered and approved the End-of-Year Annual Governance and Accountability Return Part 3 (AGAR) for the year 2017/18 (Sections 1 and 2) at its meeting on 5 June 2018 (Minutes 324.1d and 324.1e refer). A copy of the Return has been correctly published on the Town Council's web-site.

13.6 The Internal Audit Report for the year 2017/18, completed within the AGAR, assisted in informing the Town Council in its consideration of Sections 1 and 2 of the AGAR and has similarly been published, as required, on the Council's web-site. The detailed copy of the Internal Audit Report was considered and agreed by the Council at its meeting held on 10 July 2018 (Minute 341.1a refers).

**14. External Audit (*Recommendations put forward, or comments made, during the annual review*).**

14.1 The first External Audit review of the Town Council is being undertaken by PKF Littlejohn LLP for the year of account ending 31 March 2018, following the Town Council's submission of the Annual Governance and Accountability Return for the 2017/18 year.

14.2 PRK Littlejohn's report is still awaited at the date of this internal audit report.

**15. Additional Comments.**

15.1 The Annual Meeting of the Town Council was held on 8 May 2018, within the required timescale. The first item of business was the Election of Chair in accordance with the requirements of the Local Government Act 1972.

15.2 I would like to record my appreciation to the Town Clerk/RFO and to all her staff for their support and assistance during the course of the audit work.

*Trevor Brown*

**Trevor Brown, CPFA**

**Internal Auditor**

**12 September 2018**