



MEETING PAPER

Subject: Internal Audit, Recommended Actions and Updates from the Clerk/RFO

Meeting: Full Council

Date: 22 October 2019

NOT CONFIDENTIAL

1.5 This Interim Internal Audit has confirmed that the Town Council is successfully meeting the significant challenges and demands faced by a new local council. It is clear that the Town Council is committed to develop as an authority and this will include the undertaking of a number of projects to benefit the community. The declaration by the Town Council of a climate emergency and the commitment to consider biodiversity and to work towards being a carbon neutral local authority will impact upon both financial and staff resources. It is particularly important that the appropriate level of staff resources, with suitably qualified and experienced officers, are available to the Town Council's Clerk and Responsible Financial Officer (RFO) in order to meet these demands and to ensure that the Town Council can move forward within an overall framework of effective and robust financial management and control.

Note: A staffing proposal is being developed for scrutiny.

2.1 The membership and terms of reference for each Committee were reviewed and agreed by the Town Council at its meeting on 14 May 2019, together with the review and adoption of Officer delegations and Councillor delegations (Minutes 11.1 and 11.2 refer).

Note: These are all being reviewed in light of recommendations from the Climate Emergency Committee to Full Council (22 October).

2.2 At the meeting on 14 May 2019 the Town Council also noted that Standing Orders had been reviewed in February 2019 by the Standing Orders Working Group (from the Finance and Governance Committee) and had been adopted by Full Council on 12 March 2019. There had been no subsequent amendments and the Council formally re-adopted the Standing Orders (Minute 9 refers).

Note: A Standing Orders Working Group will examine this. It might be changed to a Sub-Committee (Full Council 22 October).

2.4 The Clerk/RFO will shortly be reporting to the Finance and Governance Committee on proposals for changes to Financial Regulations with the view of formal adoption by the Town Council during the 2019/20 year.

Note: Review of Financial Regulations underway.

2.9 A governance issue highlighted in previous Internal Audit reports concerned the issue of registration of areas of land for which the Town Council is responsible. These matters continue to be progressed; tasks to be performed include the retrieval of hard copies of land registrations, deed packets, etc. from East Suffolk Council for eventual scanning and storage by the Town Council.

Note: Currently the delegated authority is for £50,000 but the budgeted amount for legal costs is £15,000, meaning up to £35,000 of the delegation would need to be drawn down from the legal reserves (£24,851.75). However, the delegation is over the amount available both in the budget and in the cumulative amount within the budget and legal reserves (£39,851.75). Important points:

- 1) Committee should note that the delegation cannot exceed the cumulative amount of under £40,000 specified and, in the event that this total nears this amount, the Committee and Council will be notified.
- 2) Confirmation is sought that it is acceptable, under the delegation, for the earmarked legal reserve to be used. With the current balance of expenditure being at £11,037.14, the Town Clerk's ambition of clearing as many as possible of the outstanding legal issues relating to the transition and any other problems that from time to time arise, by 31 March 2020, is being challenged by fears that instructing solicitors on the important issues that require resolution, will result in invoices which take the total over the £15,000 budget. To not proceed with resolving these matters impacts on day-to-day business and also increases risks, financial and otherwise.

2.10 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 2020). 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. The Town Council maintains a number of formal Data Protection policies and procedures to demonstrate compliance with the General Data Protection Regulations, including a Document Retention Policy and a Privacy Notice. Town Councillors are currently registered as Data Controllers under data protection legislation. The ICO has recently advised that individual Councillors no longer need to be registered (and, as such, no fee becomes payable) and the Clerk/RFO is currently considering a revision of the registration arrangements.

Note: This has been progressed with Committee and Council and the only data registration pursued is for the corporate body.

2.11 The Town Council is making appropriate preparations to ensure that the new website accessibility regulations will be complied with no later than 23 September 2020. The Clerk/RFO and the Communications Assistant have received training on these matters and work has commenced on meeting the new requirements. The Finance and Governance Committee is monitoring the progress being achieved in meeting the requirements (the meeting on 8 August 2019, Minute 62.1 refers).

Note: This work is on target.

2.15 The Town Council continues to recognise the importance of the training of Councillors and Staff. The Full Council agreed that best practice and training should be encouraged each time a Councillor is elected, re-elected or co-opted (the meeting on 23 July 2019, Minute 66.1g refers). With regard to staff training, the recommendations by the Finance and Governance Committee on 8 August 2019 (Minute 66.1) in respect of professional training for members of staff were approved by the Town Council at its meeting on 20 August 2019 (Minute 106.2) and appropriate budget sums have been allocated accordingly.

Note: Three members of staff are progressing their examinations/assignments (covering between them finance, health and safety and local council administration).

2.16 At its meeting on 25 June 2019 the Town Council agreed to declare a climate emergency and to set up a Climate Emergency Working Group to focus on measures that can be taken to work towards becoming a carbon neutral council and to work with other councils to address the challenges of climate change. Such work will touch upon virtually every aspect of the work of the Town Council and will clearly impact upon consideration of future budgets and staff resources. It is particularly important that the appropriate level of staff resources is available to the Clerk/RFO in order to meet these demands. In this respect, the Budget and Loan Working Group, at its meeting on 2 September 2019, recognised the need to address staff resources in relation to Council events and other duties to ensure that the Town Council can move forward efficiently with appropriate staff in place.

Note: The Climate Emergency Committee is now established and operating well with a community Climate Action Group being progressed in parallel, meeting in the Town Council's offices. The Clerk has progressed an audit of Hamilton house offices, has produced recommendations on how the implementation of work responding to the climate emergency could be actioned through

committees etc., and, following the CE Committee's adoption of this paper, is working on the development of a policy for Council consideration.

3.3 The Clerk/RFO and the Communications and Customer Services Assistant are the designated system administrators with unrestricted access to all functions. 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.

Note: This has been altered so that the Clerk has super user access to all functions and the assistant has administrative access. Making tax digital training has been accessed by both, and the Assistant will be able to administer returns and the Clerk will check and alone will be able to submit returns.

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

- a) The Debtors list as at 31 August 2019 included a sum of £4,687.50 outstanding relating to three invoices, each of a value of £1,562.50 (dated 30 November 2018, 18 February 2019 and 30 June 2019) relating to the hiring of a Council asset. The Clerk/RFO is currently reviewing the follow-up action on these outstanding sums in order to clear the items as soon as practicably possible.
- b) The Creditors List did not include some £320,000 due to Waveney Norse for Partnership Charges. This amount arises because invoices for the current year have not been submitted to the Town Council.
- c) The values of the Earmarked Reserves and the General Reserves require review as some were mis-stated within the RBS system at the time of the audit review. For instance, the Earmarked Reserve in respect of CIL funds as at 31 August 2019 showed a value of £63,093.00. However, an amount of £3,475.71 CIL funding was received from East Suffolk Council in May 2019 and was still to be reflected in the CIL Reserve.
- d) Similarly, the Earmarked Reserve in respect of the Neighbourhood Plan funds as at 31 August 2019 showed a value of £133. However, an amount of £8,925 funding was received from Groundwork UK in August 2019 and was still to be reflected in the Neighbourhood Plan Reserve value
- e) The Petty Cash records were last updated in the RBS system on 18 July 2019 and any transactions since that time need to be included in the accounting system.

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

Note: Matters a)-e) are being discussed between the Clerk and Assistant to put safeguards in place to prevent recurrence and Norse are still to reply on b); they have apologised for the delay in progressing this.

4.4 The Bank Reconciliation as at the 31 August 2019 is due to be presented to Councillors at the Finance and Governance Committee meeting on 12 September 2018 (Minute 338 refers).

Note: there have been some delays obtaining bank reconciliation checks but it is hoped that Cllr Coleby will be available to perform this function shortly.

5.4 The Town Council noted the commencement of the budget scrutiny for 2020/21 at its meeting on 20 August 2019 and agreed the merging of the Budget and Loan Working Groups (Minute 97.1e refers). The new Working Group met on 2 September 2019 to undertake a preparatory review leading into the detailed consideration of the 2020/21 Budget. Such formal, detailed examination by Councillors clearly demonstrates the good financial practice operating within the Town Council.

Note: Budget working group meetings are underway regularly. Recent information that employer's pension contributions have been reassessed will need to be considered by the Group.

8.1 The Town Council considered and approved the Petty Cash Policy and Procedure (and an amendment to Financial Regulations regarding Petty Cash) at its meeting on 22 January 2019 (Minute 486.1m refers). The details of Petty Cash transactions are itemised and presented to each meeting of the Town Council to note and approve.

Note: the petty cash system is rarely used compared to previous levels, which is a welcome minimisation of the use of cash.

9.4 A significant issue for the Town Council regarding income relates to the setting of Leisure Fees. In terms of Leisure Fees for the current year, 2019/20, the Town Council agreed that charges to sports clubs would be re-introduced alongside a grant scheme to assist the clubs which have engaged with the Council; the facilities would remain free of charge for members of the public (the Committee's meeting on 28 March 2019, Minute 466 refers). The Clerk/RFO has advised Internal Audit that the Leisure Fee Policy is to be reviewed by the Council as part of the overall budget-setting process for the year 2020/21.

Note: Full Council has agreed that the draft budget should not include fees for leisure facilities.

10.1 The Town Council continues to place emphasis upon ensuring that robust and effective Internal Control and Risk Management arrangements are in place. The risk management documentation is comprehensive and clearly identifies the risks involved and the action being taken to manage and mitigate those risks. The Risk Assessment documents are formally considered by Full Council at least once each year and are considered routinely by the Finance and Governance Committee, which has a standing item at each meeting for the consideration of legal, compliance and risk management issues.

Note: The Town Clerk is conducting a major review of all health and safety and risk management arrangements and will report back to Council on completion.

11.7 Following a procurement exercise regarding the gas and electricity supply to the Town Council's Assets, the Town Council approved a new supplier (Bulb) at its meeting on 22 January 2019 (Minute 486.1k refers). The transfer to Bulb has yet to take place, following the intention to transfer all utilities from existing suppliers at the same time. Meanwhile, the Clerk/RFO confirmed that the Town Council continues to look at all available options regarding the supply of energy that may prove to be of benefit to the Council, including the use of specialist procurement consultants to assist the selection of an energy provider.

Note: Energy use is again being reviewed in light of the climate emergency declaration and the Clerk is exploring the options for interest free loans for energy improvement/conservations measures.

12.4 Similarly, the Finance and Governance Committee reviewed and approved the Register at its meeting on 13 June 2019 (Minute 23 refers). A copy of the Council's Asset Register has been published on the Town Council's website. The Clerk/RFO has confirmed that the Asset Register will shortly be updated with items acquired during 2019/20 (including noticeboards and tablets) and will be presented to Committee again prior to the year-end 31 March 2020.

Note: 5 councillors to date have not collected their tablets.

14.2 The Town Council has been updated by the Clerk/RFO at each meeting as a matter of routine on the progress of the External Audit. PRK Littlejohn LLP's Certificate and Report for the year 2018/19 has not been received at the date of this Internal Audit report.

Note: The AGAR has been returned by the External Auditor with no problems raised.

Recommendation that:

- 1) The Finance and Governance Committee note and adopt this report.**
- 2) The Finance and Governance Committee note that the Clerk/RFO has reviewed the internal audit process, service delivery and report and commends the service compared to other known main service providers to town and parish councils and the Committee is requested to review whether it believes the Internal Auditor has provided a competent independent service and make a recommendation on whether to use this service next year.**