

Faversham Town Council

Interim Internal Audit Report for the year ended 31 March 2019

I am pleased to report to Members of the Faversham Town Council (the "Council"), that I have completed my interim internal audit of the Council's records for the six-month period to 30 September 2018, following my audit visit on 22 November 2018.

Councillors 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 Councillors 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, Louise Bareham and Finance Assistant, Ms Emma Powell for their assistance given to me during my audit visit.

Previous Audits:

External Audit 2017-18

The external auditor, PKF Littlejohn LLP, signed off Section 3 of the Annual Return for the year ended 31 March 2018 on 28 & 30 September 2018. There was an error in Box 3 on the Statement of Accounts, which also affected Box 7 raised by the Auditor.

Year-end Internal Audit 2017-18

There are a couple of matters to follow up, which relates to the on-going re-construction of the Asset Register to embrace the museum exhibits held at the new museum and office complex at 12 Market Place, the updating of the Standing Orders and progress of GDPR compliance.

Interim Internal Audit 2018-19:

Findings

This visit concentrated on the payment of invoices and payroll arrangements linked to the accounting arrangements. Other areas included the website, banking, risk management arrangements and GDPR progress.

Following my visit there are some observations I wish to bring to Members' attention. There is a separate template based on my Audit Plan with notes of my findings.

Website:

The website is one of the best "local council" sites I view, easy to navigate and very informative about the workings of the Town Council, especially the information regarding all the Council and Committee meetings with the supporting papers to the agenda items as well as the resultant minutes.

Insurance and Risk Management:

The Council has a Long-Term Agreement (LTA) in place with Zurich Municipal with a Fidelity Guarantee cover of £2m, although this expires in April 2019 before which I assume the Clerk will get new quotes for a further 3-year LTA. The current cover has been extended to include 12 Market Place and the museum artefacts as well as the allotments sites taken over from Swale BC, which are managed by their respective Associations.

Budgetary Controls:

The Policy & Finance Committee discusses the quarterly Budget Monitoring position as and when the Reports are available. The Town Clerk prepares a separate report for the annual Budget Workshop planned for a Saturday 8 December 2018, which includes any new projects or budget bids for 2019-20.

Part of the Budget/Precept discussions will include a review of all the Reserves held by the Council, are the reserves still required, are they at the correct level etc.

Staffing:

There has been quite a significant change in personnel since my last audit visit, which is detailed in the Audit Findings. The new Finance Officer, Ms Emma Powell has settled in well and getting to grips with the financial package and its reporting features. The improved working environment has facilitated a good team spirit despite the changes.

General Data Protection Regulation (GDPR):

As Councillors will know GDPR came into force on 25 May 2018. Since my last visit the Council has revised or adopted various policies and documents related to GDPR such as a General Privacy Notice adopted by the Council. The Town Clerk has produced specific privacy notices for Staff, Councillors and other Role Holders. A document management audit has been carried out and archive material will be looked at when time permits with a view to dispose of unwanted material including confidential material to be disposed of by a confidential material bag system widely used by my other clients. The Council has also taken the decision to name people within the Minutes and have included a clause on the "Agenda", which is read out at the start of every meeting.

David J Buckett CPFA DMS

9 January 2019

Faversham Town Council
INTERNAL AUDIT 2018-2019
AUDIT PLAN WITH COMMENTS / FINDINGS

Area	Item	Comments / Findings Interim Audit 22 Nov 2018	Comments / Findings Year-end Audit 24 May 2019
Previous Audits	<ul style="list-style-type: none"> ● Date of last External Audit Certificate or Exemption Certificate ● Comments if any ● Publication on website. ● Date of last Internal Audit ● Comments if any ● Review of any items outstanding from previous internal / external audit reports. 	<p>28 Sept 2018 & 30 Sept 2018</p> <p>Error in Box 3 of £1,740, which also affects Box 7 AGAR On the website</p> <p>6 June 2018 – noted by Council 11 June 2018 (min 454)</p> <p>Review of Standing Orders and Asset Register (WIP) and GDPR progress.</p>	<p>9 Jan 2019 considered by Policy & Finance Comm – 16 Jan 2019 Min 107</p>
Minutes	<ul style="list-style-type: none"> ● Scan of the minutes of the Council's meetings and the Finance Committee. ● Localism Act 2011 ● General Power of Competence ? ● Dispensations ● S.40 LA&A Act 2014 filming/recording 	<p>Scanned the Minutes to October 2018.</p> <p>An excellent example of how agenda, minutes and additional documents can be made available on the relevant Council's website. A superb reference site.</p> <p>Yes</p> <p>Yes as required particularly for Budget/Precept setting.</p> <p>Notices displayed at Meetings</p>	<p>Scanned to April 2019</p> <p>GPC renewed following May 2019 Elections Min 007 – 13 May 2019. Also seeking accreditation for Local Council Award Scheme, quality statements approved Min 117 – 27 Feb 2019 Policy & Finance Comm, Post Audit Note: Council awarded Quality Gold status – well done.</p>
Code of Conduct/ Acceptance of Office	<ul style="list-style-type: none"> ● Date adopted ● Any changes in elected/co-opted members since last Audit ? ● DPI's complete ● DPI's on website or weblink ● New Governance Compliance ● NEXT ELECTION ? 	<p>Updated list of Cllrs and their contact details shown on the website.</p> <p>DPI's available via a link to the Swale BC website.</p> <p>MAY 2019</p>	<p>May 2019 Elections – all 4 Wards were contested significant change with the Lib-Dems becoming the controlling party.</p> <p>DPI's of the 14 new Cllrs available via the website against each Cllr's details listing Committee membership etc.</p>

<p>Standing Orders and Financial Regulations</p>	<ul style="list-style-type: none"> • Have they been formally adopted and applied? • Have any changes been made since they were adopted or the last audit? • Have any changes been formally adopted by the Council? • Updated re Procurement Regs 2015? • Two signature rule still in place? 	<p>Both docs reviewed by Policy & Finance Comm 16 May 2018 Min 90 & 91, the new Model produced by NALC was noted and the Fin Regs updated to reflect "electronic payments". Policy & Finance Comm 12 Sept 2018 Min 91 highlighted further changes to draft SO's</p>	<p>Min 116 – 27 Feb 2019 Policy & Finance Comm, and Council Min 616 – 11 March 2019 adopted revised Standing Orders. The new Council adopted the existing SO's and Fin Regs Mins 012 & 013 – 13 May 2019</p>
<p>Risk Management</p>	<ul style="list-style-type: none"> • Risk Assessments – Are they: <ul style="list-style-type: none"> ○ Carried out regularly? ○ Adequate? ○ Reported in the minutes? • Insurance cover – is it: <ul style="list-style-type: none"> ○ Appropriate/Adequate? ○ LTA in place? ○ Reviewed regularly? ○ Fidelity Guarantee Cover £ (Balances + ½ Precept) • Internal controls – are they: <ul style="list-style-type: none"> ○ Documented? ○ Adequate? ○ Reviewed regularly? ○ Statement of Internal Control? • Systems and Procedures – are they: <ul style="list-style-type: none"> ○ Documented? ○ Adequate? ○ Followed? ○ Reviewed regularly? 	<p>Risk Assessment & Management Strategy discussed by Policy & Finance Comm 12 Sept 2018 (Min 92) – agreed to include the 5 largest projects and to circulate the document for comment.</p> <p>Various risk assessments/surveys have been conducted eg Guildhall fire risk assessment by LMT Fire Safety, also an asbestos survey, Front Brents jetty condition survey, Legionnaires surveys Guildhall and 12 Market Place.</p> <p>Existing LTA with Zurich Municipal to 1 April 2019. £2m</p> <p>Cllr Wilcox continues to carry out regular checks.</p> <p>Lots of policies and procedures in place and most on the Council's website under "strategic documents". The Town Clerk advised that the Council will be asked to review the policies as part of the register for quality council.</p>	<p>Min 114 – 27 Feb 2019 Policy & Finance Comm, considered 3 quotes from Hiscox, Zurich and BHIB. Accepted 3-year LTA with Zurich Municipal to 31 March 2022. Similar cover as before.</p> <p>Post Audit Note: Cllr Barker to undertake monthly auditing – Min 16 – 25 June 2019 Policy & Finance Comm</p>

<p>Budgetary Controls</p>	<ul style="list-style-type: none"> • Is the annual budgeting process reported and approved by the Council? <ul style="list-style-type: none"> ○ Budget/Precept amounts minuted? • Is the actual performance against the budgets reported to the Council during the year <ul style="list-style-type: none"> ○ Compare with Fin Regs? • Are significant variances explained in sufficient detail? 	<p>Quarterly Budget Reports presented to Council, eg 1st quarter to 9 July Min 482, 2nd quarter 12 November 2018 Min 535. Quarterly monitoring output from Accounting package on website under "Finance". Budget 2019-20 Workshop to be held on 8 Dec 2018</p>	<p>Annual Finance Meeting held on 21 Jan 2019. 2019-20 Budget on the website, Min 595 Resolved the Precept - £3868,684 with Band D remaining at £57.99. Budgeted expenditure to be £401,500 for 2019-20</p>
<p>Section 137 expenditure £7.86 FOR 2018-19 (£7.57 FOR 2017-18)</p>	<ul style="list-style-type: none"> • What is the cash limit for the year? • Is a separate account/analysis kept? • Has the cash limit been exceeded? • Have the spending powers been properly used and Minuted? 	<p>Only used for annual poppy donation as the Council has the General Power of Competence for other grants etc.</p>	
<p>Book-keeping</p>	<ul style="list-style-type: none"> • Cashbook - is it: <ul style="list-style-type: none"> ○ Fit for purpose? ○ Up to date? ○ Arithmetically correct? ○ Balanced regularly? 	<p>Rialtas Business Systems (RBS) Omega accounts package Yes Yes Yes Yes</p>	<p>No change</p>

<p>Petty Cash</p> <ul style="list-style-type: none"> • Has the amount of petty cash float been agreed? • Are all petty cash entries recorded? • Are payments made from petty cash fully supported by receipts / VAT invoices? • Are petty cash reimbursements signed for? • Is petty cash reimbursement carried out regularly? • Is petty cash balance independently checked regularly 	<p>The charge card is used for all small purchases rather than petty cash, which has been extensively used to provide tools and materials as required for the Town Caretaker (see below)</p>	<p>No petty cash held.</p>
<p>Payroll</p> <ul style="list-style-type: none"> • Who is on the payroll and are contracts of employment in place? • Who is the RFO? • Have there been any changes to the establishment during the year? • Have there been any changes to individual contracts during the year? • Have new appointments and changes to contracts been approved and minuted? • Do salaries paid agree with those approved by the Council? • Have any ad-hoc payments or benefits been appropriately approved? • Have PAYE/NIC requirements been properly applied and accounted for? • Payroll outsourced? • WORKPLACE PENSION IN PLACE 	<p>Council – 12 Feb 2018, Min 387 approved the recommendation of the Staffing Committee to advertise the appointment of three new posts – Administrative Apprentice – Ms Brooke Williams (37 hrs pw), due to start 9 July 2018. Business Support Officer – Ms Claire Windridge (21 hrs pw) started 14 May 2018 Town Caretaker – Adam Andrews (20 hrs pw – 4 hrs per day) started 31st March 2018</p> <p>Change of Finance Assistant – Emma Powell (8 hrs pw) started 22 March 2018</p> <p>Tourism Officer made redundant 31 July 2018</p> <p>Finance Asst manages the payroll using Sage Pay and auto-posting to HMRC with an automated confirmation on submission.</p> <p>LGPS pension scheme in place. Post Audit Note: LGPS to be offered to all staff as from 1 Jan 2019 Min 543 – Council 12 Nov 2018.</p>	<p>No changes to the staffing arrangements or administration of the payroll.</p> <p>P60's inspected</p>

<p>Payments</p> <ul style="list-style-type: none"> • Are all payments recorded and supported by appropriate documentation? • Are payments minuted? • Review of DD's and SO's ? • Has VAT been identified, recorded and reclaimed? • Are items above a de minimus amount purchased competitively? • Have internal control procedures been adhered to? • Contracts: <ul style="list-style-type: none"> ○ What contracts exist? ○ Compliance with SO's ○ Have any new contracts or contract variations/extensions been awarded in the year? ○ Procedures adopted for letting of contracts ○ Have contract payments been made in accordance with the contract document? 	<p>Town Clerk checks payroll output and credit card submissions before posting/paying – part of the "internal controls". Cllr Wilcox undertakes monthly checks.</p> <p>DD's set up for Sage payroll, EDF Energy, Royal Mail, New Star Networks, Lease Plan Uk Ltd</p> <p>Vat claims:- Qtr. 4 Jan to 31 Mar 2018 - £15,793 Qtr. 1 Apr to 30 Jun 2018 - £46,540 paid 23 Aug Qtr. 2 July to 30 Sept 2018 - £30,971 paid 8 Nov</p> <p>Good internal controls in place, new Finance Officer looking to improve systems.</p> <p>P</p>	<p>Proposed loan to St Nicholas Allotments site - £10k pending S106 monies ??? Min 623 – 8 April 2019 – Town Clerk currently pursuing Swale BC for the funds.</p> <p>No changes to the current arrangements and assume Cllr Barker will takeover from Cllr Wilcox in terms of internal checks.</p> <p>2018-19 Monthly Schedule of payments and receipts produced by the Omega Accounts package posted to the website. Post Audit Note: Due to the lack of authorised signatories following the May Elections There is a delay in updating the 2019-20 payments.</p> <p>VAT claims:- Qtr 3 Oct to 31 Dec 2018 - £4,149 paid 7 Feb Qtr. 4 Jan to 31 Mar 2019 - £10,628</p>
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<p>Receipts</p> <ul style="list-style-type: none"> • Are all receipts recorded correctly? • Are all receipts promptly banked? • Precept, CTSG and Sect 136 payments • Are internal controls of cash adequate? • Are invoicing arrangements adequate? 	<ul style="list-style-type: none"> • What current/deposit accounts exist? • FSCS aware and compliant? • Are bank reconciliations regularly carried out for each account? • Level of Balances to Precept ratio • Are the cheque counterfoils, paying-in books and bank statements adequately referenced? • When was the last review of the banking arrangements? • Internet Banking/Corporate Card ? • Signature review (Two signatures required?) • Any PWLB loans ? 	<p>Reduced receipts in 2018-19 due to closure of Front Brents Jeffy and "Visit Faversham" no longer a paid membership.</p> <p>Precept received</p> <p>The RBS accounting system is used to do the invoicing, assisting the debt management arrangements. Not tested this visit.</p>	<p>Grant re WW1 Projects - £3,636</p> <p>Invoicing arrangements tested.</p>
<p>Bank reconciliation</p>	<p>Bank Balances as at 30 Sept 2018 checked –</p> <p>NatWest Current a/c No. 133 - £100</p> <p>NatWest Deposit a/c No. 193 - £280,386</p> <p>NatWest Deposit a/c No. 901 - £103,989</p> <p>Lloyds Bank a/c No. 160 - £71,695</p> <p>TOTAL £456,170</p>	<p>Bank Balances as at 31 Mar 2019 checked –</p> <p>NatWest Current a/c No. 133 - £100</p> <p>NatWest Deposit a/c No. 193 - £161,841</p> <p>NatWest Deposit a/c No. 901 - £104,092</p> <p>Lloyds Bank a/c No. 160 - £11,790</p> <p>TOTAL £277,823</p> <p>Lloyds Business Charge Card in place in the Town Clerk's name.</p> <p>Cllrs Mulhern and Flower added to the existing 4 signatories on all bank accounts. Min 458 Council 11 June 2018</p> <p>2 loans, total sum outstanding as at 31 March 2018 = £1,087,458</p>	<p>Min 011 – 13 May 2019 the following signatories were approved for both Lloyds and NatWest bank accounts. Cllrs Reynolds, Barker, T Martin, Jackson, Thomas, B J Martin, Blair, Hook</p> <p>Year-end sums outstanding as at 31 March 2019 Loan - £343,402 Loan - £734,265</p>

<p>Assets and Asset Register (AR)</p>	<ul style="list-style-type: none"> • Are all the material assets owned by the Council recorded in an AR ? • Is the AR up to date? • Basis of Asset Values? • Are investments recorded? • Are the valuations regularly reviewed? • Does the AR show the insurance values ? • Digital Photographic evidence? • Is there a separate Inventory List of low value items (e.g. below the insurance excess levels) ? 	<p>Purchased Van GL18XMP for use by the Caretaker. Various small tools and other items purchased for the Caretaker, approx.. £20k</p> <p>New Lenevo E570 laptop - £532 – 9 Oct 2018</p> <p>East Street gates</p> <p>Full review to be done as part of the year-end audit. Great War in Faversham books - £4,523</p>	<p>Asset Register inspected value as at 31 March 2019 = £2,985,520</p>
<p>Year-end procedures Inc. AGAR</p>	<ul style="list-style-type: none"> • Does the AGAR Statement of Accounts agree with the cashbook? • Is there an audit trail from the financial records to the accounts? • Have debtors and creditors been properly recorded? • Date of approval of AGAR & Certificate of Exemption if applied • AGAR posted on website ? • New governance compliance regime - refer to new Practitioners' Guide 2018 	<p>11 June 2018 Mins 455 & 456 Sections 1 & 2 approved and on website.</p> <p>Yes</p>	<p>AGAR statement of accounts checked against Omega Accounting system; sample checks of accounting entries tested. Bank reconciliation checked against actual bank statements</p>

<p>Additional tests – (as necessary)</p>	<ul style="list-style-type: none"> • Computer systems: <ul style="list-style-type: none"> ○ The procedures for the backing up of computerised records ○ Council owned PC/laptop ? ○ Email security ○ Encryption of data? • Record keeping and the arrangements in place to store previous year's accounts etc. • Annual review of the effectiveness of Internal Audit inc. Appointment of IIA • Annual Statement of Internal Control • Website host and Webmaster • Website functionality/ up to date? • TRANSPARENCY CODE compliant ? • Post GDPR (25 May 2018) <ul style="list-style-type: none"> ○ Privacy Notice ○ Email disclaimer ○ Other matters 	<p>A review of the IT set-up including back-up arrangements following the move to the new offices still WIP with MITEC who currently provide the IT support.</p> <p>MITEC to be retained and looking at a "members only" section on the website, which is used by several of my Clients for confidential information.</p> <p>Vision ICT Ltd web design, planned upgrade to provide access via "mobile" devices is working. The Town Clerk manages the Council's website. The new Economic Development Officer (EDO) manages the Visit Faversham website (hosted by Faversham Designs) encompassing both business and tourism roles. Facebook and Twitter accounts are to be outsourced to Ima Rix EDO to oversee.</p> <p>The Council uses "mailchimp", which is being updated to become GDPR compliant.</p>	<p>IT security arrangements including back-up in place and overseen by MITEC Solutions</p> <p>The Council uses "sharepoint" to post information for "members only". There may be a need for the website facility sometime in the future</p> <p>Policies & Procedures page on the website contains 9 documents relating to GDPR including "privacy notices"</p> <p>The newly elected Cllrs have their own @favershamtowncouncil.gov.uk email address</p>
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