

Risk Assessment

HIGH 0

MEDIUM 0

LOW 16

Faversham Town Council  
INTERNAL AUDIT 2022-2023

AUDIT PLAN WITH COMMENTS / FINDINGS

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 nine month period to 31 December 2022, following my audit visit and subsequent conversations on 26 January 2023.

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, Ms Lousie Bareham and Finance Clerk Ms Emma Sunley for their assistance given to me during my audit visit.

Area	Item	Comments / Findings Interim visit 27 Jan 2023	Comments / Findings Year-end Audit XX XXX 2023
Previous Audits	<ul style="list-style-type: none"> <li>• <b>Date of last External Audit Certificate or Exemption Certificate for 2021-22</b></li> <li>• Comments if any</li> <li>• Publication on website.</li>   <li>• Date of last Internal Audit</li> <li>• Comments if any</li>   <li>• Review of any items outstanding from previous internal / external audit reports.</li> </ul>	<p>PKF Littlejohn signed the Report &amp; Certificate 2021-22 on 27 Sept 2022 but to due to correspondence received requiring further review before completion of the limited assurance review.</p> <p>My Report 25 May 2022 was considered by the P&amp;R Comm 30 May 2022 Min 378</p>	
Minutes	<ul style="list-style-type: none"> <li>• Scan of the minutes of the Council's meetings and the Finance Committee.</li> <li>• <b>General Power of Competence (GPC) ?</b></li> <li>• Dispensations</li> <li>• S.40 LA&amp;A Act 2014 filming/recording</li> </ul>	<p>The website contains the agendas, minutes and supporting papers.</p> <p>The Town Clerk will be proposing to renew the GPC for another 4-year period to May 2027, after the May 2023 Elections on the assumption that a full quota of Councillors are Elected.</p>	

<p>Code of Conduct/ Acceptance of Office</p>	<ul style="list-style-type: none"> <li>• Date adopted</li> <li>• Any changes in elected/co-opted members since last Audit ?</li> <li>• DPI's complete</li> <li>• DPI's on website or weblink</li> <li>• New Governance Compliance</li> <li>• NEXT ELECTION ?</li> </ul>	<p>14 Councillors in post No change to Councillors since my last visit in May 2022.</p> <p>DPIs available via the website</p> <p>Town and Borough Elections due to be held on 4 May 2023</p>	
<p>Standing Orders and Financial Regulations</p>	<ul style="list-style-type: none"> <li>• Have they been formally adopted and applied?</li> <li>• Have any changes been made since they were adopted or the last audit?</li> <li>• Have any changes been formally adopted by the Council?</li> <li>• <b>Virtual Meetings / Delegation to Clerk/RFO still in place?</b></li> <li>• <b>Updated re New NALC Models SO's 2018, Fin Regs 2019 ?</b></li> <li>• Two signature rule still in place?</li> </ul>	<p>P&amp;R Comm 25 April 2022 Min 361 approved a couple of changes to the Standing Orders and Financial Regulations AND Reviewed the Scheme of Delegation</p>	

Risk Management

- **Risk Assessments** – Are they:
  - Carried out regularly?
  - Adequate?
  - Reported in the minutes?
  - **Inspections of play equipment etc if carried out by staff/Cllrs have they been trained, accredited?**
  - **ANNUAL REVIEW ?**
- Insurance cover – is it:
  - Appropriate/Adequate?
  - LTA in place?
  - Reviewed regularly?
  - Fidelity Guarantee Cover £ (Balances + ½ Precept)
- Internal controls – are they:
  - Documented?
  - Adequate?
  - Reviewed regularly?
  - **Statement of Internal Control (SIC)?**
- Systems and Procedures – are they:
  - Documented?
  - Adequate?
  - Followed?
  - Reviewed regularly?

The Risk Assessment and Management Strategy Policy approved by P&R Comm 28 Mar 2022 Min 352

The Council approved a new 3-year LTA with Zurich Municipal to 1 April 2025 on similar terms and levels of cover as before (Fidelity cover £2m)  
 The vehicle LTA expired 3 August 2022, renewed to 2 Aug 2023 with Zurich Municipal.  
 A new Fine Art (All Risks) Policy in place to insure the Magna Carta and other charters some of which are on display as part of the Magna Carta exhibition open to the public. Collection Insurance Policy with Hiscox Underwriters arranged through Hayes Parsons specialist insurance brokers for 1 year initially from 15 May 2022 to 15 May 2023.

The Finance Clerk made available the “audit checks” carried out by Cllr Barker. They were up to date to September 2022.  
 Statement of Internal Control for 2022-23 is on the website. Future SIC’s need to reflect the change in the External Auditor to Mazars.

Many policies reviewed via P&R Comm most have been published/updated on the website, EG 20 June 2022 Min 391 approved the Media Policy and Social Media & Electronic Communication Policy

<p><b>Budgetary Controls</b></p>	<ul style="list-style-type: none"> <li>• Is the annual budgeting process reported and approved by the Council? <ul style="list-style-type: none"> <li>○ <b>Budget/Precept amounts minuted?</b></li> <li>○ <b>Review of All Reserves included as part of the Budget Setting Process?</b></li> </ul> </li> <li>• Is the actual performance against the budgets reported to the Council during the year <ul style="list-style-type: none"> <li>○ Compare with Fin Regs?</li> </ul> </li> <li>• Are significant variances explained in sufficient detail?</li> <li>• <b>Ongoing Covid-19 implications ?</b></li> </ul>	<p>Monthly monitoring of budgets by P&amp;R Comm using the Omega Reports.</p> <p><b>2023-24 Budget &amp; Precept</b></p> <p>Annual Finance Meeting 16 Jan 2023. The Tax Base for 2023-24 increased from 6880.49 to 7189.88. Min 684 Agreed a 3% in the Precept and Min 686 a Precept of £595,322. Earmarked Reserves were considered Min 685</p>	
<p><b>Section 137 expenditure</b></p> <p><b>£8.82 FOR 2022-23</b> (£8.41 FOR 2021-22)</p>	<ul style="list-style-type: none"> <li>• What is the cash limit for the year?</li> <li>• Is a separate account/analysis kept?</li> <li>• Has the cash limit been exceeded?</li> <li>• Have the spending powers been properly used and Minuted?</li> </ul>	<p>Not required GPC adopted in May 2019. Grants Policy on the website.</p> <p><b>Clerk advised that the GPC would be renewed assuming sufficient Councillors are elected in May 2023 (min 2/3rds = 10 cllrs)</b></p> <p><b>For Info. The S137 limit for 2023-24 has recently been announced as £9.93 a 12.5% increase (the RPI increase Sept 2021 to 2022)</b></p>	
<p><b>Book-keeping</b></p>	<ul style="list-style-type: none"> <li>• Cashbook - is it:</li> <li>• Fit for purpose?</li> <li>• Up to date?</li> <li>• Arithmetically correct?</li> <li>• Balanced regularly?</li> <li>• <b>Turnover above £200k pa ? Income &amp; Expenditure basis of accounting?</b></li> <li>• Record keeping and the arrangements in place to store previous year's accounts etc.</li> </ul>	<p>Rialtas Omega system in place managed by the Finance Clerk.</p> <p>Facilities Booking System also provided by Rialtas</p> <p>The Council accounts on an Income and Expenditure basis.</p>	

<p>Petty Cash</p>	<ul style="list-style-type: none"> <li>• Has the amount of petty cash float been agreed?</li> <li>• Are all petty cash entries recorded?</li> <li>• Are payments made from petty cash fully supported by receipts / VAT invoices?</li> <li>• Are petty cash reimbursements signed for?</li> <li>• <b>Date of last petty cash reimbursement ?</b></li> <li>• Is petty cash balance independently checked regularly</li> </ul>	<p>N/A</p>	
<p>Payroll</p>	<ul style="list-style-type: none"> <li>• <b>Who is on the payroll and are contracts of employment in place?</b></li> <li>• Who is the RFO?</li> <li>• <b>Annual Appraisal in place ?</b></li> <li>• Have there been any changes to the establishment during the year?</li> <li>• Have there been any changes to individual contracts during the year?</li> <li>• <b>Members Allowances in place and paid via payroll system?</b></li> <li>• Have new appointments and changes to contracts been approved and minuted?</li> <li>• Do salaries paid agree with those approved by the Council?</li> <li>• Have PAYE/NIC requirements been properly applied and accounted for?</li> <li>• Payroll outsourced?</li> <li>• <b>WORKPLACE PENSION IN PLACE</b></li> </ul>	<p>There have been a few changes since my last visit in May 2022.  The newly created Asst to the Town Clerk post was filled by Rob Gibbs (started 4 July 2022), later that month Stacey Woolf joined as the new Facilities Manager (from 27 July) replacing Adam Andrews who resigned on 31 May 2022 (P45 end date).  Emma Sunley, the Finance Clerk was due to take maternity leave in March 2023.</p> <p>Sage Payroll software used by the Finance Clerk.</p> <p>LGPS pension scheme in place available to all eligible staff</p>	

<p><b>Payments</b></p>	<ul style="list-style-type: none"> <li>• Are all payments recorded and supported by appropriate documentation?</li> <li>• Are payments minuted?</li> <li>• Review of DD's and SO's ?</li> <li>• <b>STAFF costs definition for inclusion in Box 4 for 2022-23, check parity for 2021-22 ? Currently includes salary, tax, NIC &amp; Pension (employee &amp; ers) + taxable benefits ( home working allowance, broadband &amp; phone allowance etc NOT incl.</b></li> <li>• Has VAT been identified, recorded and reclaimed?</li> <li>• Have internal control procedures been adhered to?</li> <li>• Contracts: <ul style="list-style-type: none"> <li>○ What contracts exist?</li> <li>○ Compliance with SO's</li> <li>○ Have any new contracts or contract variations/extensions been awarded in the year?</li> <li>○ Procedures adopted for letting of contracts</li> <li>○ Have contract payments been made in accordance with the contract document?</li> </ul> </li> </ul>	<p>Monthly schedules checked against payments approved and paid – these are then listed on the website. Cllrs are expected to undertake monthly checks of the payment system. Check lists to Sept 2022 on-file.</p> <p>DD's set up for Sage payroll, Bulb, Royal Mail, New Star Networks, Lease Plan Uk Ltd</p> <p>RBS Omega accounting package fully complies with the AGAR definition of “staff costs”.</p> <p><b>Vat claims:-</b> Qtr. 4 Jan to 31 Mar 22 - £7,298 recd 25 May 22 Qtr. 1 Apr to 30 Jun 22 - £17,389 recd 19 July 22 Qtr 2 July to 30 Sept 22 - £13,576 recd 26 Oct 22</p> <p><b>Sample contracts/agreements in place-</b> Mitec Group – IT support Office 365 licences &amp; TalkTalk contracts D Miller – window cleaning KCS Prof. Services – Office printer rental Stannah Lift Services Ltd – lift mtce/servicing Zonkey Solutions Ltd – Council website design/development Berendt Consulting Ltd – consultant for the “parishes to town” initiative. Countrystyle – wheelie bin service Active Cycling Projects – Town Bike Hire Scheme Amethyst Horticulture – seasonal planters/watering Breakthrough Communications – Fav Creek engagement work LTM Fire Safety – Fire safety &amp; First Aid support/training Brogdale CIC – 3 year contract</p>	
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Receipts	<ul style="list-style-type: none"> <li>• Are all receipts recorded correctly?</li> <li>• Are all receipts promptly banked?</li> <li>• Precept, CTSG and Sect 136 payments</li> <li>• <b>Are income records inc allotments, burials, hirings adequate?</b></li> <li>• Are invoicing arrangements adequate?</li> <li>• <b>Ongoing Covid-19 implications?</b></li> </ul>	<p>Sample Receipts to 31 Dec 2022  Faversham Community Lottery - £10,269  Front Brents &amp; Bevedere Moorings - £4,660  Event Income - £3,610</p>													
Bank reconciliation & PWLB Loans	<ul style="list-style-type: none"> <li>• What current/deposit accounts exist?</li> <li>• <b>Investment Strategy recommended where bank balances are in excess of £100k.</b> FSCS aware ?</li> <li>• Are bank reconciliations regularly carried out for each account?</li> <li>• Level of Balances to Precept ratio</li> <li>• Are the cheque counterfoils, paying-in books and bank statements adequately referenced?</li> <li>• When was the last review of the banking arrangements?</li> <li>• <b>Internet Banking/Corporate Card and if in place Financial Regs updated ?</b></li> <li>• Signature review (Two signatures required?)</li> <li>• Any PWLB loans ?</li> </ul>	<p><b>Bank Balances as at 31 Dec 2022 checked</b></p> <table border="0"> <tr> <td>NatWest Current a/c No. 1133</td> <td>- £100</td> </tr> <tr> <td>NatWest Deposit a/c No. 8193</td> <td>- £217,170</td> </tr> <tr> <td>NatWest Deposit a/c No. 5901</td> <td>- £19,393</td> </tr> <tr> <td>Lloyds Bank a/c No. 9160</td> <td>- £165,205</td> </tr> <tr> <td>Nationwide a/c No. 8973</td> <td>- <u>£85,111</u></td> </tr> <tr> <td><b>TOTAL</b></td> <td><b><u>£486,979</u></b></td> </tr> </table> <p>Treasury Management considered by P&amp;R Comm 20 June 2022, RFO asked to look into the Govt Bond Scheme and other actions to keep within the £85k threshold.</p> <p><b>With the rise in interest rates I strongly recommend a review of the current terms, switching to another account within Nationwide would better the existing rate and deposits in NatWest and Lloyds should be reallocated to other financial institutions.</b></p> <p><b>Charge Card well used with monthly spend limit of £2,000.</b>  Signatory list currently –  <b>NatWest</b> – Cllrs Barker, Hook, Jackson, B Martin, T Martin, Reynolds, Saunders and Thomas  <b>Lloyds</b> – Cllrs Saunders, T Martin and Jackson  <b>Nationwide</b> – Cllrs Barker, Rowlands, T Martin and Williams</p> <p><b>Will need reviewing post May Elections.</b>  PWLB Year-end sums outstanding at 31 March 2022 = £1,046,422</p>	NatWest Current a/c No. 1133	- £100	NatWest Deposit a/c No. 8193	- £217,170	NatWest Deposit a/c No. 5901	- £19,393	Lloyds Bank a/c No. 9160	- £165,205	Nationwide a/c No. 8973	- <u>£85,111</u>	<b>TOTAL</b>	<b><u>£486,979</u></b>	
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<p><b>Assets and Asset Register (AR)</b></p>	<ul style="list-style-type: none"> <li>• Are all the material assets owned by the Council recorded in an AR ?</li> <li>• Is the AR up to date?</li> <li>• Basis of Asset Values?</li> <li>• Are investments recorded?</li> <li>• Are the valuations regularly reviewed?</li> <li>• Does the AR show the insurance values ?</li> <li>• Digital Photographic evidence?</li> <li>• Is there a separate Inventory List of low value items (e.g. below the insurance excess levels) ?</li> </ul>	<p>The Visitor Centre Project has been funded by the Faversham Society and is not regarded as a Town Council Asset.</p> <p>There has been some new portable tools provided for the Facilities Team, namely, 2 brushcutters and 2 hedgecutters with an extension facility.</p> <p>The Town Clerk advised that the proposal to replace the existing diesel van with an electric one has been deferred due to the cost but may be revisited in future years.</p>	
<p><b>Year-end procedures Inc. AGAR</b></p>	<ul style="list-style-type: none"> <li>• Does the <b>2022-23 AGAR Statement of Accounts</b> agree with the cashbook?</li> <li>• Is there an audit trail from the financial records to the accounts?</li> <li>• Have debtors and creditors been properly recorded?</li> <li>• <b>Date of approval of 2021-22 AGAR &amp; Certificate of Exemption if applied</b></li> <li>• <b>PROOF of public rights provision during summer 2022 &amp; website- AIAR ICOs</b></li> <li>• <b>Public Inspection Period Minuted ?</b></li> <li>• New governance compliance regime - refer to new <b>Practitioners' Guide 2022</b></li> </ul>	<p>Year-end procedures to be checked at final audit</p> <p>The AGAR 2021-22 was approved by Council 13 June 2022 Mins 588 &amp; 589, the RFO had signed off the Statement of Accounts on 25 May 2022</p> <p><b>Date of Announcement – 15 June 2022</b>  <b>Public Inspection period – 20 June to 29 July 2022</b>  <b>Evidence – 14 June 2022, back screen evidence of posting.</b>  The Council were advised of the Period of Public Inspection Period - 13 June 2022 Min 590.</p>	



<p>Additional tests – (as necessary)</p>	<ul style="list-style-type: none"> <li>• Computer systems: <ul style="list-style-type: none"> <li>○ The procedures for the backing up of computerised records</li> <li>○ Council owned PC/laptop ?</li> <li>○ <b>Email security</b></li> <li>○ <b>Encryption of data?</b></li> </ul> </li> <li>• <b>Trust Funds/Charities – Charity Commission filing?</b></li> <li>• Annual review of the effectiveness of Internal Audit inc. Appointment of IIA</li> <li>• <b>Website host and Webmaster and any changes?</b></li> <li>• <b>Website functionality &amp; accessibility NALC L09-18</b></li> <li>• <b>TRANSPARENCY CODE compliant especially for Exempt Authorities</b></li> <li>• <b>Post GDPR (May 2018)</b> <ul style="list-style-type: none"> <li>○ <b>Privacy Notice</b></li> <li>○ <b>Cllr email addresses?</b></li> <li>○ <b>Email disclaimer</b></li> <li>○ <b>Other matters inc DPO arrangements</b></li> </ul> </li> </ul>	<p>There have been no major changes to the IT support, back-up and security arrangements since my last visit in May 2022.</p> <p>IT security arrangements including back-up in place and overseen by MITEC Solutions</p> <p>Office 365 applications in use</p> <p>Virtual meetings via Teams and Zoom.</p> <p>VOIP phone system in place.</p> <p>n/a</p> <p>The website provided by Zonkey Solutions Ltd went live in December 2020.</p> <p>Functionality is good, Webmaster is the Town Clerk</p> <p>Policies &amp; Procedures page on the website includes policies relating to GDPR including “privacy notices”</p> <p>Elected Cllrs have their own @favershamtowncouncil.gov.uk email address</p>	
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