

2019

CS 49.4(b)

PREPARED BY  
ANGELA  
ALEXANDER

**INTERNAL AUDIT**

**RYE TOWN COUNCIL**

For the financial year 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019

I am pleased to report that I have carried out the Internal Audit of Rye Town Council's accounting records for the financial year from 1<sup>st</sup> April 2018 until 31<sup>st</sup> March 2019 and that I have been able to complete the Internal Audit section report for the 2018-19 AGAR.

The internal audit for the financial year ending 31<sup>st</sup> March 2019 for Rye Town Council and Rye Heritage Centre was carried out over 2 days-Friday 7<sup>th</sup> June and Saturday 8<sup>th</sup> June 2019 at Rye Town Hall, Market Street, Rye and the Heritage Centre, Strand Quay, Rye.

All relevant documentation for the audit was provided by Richard Farhall (Town Clerk/Responsible Financial Officer), Jessica Neame and Louisa O'Shaughnessy (Heritage Centre) and I would like to thank them for providing the information and for their assistance given to me to carry out the Internal Audit.

The internal audit was carried out in accordance with Rye Town Council's Internal Audit Plan

Accountancy services have been provided by Gibbons Mannington and Phipps

The external auditors for this financial period are PKF Littlejohn LLP.

The date of announcement for the period for the public right to inspect the accounting records is 25<sup>th</sup> June 2019.

## **The Annual Governance and Accountability Return (AGAR)**

The 2017-8 External auditor report was given without comment or qualification, showing no cause for concern.

The AGAR 2017 -18 and the AGAR 2018-19 were available for inspection at the time of my visit and all necessary sections for 2018-19 had been completed by the Town Clerk/Responsible Financial Officer prior to my arrival.

Box 1 for 2018-19 agrees to the figure in Box 7 for 2017-18.

Box 2 is equal to the precept request as received by the Town Council.

The sum of box 1+2+3 equals the amount when box 4+5+6 is taken away being £92,434 which is the sum of the total reserves in the statement of accounts as entered in Box 7.

Box 9 agrees to the Asset Register being £1,526858 which includes the assets acquired during the year.

The Clerk provided an explanation of the variances for:

Box 2 – Precept as this had been increased from £128,813 in 2017-18 to £152,921 in 2018-19 due to the decrease in general reserves.

Box 5 – loan interest payments to the PWLB

Box 6 – Other payments as this had reduced due to the 2017-18 figures including the figures for the purchases of property and land.

Rye Town Council will approve the Annual Governance Statement and the Accounting Statements for the financial year 2018-19 at its meeting to be held on June 24<sup>th</sup> 2019.

The minutes I viewed illustrate the process in place for the approval of the Annual Return and Accounting Statements and for a robust review of Internal Members Control as demonstrated for the approval of the financial statements, statement of day to day financial controls, Risk Assessments, Internal Auditors Terms of Reference and report.

The Town Council has met its responsibilities in respect of the Rye Relief in Need Charity (Registered Charity Number 1075806) and the Charity Commission Annual Return was submitted on 8<sup>th</sup> November 2018 for the period 01.04.17 to 31.03.18

## **Budget/Precept Setting**

The 2018-19 draft budget was considered at the meeting held on 4<sup>th</sup> December 2017 and minute number 97 shows that it was resolved to adopt the budget and movements from earmarked reserves and virements and to set the Precept at £152,910 for 2018-19 as compared to £128,813 in the 2017-18 financial year. The budget took into account the impact that the land and property purchases had made on the level of general reserves which were £10,168 at 31<sup>st</sup> March 2019. NALC recommends that general reserves are between 25% to 100% of operational expenditure.

In addition, the Town Council had earmarked reserves of £82,266.

For the current financial year 2019-20 Rye Town Council considered version 1 of their draft budget at their meeting on 14<sup>th</sup> January 2019 and version 2 at the meeting held on 28<sup>th</sup> January 2019 which included considerations of the Heritage Centre budget.

The Town Hall and Heritage Centre budgets for 2019-20 were agreed at the meeting held on 29<sup>th</sup> January 2019 and recorded at Minute number 148 and the precept set for £174,545.

There is regular reporting of the financial position by the RFO and HC manager to Council meetings and monitoring of expenditure against the budget by Members.

## **Payroll Control**

Gibbons, Mannington and Phipps prepare the Payroll for Rye Town Council Town Hall and Heritage Centre employees. I was able to view the Payroll records which are up to date and regular payments have been made to HMRC to meet the responsibilities for PAYE and National Insurance.

P60s for all employees were available for the tax year to 5<sup>th</sup> April.

All employees of Rye Town Council are eligible to join the Local Government Pension Scheme and Rye Town Council is enrolled in the East Sussex Local Government Pension Fund. An overpayment had been made in respect of a former employee for the sum of £571.58 at the end of their employment which is being recouped. The end of year pension submission had been completed and submitted.

## **Payment and Income Controls**

Rye Town Council members receive and adopt the schedule of authorised payments and statement of income at their meetings along with account balances and the statement of earmarked reserves. They receive and note the budget monitor and receive reports from the Heritage Centre.

There were a number of cheque stubs that only had 1 initial of a signatory during this period on the date of 23<sup>rd</sup> July 2018 cheque numbers 301270 to 301284 and on 6<sup>th</sup> September 2018 from cheque number 301318 to 301326. The stubs from 6<sup>th</sup> September had been tagged by the clerk for initialling by members.

Members may wish to consider the use of a rubber stamp on invoices which asks for the cheque number and initials of councillors carrying out the checking of invoice and signing of

cheque so that this can be used as a double-check for internal control where the initial on the cheque stub is forgotten.

### **Year-end controls and book-keeping**

The financial records for Rye Town Council are up to date and in good order and Gibbons Mannington Phipps have prepared end of year accounts which will be reported to the Members of Rye Town Council at their meeting to be held on June 24<sup>th</sup>, 2019.

### **Bank Reconciliations**

I was able to view the bank statements and bank reconciliations for the Town Council's bank accounts with the following:

Unity Trust Bank	£ 7,967.98
Co-op Bank	£ 8,396.79
Hodge 8 day notice	£10,811.18
Hodge 90 day notice	£46,645.27
NS&I	£ 1,237.04

Regular bank reconciliations are carried out and are in line with the bank statements for the Unity Trust Banks Hodge 90 day and Hodge 8-day, National Savings and Investment accounts for the Town Council and the Nat West for the Heritage Centre and I did not find any unexplained entries.

### **Risk Management**

Updated Standing Orders were adopted on 3<sup>rd</sup> September 2018 (minute number 69) based on the NALC 2018 Model which incorporates modifications.

Rye Town Council has insurance in place with Zurich which I was able to view for the financial year ending 31<sup>st</sup> March 2019. There is also third-party motor vehicle insurance in place for staff, Members and volunteers whilst engaged in authorised duties on behalf of the Council – as well as a separate comprehensive policy covering the use of the Council's own vehicle.

There is Fidelity Guarantee of £250,000, public liability of £15,000,000 and employers' liability of £10,000,000.

Comprehensive risk assessments of the Council's properties and assets are carried out annually by the Town Clerk and involve other staff members such as the Rye Town Steward and Heritage Centre Manager as appropriate. These were carried out in April 2019.

The Town Steward carries out regular inspections of The Skate Park. There are advisory signs on the structure, the equipment is insured by the Council and an annual independent

inspection is carried out. Annual Risk Assessments of the Freda Gardham Playing Field are also in place.

The Town Council has appointed an 'In House' Data Protection Officer and an external Data Protection Consultant, which was confirmed at the meeting held on 25<sup>th</sup> June 2018 (Minute number 27) and is aware of its obligations for meeting the General Data Protection Regulations. There are Privacy Notices in place for councillors, staff and volunteers and a general Privacy notice. Information is available for the Council's data protection and a document retention policy is in place.

The Town Council may wish to consider a GDPR review to ensure that any confidential or sensitive information leaving the Town Hall is protected. Either by email encryption or to ensure that paperwork remains secure and is disposed of securely.

### **Asset Register**

I was able to view the Asset Register which showed the asset acquisitions in 2018-19 for the sum of £2519 which includes a bench and plaque, grit bins, computer for the Heritage Centre, 2 x Henry vacuum cleaners, mower and PAT tester.

The Total Asset Register value was £1,526,858 which corresponds to the entry in Box 9 of the AGAR.

It may be helpful to include a up to date insurance column on the asset register which matches with the current insurance value and date.

It is noted that the Town Council will have their major assets revalued to ensure adequate insurance cover.

### **VAT**

On-line Vat Returns for the periods ending March 2019, December 18, September 18 and June 18 have been submitted in good time on a quarterly basis  
The VAT records were up to date and VAT appropriately accounted for. The VAT return is prepared using the amalgamation of the income and expenditure from both Rye Town Council and Rye Heritage Centre by the Town Clerk.

The Town Council has an Electronics payment policy in place (January 2018).

### **HERITAGE CENTRE**

The paperwork required for the Internal Audit process relating to the Heritage Centre was made available for me to review at the Town Hall on 7<sup>th</sup> June 2019. I was able to view the Day Sheets, Paid Invoices, Raised Invoices, Bank Statements and Bank Reconciliations, Paying in Books, Cheque Book Stubs. The Day Sheets continued to provide an effective record and audit trail for the running of the Heritage Centre.

I met with Louisa O'Shaughnessy (Heritage Centre Manager) at the Heritage Centre on the morning of 8<sup>th</sup> June 2019.

The Town Council has carried out a strategic review of the Heritage Centre and the actions are currently being implemented. Investment has been made in the Centre by the Town Council which includes a new till system which will bring the benefit of data analysis and new website and signage. The new website will provide access to online booking for the Town Model and potentially an on-line shop.

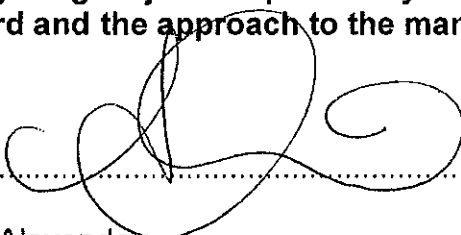
There are ideas to improve the layout of the building by moving the Penny Arcade downstairs and marketing the upstairs to capitalise on the history of Rye.

The Town Council has identified a need for the Heritage Centre to be 're-branded' and become the forward face of the Town Council and to provide a platform via which local events could be run and promoted.

If these changes are supported there may be an opportunity that this could open the door for the Mayor of Rye to be a 'figurehead' for the Heritage Centre by inviting other Mayors to visit and view the Town Model at a 'relaunch' which could in turn encourage visitors from our surrounding Towns and develop a more local tourism visitor.

The Town Council may wish to consider research into the overall value that the Heritage Centre could bring to local tourism economy and if local businesses and the local community have a 'reasonable expectation' that the Town Council via the Heritage Centre seeks to maximise the opportunity for positive economic and social outcomes led by the promotion of tourism and the heritage of the Town.

**Summary – I am pleased to report to Members of Rye Town Council that I have completed my internal audit of the Town Council's records for 2018-19 and did not find anything major to report in my financial audit. The record keeping is of a high standard and the approach to the management of risks is sound.**

Signed.......... Date..... 17/06/2019 .....

Angela Alexander

Annual Internal Audit Report 2018/19

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RYE TOWN COUNCIL

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation **during** the financial year ended 31 March 2019.

The internal audit for 2018/19 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Agreed? Please choose one of the following		
	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	YES		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	YES		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	YES		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	YES		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	YES		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	YES		
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	YES		
H. Asset and investments registers were complete and accurate and properly maintained.	YES		
I. Periodic and year-end bank account reconciliations were properly carried out.	YES		
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	YES		
K. IF the authority certified itself as exempt from a limited assurance review in 2017/18, it met the exemption criteria and correctly declared itself exempt. ("Not Covered" should only be ticked where the authority had a limited assurance review of its 2017/18 AGAR)			
L. During summer 2018 this authority has correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations.			Not applicable ✓
M. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes	No	Not applicable

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

07/06/19 08/06/19

Name of person who carried out the internal audit

ANGELA ALEXANDER

Signature of person who carried out the internal audit



Date

08/06/19

\*If the response is 'no' you must include a note to state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

\*\*Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).