

**2016**

PREPARED BY  
ANGELA  
ALEXANDER

C4 44 (a)

**INTERNAL AUDIT RYE TOWN COUNCIL**

For the financial year ending 31 March 2016

- The internal audit for the financial year ending 31<sup>st</sup> March 2016 for Rye Town Council and Rye Heritage Centre was carried out over 2 days-Saturday 4<sup>th</sup> June and Sunday 5<sup>th</sup> June 2016 at Rye Town Hall, Market Street, Rye and the Heritage Centre, Strand Quay, Rye.
- All information and relevant documentation for the audit was provided by Richard Farhall (Town Clerk/Responsible Financial Officer) and Peter Cosstick (Heritage Centre Custodian).
- The accounts were prepared in accordance with the Accounts and Audit Regulations 2015 and with guidance from Governance and Accountability in Local Councils Practitioners Guide
- 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 Annual Return**

There is a clear process in place for the approval of the Annual Return and accounting statements. The Town Council is aware of the alteration to the order of the Annual Return for the financial year ending 31<sup>st</sup> March 2016 and that Section 1 Annual Governance Statement and the systems of internal control must be reviewed and approved by Members prior to Section 2 and that the minutes reflect this.

The total closing balances at the financial year end 31 March 2015 (Box 7) agree with the opening balances at the beginning of the financial year 1 April 2015 (Box 1).

The External Audit Report 2014-15 (Section 3 of the Annual Return) was unqualified and that in the opinion of PKF Littlejohn the Annual Return is in accordance with proper practices and no matters give cause for concern that the relevant legislation and regulatory requirements have not been met.

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 6th April 2016.

## **Budget/Precept Setting**

The Budgets and setting of the Precept for 2016-17 was considered by full Council at the meeting held on 1<sup>st</sup> February 2016 (Minute 108). The recommendations of the Policy, Resources and General Purposes Committee (18.01.16) for the Heritage Centre and Town Council budgets for 2016-17 were approved and the Precept set at £122,100

## **Petty cash procedures**

Rye Town Council holds only a small amount of cash on the premises and this is kept in a secure facility with limited access. There are only a few cash payments received and these are banked promptly along with any cheque payments..

There is a system in place for the Rye Town Steward's float for materials and consumables of £100 with a voucher system for top-ups.

## **Payroll Control**

Gibbons, Mannington and Phipps prepare the Payroll for Rye Town Council Town Hall and Heritage Centre employees giving monthly details of salary and payments to be made to HMRC. The payroll records are up to date and regular payments have been made to HMRC to meet the responsibilities for PAYE and National Insurance. P60s were available.

All members of Rye Town Council staff are eligible to join the Local Government Pension Scheme. The Town Clerk and Assistant Town Clerk are currently enrolled in the East Sussex Local Government Pension Fund and currently Rye Town Council's contribution equals 21.1% of the employee's pensionable pay.

## Payment and Income Controls

The Policy, Resources and General Purposes Committee

- a) receive and adopt the schedule of authorised payments and statement of income,
- b) receive and note the actual income and expenditure
- c) receive the statement of Account balances
- d) receive the statement of earmarked reserves
- e) receive the budget monitor and consider the actual income and expenditure against the approved budget.
- f) receive regular progress reports from the Heritage Centre operations

A cheque written in error or cancelled is correctly retained and marked as such in the cheque book.

There were cheques in the financial period where only one cheque stub had been initialled as follows:

Date	Cheque Numbers
22.04.15 and 05.05.15 and 13.05.15	From 300021 to 300037
18.06.15 and 23.06.15	From 300069 to 300082
06.07.15	From 300087 to 300090
09.11.15	300224
14.12.15	From 300240 to 300249
21.12.15	300262
21.03.16	From 300333 to 300350
06.01.16	From 300267 to 3000270
01.02.16	From 300293 to 300297

## Year-end controls and book-keeping

The cash book is up to date and Gibbons Mannington Phipps prepared end of year accounts which are reported to the Town Council

## **Bank Reconciliations**

Regular bank reconciliations are carried out and I did not find any unexplained entries

## **Risk Management**

Risk assessments to properties were carried out during April and May 2016

The Shed Risk Assessment was carried out on 18.04.16 by the Town Clerk and Town Steward and shows that attention is given to the manner in which materials are stored and proper working practices including the use of suitable barriers and signage to exclude members of the public and others not involved in carrying out the tasks by the Town Steward.

The Skate Park was Risk Assessed on 24.04.16 and there are a routine of weekly inspections, litter picking and removal of any larger items imported onto the site. There are advisory signs on the structure, the equipment is insured by the Council and an annual independent RoSPA inspection is carried out.

The risk assessments for the Heritage Centre were carried out in by the Town Clerk and HC Manager on 12.05.16. Earlier risk assessments had identified dislodged paving sets externally by the Town Model fire escape and action was taken to repair these in Summer 2015. Consideration had also been given to the risk of falling when entering the Town Model particularly due to change in light levels when entering from daylight to those visitors wearing light reactive lenses. The installation of barriers had been considered but additional lighting at the entrance has now been installed to reduce the risk.

Rye Town Council has a system in place to check that Rye Rugby Club is undertaking annual Risk Assessments of the Freda Gardham Playing Field.

At the meeting of Rye Town Council held on Monday 29<sup>th</sup> June 2015 Members reviewed their management of potential risks to the Council. This included the adoption of revisions and actions in their Statement of Internal Control, risk assessments, the draft audit plan. The consolidated accounts were approved for 2014-15 and Sections 1 and 2 of the Annual Return were approved and signed.

Rye Town Council has resolved not to opt out of the proposed Sector Led Audit Procurement from April 2017.

Rye Town Council has budgeted for the most expensive situation should all employees opt to join the LGPS.

Rye Town Council holds two short-term deposit accounts with the Julian Hodge Bank. The Unity Trust Bank has provided a current account since 1<sup>st</sup> April 2015. The first instalment of the Precept was paid into this account and was the first transaction of £59,209.21 received and are eligible under the Financial Services Compensation scheme with a limit of £75,000 per depositor guarantee. The Co-op bank account remains open in case of emergencies.

Year end balances as follows:

Julian Hodge 1	£30,686	National Savings	£40,620.22
Julian Hodge 2	£46,565.02	Co-op Bank	£8,341.29

The Town Council has financial reserves of £237,809, of which £152,869 are earmarked for specific purposes.

### Asset Register

Rye Town Council has made purchases during the financial year in question which have been reflected on the asset register. These include a stair climber and wheelchair, Grit Bin, Hedge Trimmer and Bush Cutter and the adoption of the Rye Millennium Wall from 8<sup>th</sup> December 2015.

Further to recommendations from the external auditor in financial year ending 31<sup>st</sup> March 2014, the asset register had been updated to show the original cost of the asset where known or restated value which will remain constant throughout the period of ownership. A separate column shows the current insured value. The Town Hall, Town Hall Cottage, Heritage Centre and community assets were revalued in 2015.

At the time of the internal audit the insured asset value on the insurance schedule provided (Zurich –policy YLL-2720439413 updated on 9<sup>th</sup> February 2016 to reflect Town Hall Cottage contents and expiring 31.03.16) did not match the insured value figures on the asset register provided (dated 31.03.16) . For example:

Asset	Value on Insurance Schedule	Value on asset register
Town Hall Cottage	£272,435	£264,500
Town Hall	£1,802,500	£1,750,000
Heritage Centre	£498,520	£484,000
Skateboard Equipment	£43,951	£39,050
Finger Posts	£18,008	£8,000

The Town Council may wish to update the Asset Register (Insured Value figures) to reflect those on the latest insurance schedule (9<sup>th</sup> February 2016) as this falls before the end of the financial year in question.

Rye Town Council was holding the following stock at the end of the 2015-16 financial year:

Copies of Ryennium	584	@ £4.95	£2890.80
Millennium medals	91	@ £2.96	£ 269.36
Golden Jubilee Mugs	5	@ £2.99	£ 14.95

**YEAR END STOCK VALUE** **£3175.11**

## VAT

Vat Returns have been promptly submitted on a quarterly basis for the financial year in question, the VAT records were up to date and VAT appropriately accounted for.

The Town Council has given consideration to the impact on recoverable VAT resulting from the purchase of property to provide discounted accommodation in the Town.

## HERITAGE CENTRE

Peter Cosstick has now taken a more 'hands off' approach to the management of the Heritage Centre and has moved away from the 50/50 profit share and is now being paid an annual salary of £6,000. He remains responsible for delivery of the service but there is a manager in place who is in charge of day to day operational activities

The 50/50 share of takings arrangement continues with the Old Pier Amusements which are situated on the first floor of the Heritage Centre. Rye Town Council may wish to consider requesting a copy of insurance documents from the owners of the machines to keep on file.

The last financial year saw a downturn in trading which the Management felt was as a direct result of terrorist attacks in Paris which led to cancellations from student groups.

The Heritage Centre registered with Trip Advisor four years ago and now has four certificates of excellence and receives excellent reviews for the facility and customer service.

The music licences are in date and the intruder alarms and fire alarms have been tested. The fire extinguishers were last serviced on 17.04.15.

Insurance with Zurich is through Rye Town Council's policy.

A stock check was carried out at 31<sup>st</sup> March 2016 which totalled £52,561 at retail value. This is broken down as follows:

Books and Maps	£11,893	(zero rated for VAT)
Gifts, pottery, cards, sweets and drinks	£39,690	(20% VAT)
Biscuits, tea and jam	£ 978	(zero rated for VAT)

The profit margin for books is 40% and 100% for all other items.

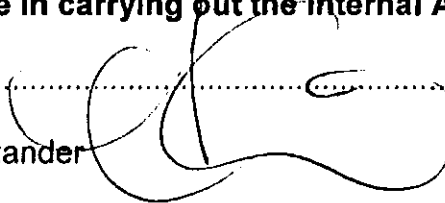
I was able to view the Day Sheets, Paid Invoices, Raised Invoices, Bank Statements and Bank Reconciliations, Paying In Books, Cheque Book Stubs and Retail Stock details.

The Day Sheets provide an effective record and audit trail for the running of the Heritage Centre

The administration and record keeping is of a high standard and an easy to follow system is used. Invoices for payment are checked against delivery notes and cheque numbers are recorded on each invoice alongside the name of the person who has checked them. There is a bank reconciliation summary sheet for each month followed by the reconciliation detail and the relevant bank statement. A voucher system is used for petty cash purposes.

**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 2015-16 and did not find anything major to report in my financial audit and that I found the record keeping to be of a very good standard and the approach to the management of risks to be sound. As a result of this I was able to answer YES to all the relevant questions contained in section 4 of the Annual Return for 2015-16.

I would like to thank the Town Clerk and Heritage Centre Manager for their assistance given to me in carrying out the Internal Audit.

Signed..........Date.....16/06/2016.....

Angela Alexander



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# Annual internal audit report 2015/16 to

Enter name of smaller authority here:

**RYE TOWN COUNCIL**

This smaller authority's internal audit, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31 March 2016.

Internal audit has been carried out in accordance with this smaller 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 smaller authority.

Internal control objective	Agreed? Please choose only one of the following.		
	Yes	No*	Not covered**
A. Appropriate accounting records have been kept properly throughout the year.	✓		
B. This smaller authority met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This smaller authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	✓		
G. Salaries to employees and allowances to members were paid in accordance with this smaller authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic and year-end bank account reconciliations were properly carried out.	✓		
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.	✓		

K. (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 smaller authority adequate controls existed (list any other risk areas below or on separate sheets if needed)

Name of person who carried out the internal audit **ANGELA ALEXANDER**

Signature of person who carried out the internal audit  Date **05/06/2016**

\*If the response is 'no' please 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, internal audit must explain why not (add separate sheets if needed).