

C4 44 (a)

Annual internal audit report 2016/17 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 2017.

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 04/06/2017

*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).

2017

PREPARED BY
ANGELA
ALEXANDER

C4

44 (a)

INTERNAL AUDIT

RYE TOWN COUNCIL

For the financial year 1st April 2016 to 31st March 2017

- The internal audit for the financial year ending 31st March 2017 for Rye Town Council and Rye Heritage Centre was carried out over 2 days-Saturday 3rd June and Sunday 4th June 2017 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 Louisa O'Shaughnessy and Jessica Neame (Heritage Centre).
- 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 period for the public right to inspect the accounting records is 28th June to 8th August 2017.

The Annual Return

There is a clearly documented process in place for the approval of the Annual Return and accounting statements. The total closing balances at the financial year end 31 March 2016 (Box 7) agree with the opening balances at the beginning of the financial year 1 April 2017 (Box 1) £203,111.

The External Audit Report 2015-16 (Section 3 of the Annual Return) requests that year end bank statements are obtained as they noted that 2 of the balances on bank accounts were up to 15th February and 7th March 2016. This was the case with one of the bank statements I viewed and following my visit the Town Clerk will be contacting the bank to request either a statement to year end or a letter confirming the closing balance.

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 27th January 2017 (Box 11 of the Annual Return was ticked during my visit).

Budget/Precept Setting

Rye Town Council has a clear and appropriate process in place for setting the budget and I am able to note from the papers for the financial year 2017-18 that the budget paperwork presented to Members for their consideration is well constructed and as detailed explanatory notes so that Members are well informed in their decision making. The budget paperwork is first presented to the Policy, Resources and General Purposes Committee who then make a recommendation to full Council.

The draft budget for the financial year 2017-18 was considered and approved at a budget setting meeting held on 13TH February 2017. Minute number C14 135. The precept for 2016-17 was set at £122,100 and for the 2017-18 period at £128,813.

There is regular monitoring of expenditure against the budget and virement made from Reserves as necessary to ensure sufficient funds to meet the expenditure.

Petty cash procedures

There is no petty cash but Rye Town Council operates a £100 float for the purchase of materials and consumables by the Rye Town Steward and there is a voucher/receipt system in place.

Payroll Control

Gibbons, Mannington and Phipps prepare the Payroll for Rye Town Council Town Hall and Heritage Centre employees Payroll records 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.

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. The new members of staff at the Heritage Centre have been made aware of their eligibility in respect of joining the Pension Scheme.

Payment and Income Controls

The Policy, Resources and General Purposes Committee receive at their meetings

- i) Schedule of payments
- ii) Schedule of income
- iii) Budget monitor
- iv) Statement of earmarked reserves
- v) Account balances
- vi) Report from the Heritage Centre. Including statement of profit and loss

However, Councillors may wish to ensure that in line with their Statement of Internal Control and financial regulation 6.5 that the cheque book stubs are initialled by 2 Members as during the periods 21.03.16 and 7.04.16 there were cheque stubs which had only been initialled by one Councillor and some which had no initials.

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.

Bank Reconciliations

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

The closing balances for the Town Council's bank accounts at 31.03.17 were as follows:

Unity Trust	£283,737.05
Co-op	£ 8,396.79
Julian Hodge 1	£ 30,804.70
Julian Hodge 2	£ 46,637.62

NSI £ 1026.03 the latest bank statement for this account was dated 16 March 2017 and in line with the comments from the External Auditor the Town Clerk will ask the bank to confirm the balance as at 31st March 2017.

Risk Management

Rye Town Council has insurance in place with Zurich; Policy YLL-2720439413 which was in place for the period from 1st April 2016 to 31st March 2017.

There is Fidelity Guarantee of £250,000.

At the time of my visit to the Heritage Centre the current certificate for Employees Liability was not on display but had been received by the Town Council.

There is comprehensive insurance for the motor vehicle owned by Rye Town Council with Zurich; Policy YY-2720444123 from 29th November 2016 to 28th November 2017

At the meeting held on 9th May 2016 it was resolved to continue with the Julian Hodge bank as the Council's deposit account provider and the opportunity was taken to update the account signatories.

Comprehensive risk assessments of the Council's properties and assets are carried out and were updated as at 31.03.17 and reviewed and accepted by Members at their meeting held on 18th April 2016 C4 44 (d).

The Town Council was granted Borrowing Approval from DCLG of £210,000 for the purchase of 97 South Undercliff with loan payments commencing on 18th April 2017.

The Town Council employs staff who routinely 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.

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 27th June 2016 Members reviewed their management of potential risks to the Council. This included:

- a) Reviewing the Internal Audit report from 2015-16 and observations were noted and incorporated into the Statement of Internal Control for 2016.
- b) Review of the Statement of Internal Control (recommendations adopted)
- c) Review of the Summary of Day to Day Financial Controls
- d) Consideration of Risk Assessments and courses of action proposed and approved.
- e) Review and adoption of Internal Auditors Terms of Reference
- f) Review and adoption of the Draft Audit Plan.
- g) Appointment of an independent Internal Auditor.
- h) The consolidated accounts were approved for 2015-16 and the Annual Governance Statement Sections 1 and Accounting Statements Section 2 of the Annual Return were approved and signed.

Asset Register

Rye Town Council has made purchases of 2 x Ergonomic desks and pedestals during the financial year in question which have been reflected on the asset register. At the time of the internal audit the amount in Box 9 (£1271,342) did not match that on the Asset Register (£1270,486) in the file. However, the Town Clerk was able to assure me that an out of date copy of the Asset Register had initially been provided and this was rectified and the correct figure confirmed as being that in box 9 of the Annual Return £1271,342.

Rye Town Council was holding the following stock at the end of the 2016-17 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**

There has been no movement in these stock levels since the last stock check 31.03.16.

VAT

On-line Vat Returns for the periods:

1st April 2016 to 30 June 2016

1st July 2016 to 30th September 2016

1st October 2016 to 31st December 2016

1st January 2017 to 31st March 2017 have been submitted 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.

The Town Council has given consideration to the impact on recoverable VAT resulting from the purchase of property at 97 South Undercliff to provide discounted accommodation in the Town.

HERITAGE CENTRE

Rye Town Council has employed new members of staff at the Heritage Centre and there was a Mayoral announcement at the Council meeting held on 13th February 2017 to confirm the appointment of the new Manager, Louisa O'Shaughnessy and Gill Pascall, Senior Sales and information assistant and Kate Smith, seasonal Sales and Information Assistant. Minute Number C14 123.

Louisa O'Shaughnessy and Jessica Neame provided me with the information for the Internal Audit. Both are new to the Heritage Centre and have taken the opportunity to carry out a 'Health Check' on the way the business is run and are taking a realistic and enthusiastic approach with a view to creating the maximum potential for growth in sales and overall use of the building. They are also looking at the cost of telephone and improvements to the till to enable the capture of more information to inform their strategy.

A review of the product offer is being carried out and a monitoring of best use of shelf and floor space and visitor numbers coming through the door and the targeting the visitor groups to the model by pro-active marketing and advertising.

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 the current copy of insurance documents from the owners of the machines to keep on file.

The music licences are in date and the intruder alarms and fire alarms have been tested. The fire extinguishers have been serviced regularly. 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

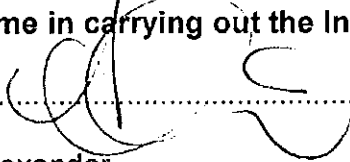
The administration and record keeping is of a high standard and an easy to follow system is used. Invoices for payment are checked against delivery notes and cheque numbers are recorded on each invoice alongside the name of the person who has checked them. There is a bank reconciliation summary sheet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

Insurance with Zurich is through Rye Town Council's policy

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 2016-17 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 2016-17

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.....

18/06/2017

Angela Alexander

RYE TOWN COUNCIL

STATEMENT OF INTERNAL CONTROL (JUNE 2017)

1 Scope of responsibility

Rye Town Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangement for the management of risk.

2 The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process, designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently and economically.

3 The internal control environment

The key elements of the internal control environment are summarised below:

a) Policy and decision-making

The Council has agreed *Standing Orders* which details how its meetings are conducted. Its *Terms of Reference for Council and Committees* sets out the responsibilities of the Council and its committees and the delegation of decision-making.

The Committees are responsible for most decisions and all decisions must be in line with the Council's overall policies and budget. Any decisions a Committee wishes to take outside of its terms of reference must be referred to the Council as a whole to decide.

A 'call in' procedure allows the Council to review Committee decisions before they are implemented, thus presenting the opportunity for a Committee decision to be reconsidered.

Amended *Standing Orders* – based on the National Association of Local Councils' (NALC) *Model Standing Orders* were adopted on 13 April 2015.

b) Compliance

The Council has a duty to ensure that it acts in accordance with the law and various regulations in the performance of its functions. It has developed policies and procedures to ensure that, as far as is possible, all staff understand their responsibilities both to the Council and the public. One key document is the *Financial Regulations*. Amended *Financial Regulations* – based on the National Association of Local Councils' (NALC) *Model Financial Regulations* - were adopted on 13 April 2015.

Other documentation includes corporate policies on a range of topics such as Complaints and Freedom of Information Publication Scheme. The Council keeps relevant staff aware of changes in policy, or new documentation following new legislation, by means of memos. In addition the Council's Proper Officer is

encouraged to attend training courses organised by the Council's professional body, the Sussex & Surrey Association of Local Councils (SSALC) and the Society of Local Council Clerks.

Formal risk assessments are undertaken annually – normally in April. These are presented to the Policy Resources & General Purposes Committee – or the Council directly - and form an integral part of the Council's risk management process.

c) Economic, effective and efficient uses of resources

Economic, effective and efficient use of resources is subject to review through the work of both Internal and External Audit and through informal monitoring of sector 'best practice'.

d) Financial management

Responsibility for ensuring that an effective system of internal financial control is maintained and operated rests with the Responsible Financial Officer (RFO). The systems of internal financial control provide reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors of irregularities are either prevented or would be detected within a timely period. Internal financial control is based on a framework of management information, financial procedure rules and administrative procedures.

In financial matters the Council and its internal auditor are guided primarily by its *Financial Regulations and Governance and Accountability in Local Council in England and Wales: a Practitioners' Guide* (updated periodically) – published jointly by the National Association of Local Councils and the Society of Local Council Clerks.

The Council's principal financial control is that payments drawn on its bank/deposit accounts must be authorised by any two of (at least) five Members.

The main purposes of the (independent) *Internal Audit* are to review, regularly, whether the systems of financial and other control are both adequate and effective- and, if appropriate, to make recommendations.

There is no requirement for the internal auditor to be professionally qualified but such an individual should be able to demonstrate:

- understanding of basic accounting processes
- understanding of the role of internal audit in reviewing systems rather than undertaking detailed checks that are more appropriately the responsibility of management
- awareness of risk management issues and
- understanding of accounting requirements of the legal framework and powers of local councils.

On 27 June 2016 the Council re-appointed Angela Alexander, Clerk to Lydd Town Council and Camber Parish Council as its Internal Auditor for 2016-17. Her report to the Council dated 18 June 2017 contained the suggestions/ recommendations/ observations following (incorporated within section 4 – page 3):

- Cheque stubs are not always initialed by the two cheque signatories.
- Obtain a copy of the current insurance documentation from the owner of the Old Pier Amusement machines.

The Council's External Auditors (currently PKFLittlejohn LLP), appointed by the Audit Commission, conduct an annual 'intermediate' audit in accordance with guidance issued by the Commission and, on the basis of a review of the Council's Annual Return and supporting information, report on whether there are any matters that have come to their attention which give cause for concern that relevant

legislation and regulatory requirements have not been met. For the year 2015-16 the External Auditor issued an unqualified opinion but observed that two of the copy financial statements provided to them were not made up to 31 March 2016.

4 Control recommendations (outstanding and suggested)

A GENERAL

(i) Payments (cheques)

Ensure that cheque stubs are initialed by both signatories.

(ii) End of year bank reconciliations

Ensure that all final financial account statements are made up to 31 March.

B HERITAGE CENTRE

(i) Old Pier Amusement machines

Obtain a copy of the current insurance documentation from the owner.

This review date: 20.6.17