

<div>Risk Assessment</div> <div><div>HIGH0</div><div>MEDIUM4</div><div>LOW12</div></div>	<div>Hythe Town Council</div> <div>INTERNAL AUDIT 2020-2021</div> <div>AUDIT PLAN WITH COMMENTS / FINDINGS</div> <div>I am pleased to report to Members of the Hythe 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 2020, following my audit visit and subsequent conversations on 7 December 2020.</div> <div>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.</div> <div>I would like to take this opportunity to thank the RFO, Mrs Julie Abbott for her assistance given to me during my audit visit.</div>		
Area	Item	Comments / Findings DRAFT Interim visit 7 Dec 2020	Comments / Findings Year-end Audit XX XXX 2021
Previous Audits	<ul style="list-style-type: none">Date of last External Audit Certificate or Exemption Certificate for 2019-20Comments if anyPublication on website.Date of last Internal AuditComments if anyReview of any items outstanding from previous internal / external audit reports.	<div>The 2019-20 AGAR was signed off by PKF Littlejohn on 30 Oct 2020 there were no comments The Audit Certificate was considered by F&GP 19 Nov 2020 Min 190/20 and Council 17 Dec 2020 Min 204/20.</div> <div>The AGAR is on the website.</div> <div>Year-end Report considered by F&GP 15 Oct 2020 Min 153/20(2)</div>	

Minutes	<ul style="list-style-type: none"> • Scan of the minutes of the Council's meetings and the Finance Committee. • Virtual Meetings ? • General Power of Competence (GPC) ? • Dispensations • S.40 LA&A Act 2014 filming/recording 	<p>The Agenda & Minute webpages on the existing EIS website are not particularly "user friendly" with many Minutes NOT listed. They are instead "hidden within the Agenda Papers" of the subsequent Council or Committee, not obvious to the casual visitor to the website. Post Audit Note: this is to be rectified when the new website goes live in January 2021</p> <p>No GPC currently.</p> <p>Live streaming via Facebook of the Principal Committees approved by Council 24 Sept 2020 Min 135/20</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>The Council has 16 Councillors as listed on the website.</p> <p>The DPI's can be accessed via a link to the Folkestone & Hythe DC website. BUT only 15 Cllrs are listed, Cllr McConnell is missing and Cllr Fraser has no attached DPI to view. Steps need to be taken to rectify these anomalies.</p>	
Standing Orders and Financial Regulations	<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? • Virtual Meetings / Delegation to Clerk/RFO re Covid -19 ? • Updated re New NALC Models SO's 2018, Fin Regs 2019 ? • Two signature rule still in place? 	<p>I have previously raised the matter concerning the "undated" policies on the website (ie the Council approval date and Minute Ref), which includes the current Standing Orders, which refers to the NALC Model 2018 with no date of adoption by the Council. (Last reviewed 14 May 2020 Min 12/20)</p> <p>The Financial Regulations have an issue date of June 2018, the inclusion of the Council Minute etc would be better and should be recorded even if "no changes" were made during the review. (Last reviewed by F&GP 28 Nov 2019 Min 219/19)</p> <p>This can be addressed as and when the Council reviews all of its "policies & procedures", which should ideally be done at least every 2-years on a rolling basis to avoid "policy overload".</p> <p>Post Audit Note: I have been advised that in future Policies etc will be published with the appropriate references as recommended above.</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? ○ ANNUAL REVIEW ? • 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 (SIC)? • Systems and Procedures – are they: <ul style="list-style-type: none"> ○ Documented? ○ Adequate? ○ Followed? ○ Reviewed regularly? 	<p>The Council's risk assessments were discussed and approved by Council 5 Nov 2020 Min 136/20, this is one of the annual requirements of the Annual Governance Statement Section 1 of the AGAR. Specialist risk inspections are undertaken at least annually such as the play equipt (ROSPA) and fire protection equipt etc.</p> <p>Long-Term Agreement via WPS Brokers with Royal & Sun Alliance approved by F&GP Aug 2018 to expire 31 Aug 2021. Fidelity Guarantee level = £750,000</p> <p>A separate combined engineering policy with British Engineering Services Ltd in place.</p> <p>An Insurance Review Working Group to be formed to look at the Council's insurance arrangements F&GP 16 April 2020 Min 340/19 Post Audit Note: the Working Group is due to meet on 8 Feb 2021</p> <p>Statement of Internal Control to 31 March 2020 recd and noted by F&GP 16 April 2020 Min 341/19</p> <p>See earlier comments under Standing Orders & Financial Regulations.</p>	
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<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? Covid-19 implications ? 	<p>Regular Budget Monitoring reports to F&GP have been maintained during the Covid-19 pandemic, which has impacted on the Council's Budget for 2020-21 as mentioned below. The F&GP Meeting on 19 Nov 2020 considered the RFO's monitoring report to end of Oct 2020, which estimated a deficit of £76,000 to year-end 31 Mar 2021 with anticipated savings of £26,000 leaving £50,000 to come from Reserves unless other measures are taken. Min 186/20 requested the RFO to take the necessary steps to minimise the deficit as much as possible. The Budget & Precept for 2021-22 was considered very early by F&GP on 15 Oct 2020 and endorsed by Council 5 Nov 2020, setting a Precept for 2021-22. At the time the Tax Base for 2021-22 was NOT known. BUT despite mentioning it in my previous report there was NO information within the Minute advising what the Precept or the Budget amounts were approved. This MUST be corrected.</p> <p>Post Audit Note: F&GP 14 Jan 2021 to receive Tax Base info and impact on Budget & Precept Request</p>	
<p>Section 137 expenditure</p> <p>£8.32 FOR 2020-21 (£8.12 FOR 2019-20)</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>Mainly used for annual poppy donation, but a separate Section 137 account can be maintained within Sage.</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>Sage 50 Accounting package</p> <p>The RFO has acquired more knowledge and experience to maximise the benefits of the Sage package.</p> <p>No change from the previous report</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? • Date of last petty cash reimbursement ? • Is petty cash balance independently checked regularly 	<p>There is an Office petty cash float and a seasonal one for the Tennis & Bowls facilities, which is kept in a locked safe when not in use.</p> <p>Last re-imbursement 9 Oct 2020</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? • Annual Appraisal in place ? • 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 PAYE/NIC requirements been properly applied and accounted for? • Payroll outsourced? • WORKPLACE PENSION IN PLACE 	<p>There are 4 posts based at the Council Offices, Town Clerk, RFO both full-time, plus part-time Plans & Works Clerk (22.5hrs pw) and Admin Asst (started 27 July 2020 27.5hrs pw)</p> <p>Other staff include the Pavilion Caretaker, Town Sergeant plus seasonal staff.</p> <p>Payroll software used by RFO links with the Sage 50 accounting package</p> <p>Payroll records checked including starting details for the new Admin Asst.</p> <p>In-house – RFO responsible.</p> <p>LGPS pension scheme in place</p>	

Payments	<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 ? • STAFF costs definition for inclusion in Box 4 for 2020-21, check parity for 2019-20 ? Currently includes salary, tax, NIC & Pension (employee & ers) + taxable benefits (home working allowance, broadband & phone allowance etc NOT incl. • Has VAT been identified, recorded and reclaimed? • 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>Payment files well kept, good audit trail, most payments via F&GP Meetings. Accounting arrangements with the Davis Oaklands Trust (DOT) resolved in 2019-20, hopefully easier to manage in 2020-21.</p> <p>F&GP 20 Feb 2020 Min 298/19 reviewed the "variable DD's"</p> <p>Staff costs definition used within the Sage a/cs complies with the Statement of Accounts requirement for Box 4.</p> <p>Vat claims:- Qtr. 1 Jan - 31 Mar 2020 - £7,112 recd 28 Apr 20 Qtr. 1 Apr - 30 Jun 2020 - £9,440 recd 15 July 20 Qtr 1 Jul – 30 Sept 2020 - £6,367 recd 14 Oct 20</p> <p>Example contracts in pace include ADM Computing – IT support Euro Car Parks – Mgt of Portland Road CP Folkestone & Hythe DC- Grounds Mtce. Zoom – virtual meetings software BNP Paribas – photocopier lease Vodafone – web domain hosting Veolia Environmental – waste collection</p>	
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Receipts	<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?• Covid-19 implications?	<p>Reduced income on some venues/activities due to Covid-19 restrictions. Reported via Budget Monitoring reports.</p> <p>CIL monies kept in a discrete reserve.</p> <p>Hire rates for 2021-22 resolved by Council 5 Dec 2020</p> <p>See "Budget Monitoring" section of this Report.</p>																					
Bank reconciliation & PWLB Loans	<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 and if in place Financial Regs updated ?• Signature review (Two signatures required?)• Any PWLB loans ?	<p>Bank account balances @ 31 Oct 2020</p> <table><tr><td>NatWest current a/c 8545 -</td><td>£36,452</td></tr><tr><td>95 day a/c 5105 -</td><td>£54,681</td></tr><tr><td>30 day a/c 5091 -</td><td><u>£379</u></td></tr><tr><td></td><td>£91,512</td></tr><tr><td>Unity Trust a/c 0741</td><td>£164,914 **</td></tr><tr><td>Triodos 33 day a/c 8511</td><td>£85,138 ##</td></tr><tr><td>Nationwide a/c 9056</td><td>£75,488</td></tr><tr><td>NSI a/c 4803</td><td>£67,894</td></tr><tr><td>5342</td><td><u>£69,549</u></td></tr><tr><td>TOTAL</td><td><u>£660,010</u></td></tr></table> <p>Notes - ** a/c opened Feb 2020, ## a/c opened Mar 2020</p> <p>The above banking arrangements is much changed from 12 months ago when over £400,000 was with NatWest!</p> <p>F&GP 27/08/2020 Min 108/20 to change signatories in compliance with internal auditors observations. (That the 4 signatories must not include the Chairman of Council or F&GP.). This will reduce the turnover of signatories easing the administration.</p> <p>PWLB loan repaid in full March 2020 Davis Oakland loan = £89,000 as at 31 Mar 2020</p>	NatWest current a/c 8545 -	£36,452	95 day a/c 5105 -	£54,681	30 day a/c 5091 -	<u>£379</u>		£91,512	Unity Trust a/c 0741	£164,914 **	Triodos 33 day a/c 8511	£85,138 ##	Nationwide a/c 9056	£75,488	NSI a/c 4803	£67,894	5342	<u>£69,549</u>	TOTAL	<u>£660,010</u>	
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Assets and Asset Register (AR)	<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>F&GP 16 April 2020 Min 342/19 - Asset Register reviewed and noted.</p> <p>To be checked as part of the year-end Audit in April/May 2021.</p>	
Year-end procedures Inc. AGAR	<ul style="list-style-type: none"> • Does the 2020-21 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 2019-20 AGAR & Certificate of Exemption if applied • PROOF of public rights provision during summer 2020 & website– AIAR ICO L • New governance compliance regime - refer to new Practitioners' Guide 2020 	<p>Year-end AGAR figures to be checked against the Reports from the Sage Accounting System as part of the next Audit visit.</p> <p>The Council approved the AGAR 2019-20 on 2 July 2020 Min 70/20</p> <p>Date of Announcement – 3 July 2020 Public Inspection period – 6 July – 14 Aug 2020 Evidence – Back-screen evidence suggest the posting of the information to the website was on 6 July 2020, the day the Inspection Period began, it should be posted BEFORE commencement.</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 Website host and Webmaster and any changes? Website functionality & accessibility (23 Sept 2020 deadline) NALC L09-18 TRANSPARENCY CODE compliant ? Post GDPR (25 May 2018) <ul style="list-style-type: none"> Privacy Notice Cllr email addresses? Email disclaimer Other matters inc DPO arrangements 	<p>ADM Computing provides IT support to the Council Annual Office 365 business essentials subscriptions in place. AMD have supplied secure laptops to staff to facilitate home working during the Covid lockdowns. Some staff do work at the Offices in the mornings but the Offices are "closed to the public".</p> <p>Information & Communications Technology Usage policy – correct use of Council IT and email facilities adopted.</p> <p>The change of website has been a major issue having been badly let down by KCC their Cantium quotation being approved in Jan 2020, 12 months later there is no "live" replacement website compliant with the Accessibility Regulations.</p> <p>Belatedly KCC advised the "Parish Council Community" that the Cantium website solution was not to be developed and recommended all clients transfer to Aubergine.</p> <p>I was advised that the Council has requested a website design similar to the Dawlish Town Council website.</p> <p>Post Audit Note: Anticipated go-live date is 15 Jan 2021</p> <p>GDPR arrangements and Cllr email addresses in place. It is assumed the new website will also be GDPR compliant. Satswana are still the Council's DPO</p>	
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