26th June 2019

Notice is hereby given that there will be a Meeting of the GOVERNANCE AND AUDIT COMMITTEE held in the NEW MILLENNIUM CHAMBER, MANOR HOUSE, CHURCH STREET, LITTLEHAMPTON on TUESDAY 2ND JULY 2019 at 6.30PM

Committee: Cllrs Northeast (Chair), B Blanchard-Cooper, Long, Price, Seex, Dr Walsh KStJ

PETER HERBERT
Town Clerk

AGENDA

2019/2020

1. EVACUATION PROCEDURES

2. FILMING OF COUNCIL MEETINGS, USE OF SOCIAL MEDIA AND MOBILE PHONES
   During this meeting the public are allowed to film the Town Council and Committee meetings and officers only from the front of the public gallery, providing it does not disrupt the meeting. Any items in the Exempt Part of an agenda cannot be filmed. If another member of the public objects to being recorded, the person(s) filming must stop doing so until that member of the public has finished speaking. The use of social media is permitted but Members and the public are requested to switch their mobile devices to silent for the duration of the meeting.

3. APOLOGIES

4. DECLARATIONS OF INTEREST
   Members and Officers are reminded to make any declaration of disclosable pecuniary or personal and/or prejudicial interests that they may have in relation to items on this Agenda.

   You should declare your interest by stating:

   (a) the item you have the interest in
   (b) whether it is a disclosable pecuniary interest, whereupon you will be taking no part in the discussions on that matter, or
   (c) (i) whether it is a personal interest and the nature of the interest
   (ii) whether it is also a prejudicial interest
   (iii) If it is a prejudicial interest, whether you will be exercising your right to speak under PUBLIC FORUM
It is recorded in the register of interests that:
- Councillor Northeast is a Member of Arun District Council
- Councillor B Blanchard-Cooper is a Member of Arun District Council
- Councillor Seex is a Member of Arun District Council
- Councillor Dr Walsh KStJ is a Member of Arun District and West Sussex County Council

These interests only need to be declared at the meeting if there is an agenda item to which they relate.

5. **MINUTES**
   To confirm the Minutes of the meeting held on 5th February 2019, circulated herewith (pages 3-7). In accordance with the Town Councils’ Standing Orders, Section 9 (a), Members are reminded that no discussion of the draft minutes of a preceding meeting shall take place except in relation to their accuracy.

6. **PUBLIC FORUM**
   Members of the public are invited to ask questions or raise issues which are relevant and are the concern of this committee. A period of 15 minutes is allocated for this purpose. If possible, notice of intention to address the Committee should be given to the Clerk by noon of the day of the meeting.

7. **CHAIR’S REPORT AND URGENT ITEMS**

8. **OFFICER’S REPORTS**
   8.3 Draft Committee Workplan – attached for consideration (page 23)

9. **EXEMPT BUSINESS**
   It is **RECOMMENDED** that:

   *The public and accredited representatives of the press be excluded from the Meeting under Section 100 Local Government Act 1972 due to the confidential nature of the business to be conducted.*
MINUTES of a meeting of the GOVERNANCE AND AUDIT COMMITTEE
held in the MILLENIUM CHAMBER, MANOR HOUSE, CHURCH STREET,
LITTLEHAMPTON on TUESDAY 5 FEBRUARY 2019 at 6.30PM

Present: Cllrs Northeast (Chair),
C Blanchard-Cooper, Chester
* Purchese and Squires

2018/2019

11. EVACUATION PROCEDURES
The evacuation procedures were noted.

12. FILMING OF COUNCIL MEETINGS, USE OF SOCIAL MEDIA AND
MOBILE PHONES
The procedures were noted.

13. APOLOGIES
There were apologies from Councillor Warren QVRM.

14. DECLARATION OF INTEREST
Members and Officers were reminded to make any declarations of
disclosable pecuniary or personal and/or prejudicial interests that they
might have in relation to items on the Agenda. The standing
declarations were noted, and no further declarations were made.

15. MINUTES
The Minutes of the meeting held on Tuesday 3rd July 2018 (previously
circulated) were confirmed as a true record and signed by the Chair.

16. PUBLIC FORUM
There were no members of the public present.

17. CHAIR’S REPORT AND URGENT ITEMS
17.1 Independent Committee on Standards in Public Life - Report on
ethical standards in local government
Members received a summary of findings of a recent parliamentary
inquiry into standards in local government (copy attached to the
minutes). Among the measures recommended was a proposal to
introduce a single code of conduct for all tiers of local government
based on the National Association’s (NALC) model code. The
recommendations had been presented to the Prime Minister and future
engagement with local councils regarding taking forward the report’s
recommendations would be led by NALC. It was RESOLVED that:

The update be noted.
18. OFFICER’S REPORTS

18.1 Internal Audit Report 2018/19

The Committee considered a report (previously circulated) which set out the outcome of the first Internal Audit Report for the financial year 2018/19. In addition, views were sought on a draft procedure for internal audit provision to assist with the review of the Internal Auditors appointment which was due to change for 2019/20 financial year. It was noted that the audit regulations required local authorities to have effective internal audit procedures in place which must be reviewed annually by the Council. The Responsible Financial Officer (RFO) explained that if these processes were not in place the Council would not have the assurances it required to confidently approve the Annual Governance Statement in the Annual Return. The proposed procedure therefore aimed to reflect the competencies and specialist reporting that were expected from an independent internal auditor engaged in local authority work. Members were pleased to note the positive outcome of the internal audit report and it was RESOLVED that:

1) The interim Internal Audit report for the year ending 31st March 2019 be noted.
2) The Council’s Internal Audit Provision Procedures be approved and RECOMMENDED to Full Council.
3) The RFO in conjunction with the Town Clerk and Chair of the Committee be delegated authority to review the Internal Auditors appointment.

18.2 Standing Orders Review

The Democratic Services Manager explained that having recently undertaken a review of them with the Town Clerk and the Deputy Town Clerk and Responsible Financial Officer, no changes were proposed. Members were satisfied that no significant changes were required to the document and it was therefore RESOLVED that:

No further action be taken.

18.3 Financial Regulations Review

The Committee considered a report (previously circulated) that proposed further amendments to the Financial Regulations to reflect the introduction of electronic banking. In addition, the RFO directed Members to further changes to the authorisation of Business Charge Card transactions that had also arisen from this review. Members proceeded to examine the proposed changes in more detail, and it was noted that the regulations relating to the “two member signatures”
control had been repealed to facilitate the use of electronic payments for local authorities. This, together with the Council’s strategic move towards the introduction of electronic banking had prompted a further review of the Town Council’s processes in this respect. The need for stringent controls was acknowledged and the rational for the increase in the level of payment authorisation understood. The RFO provided clarity on a number of points relating to the payments authorisation process and it was noted that these would need to be reflected in any new banking arrangement to support the introduction of electronic banking. A programme of training would be put in place for Councillors and staff to familiarise themselves with the new process when electronic banking was introduced. It was therefore RESOLVED that:

The amendments to the Financial Regulations be supported and RECOMMENDED to the Policy and Finance Committee for consideration before being submitted to Full Council for approval.

18.4 Annual Governance Review

The Democratic Services Manager explained that having recently undertaken a review of them with the Town Clerk and the Deputy Town Clerk and Responsible Financial Officer, no changes were proposed. Members were satisfied that the Town Council’s Code of Conduct, Register of Members Interests and Dispensation Scheme were robust and up to date and it was RESOLVED that:

No further action be taken in respect of the Town Council’s existing Governance arrangements in respect of the Members Code of Conduct, Declarations of Interests and Dispensation Scheme.

18.5 Annual Review of Internal Controls

The Committee considered a report (previously circulated) that outlined the Town Council’s annual review process of Internal Controls that included measures designed to prevent and detect fraud and corruption. In addition, further amendments would be required to Section 1, Payments, to remove the section which referred to two/five authorised councillor signatures and to Section 3, Credit Card Payments, subject to approval by Full Council of the changes to the Financial Regulations that were proposed by the Committee following its review earlier in the meeting. The RFO provided clarification regarding the current use of online banking and it was noted that residents were already being encouraged to make payments direct to the Town Council using BACS. She also confirmed that the facility to
accept card payments would form part of the roll out of electronic banking. It was therefore RESOLVED that:

1. **The Councils Internal Control system be approved.**
2. **Council be RECOMMENDED to approve Statements 2, 5, 6 and 7 of the Annual Governance Statement and that they have been complied with.**

**18.6 Annual Review of Corporate Risk Register**

18.6.1 The Committee considered a report (previously circulated) that outlined the changes to the updated Corporate Risk Register and the Risk Register relating to the Town Councils’ Strategic Policies. The RFO explained that the documents had been reviewed by the Service Managers and that minor changes were proposed to bring the document in line with current practice. The Risk Management Strategy and Procedures had also been reviewed by the Town Clerk and RFO and no changes were proposed. It was noted that the Strategic Polices would be reviewed after the local elections by the new Council and risk assessments carried out as appropriate.

18.6.2 Members proceeded to review the Register and discussion focussed on recent events, and their impact on the Town Council’s ability to achieve its objectives relating to the museum and tourism. It was noted that the assessment of the level of risk was based on the effectiveness of the control measures that were in place. Therefore, the activities of the Museum Working Group, and ongoing efforts to support tourism initiatives that the Town Council was engaged in as part of its normal business activities, formed part of the controls. Reviewing the document further, an additional change was proposed to one of the risks identified under Youth Services where it was suggested that “potential increase in anti-social behaviour” be replaced with “Failure to deliver life enhancing skills”. This was supported and it was therefore RESOLVED that:

1) **The Council’s Corporate Risk Management Strategy and Procedures be approved and RECOMMENDED to Full Council for approval.**
2) **Subject to the amendment set out in Minute 18.6.2 above, the Risk Registers be RECOMMENDED to Full Council for approval.**

**18.7 Complaints and Compliments Review 2018**

The Committee considered a report (previously circulated) that provided complaints and compliments with a description on the matter and how it was resolved from the year 2018. It was suggested that
publication of compliments be explored as testimonials when publicising the Town Council’s services. It was RESOLVED that:

The complaints and compliments review 2018 be noted.

19. EXEMPT BUSINESS
There was none.

The meeting closed at 7:34pm.

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CHAIR
LITTLEHAMPTON TOWN COUNCIL

Non- Confidential

Committee: Governance and Audit
Date: 2nd July 2019
Report by: The Town Clerk
Subject: Internal Audit Report 2018/19

1. Summary
1.1 Attached, as Appendix 1 is the final Internal Audit Report for Littlehampton Town Council for the financial year 2018/19. The audit was conducted by the Town Council’s independent Internal Auditor, Mulberry & Co.
1.2 One of the functions of Internal Audit is to give assurance to Members of the Council that the systems, financial and otherwise, are following best practice, operating correctly, compliant with all laws and regulations and can be relied upon.
1.3 All areas were found to be in order and no significant recommendations were made. The Internal Auditor reported that “It is clear the council takes governance, policies and procedures very seriously and I am pleased to report that overall the systems and procedures you have in place are entirely fit for purpose and indeed are a model of good practice.”

2. Recommendations
The Committee is RECOMMENDED to
(1) Note the Internal Audit report for the year ending 31st March 2019 and the actions proposed in respect of transparency and risk management.

3. Background
3.1 The Internal Auditor has made 2 visits in the year. The attached report covers both visits.
3.2 The areas that were audited were

- Review of the Financial Regulations & Standing orders
- Review of the Risk Assessments
- Review of the Budgeting process
- Proper Bookkeeping – review of the use of the accounts package.
- Review of bank reconciliation
- Compliance with regulations
- Review of Annual Accounts and Annual Return
- Testing of Income and expenditure
- Review of Salaries and wages
- Review of Fixed Asset Register
- Review of Annual Accounts for external auditor
3.3 Transparency
3.3.1 With regards to the ‘Procurement information’ section of the Local Government Transparency Code 2015, the Internal Auditor has identified one area where disclosure could be improved and recommends that “the RFO reviews the Transparency Code and ensures this information is published on the Council website.”

3.3.2 The RFO will develop a section on the Town Council’s website to provide procurement information on ‘tenders for contracts’ and ‘contracts, commissioned activity and agreements’ with a value that exceeds £5,000.

3.4 Risk Management
3.4.1 The auditor suggested the Council add processing of payroll as an additional risk as payroll is currently processed by the RFO, and there is no other officer with file access or knowledge to process payroll should the RFO be absent. The risk should be added to the risk register and contingency arrangements considered.

3.4.2 The risk has been added to the risk register and is the subject of a separate report on this agenda.

4. Conclusion and Opinion
4.1 The inherent risk in the system is low.

4.2 The Council has robust policies and procedures in place that are fit for purpose and it has provided evidence to show it is following its own financial regulations and standing orders.

4.3 The Council has risk management strategies in place and policies that enable it to achieve its principle objectives and where there is a financial risk this is appropriately insured for.

Peter Herbert
Town Clerk
Our Ref: MARK/LIT003

Mr P Herbert
Littlehampton Town Council
Manor House
Church Street
Littlehampton
West Sussex
BN17 5EW

4th June 2019

Dear Peter

Re: Littlehampton Town Council
Internal Audit Year Ended 31st March 2019

Following completion of our final internal audit on 3 June 2019 we enclose our report for your kind attention and presentation to the Council. The audit was conducted in accordance with current practices and guidelines and testing was risk based. Whilst we have not tested all transactions, our samples have where appropriate covered the entire financial year. Recommendations for future action are shown in the table at Appendix A.

The Accounts and Audit Regulations 2015 require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts. The internal audit reports should therefore be made available to all members to support and inform them when they are considering the authority’s approval of the annual governance statement.

Interim Audit – Summary Findings
At the interim visit we reviewed and performed tests on the following areas:

- Review of the Financial Regulations & Standing orders
- Review of the Risk Assessments
- Review of the Budgeting process
- Proper Bookkeeping – review of the use of the accounts package.
- Review of Bank Reconciliations
- Compliance with Regulations
- Salaries and Wages

Final Audit – Summary findings
We completed the following work at the final audit.

- Review of annual accounts & AGAR
- Review of bank reconciliation
- Testing of income and expenditure, final quarter of financial year
- Review of fixed asset register
- Review of information for external auditor
I have set out the results of my testing against each of the control objectives set out in the internal audit section of the AGAR below.

I am of the opinion that the annual accounts and AGAR are ready to be signed off by Council and the external auditor. Accordingly, I have signed off the Annual Internal Audit Report.

It is clear the council takes governance, policies and procedures very seriously and I am pleased to report that overall the systems and procedures you have in place are entirely fit for purpose and indeed are a model of good practice. I would like to thank Laura and Claire for their assistance and hard work.

A. Books of Account

Interim Audit

The Council continues to use RBS an industry specific accounting package. I have tested the brought forward balances against the audited prior year AGAR and can confirm these have been brought forward correctly.

The RBS system is used daily to report and record the financial transactions of the Council, it is used to make bookings for hires, allotments, and fixed asset register recording. A review of the cashbook shows that all data fields are being entered, the hard copy reports are easy to read. Supporting documentation is easily located from references recorded on the general ledger.

I have confirmed that the Council’s VAT returns are up to date, with the most recent claim for the 3 months to 30 September 2018 submitted to HMRC. I checked that balances in the return could be agreed to schedules produced by the accounting system.

The Council has loaded the signed accounts and audit certificate for the 2017-18 financial year to its website, as required by regulations. The Council received a clear report from the external auditors. Completion of Audit certificate was completed by the deadline of 30 September, and has been published on the Council website. I also confirmed that both internal and external audit reports for 2017-18 were taken to a meeting of the Full Council and the review of these reports properly noted in minutes.

I have no recommendations in this area.

Final Audit

I agreed the statement of accounts back to AGAR reports produced by the Council’s accounting system, RBS. I therefore conclude that all figures on the AGAR have been correctly derived from the Council’s accounting system. Arithmetic has been checked and the accounts cast. The Council received a clean audit opinion from external audit in 2017-18, so there is nothing requiring consideration in the current financial statements.

I checked comparative figures for the previous financial year disclosed on this year’s AGAR back to last year’s signed accounts, and can confirm that opening reserves balances, and comparative figures are accurately recorded in this year’s AGAR.

I also confirmed that VAT is up to date, with the return completed and submitted to HMRC for the period to 31.3.19. VAT reclaimed has been agreed to RBS VAT reports.

I am of the opinion that the control assertion of “Appropriate accounting records have been properly kept throughout the financial year” has been met.
B. Financial Regulations & Payments

Interim Audit

The Council’s financial regulations and standing orders have been reviewed and updated since my last visit. Both documents were reviewed at Governance and Audit Committee in July 2018 and formally adopted at Full Council in October 2018. The Littlehampton documents are based on NALC templates.

I have confirmed by sample testing that the Council has a clear process to ensure all members sign acceptance of office forms. Forms were in place for all Councillors selected, and were signed and dated by the councillor and the Town Clerk.

Council is given authority to spend via the annual budget process. The Council has a strong procedure in place to ensure that all expenditure is authorised in line with financial regulations. I selected a sample of transactions from the ledger and I was able to confirm that:

- Transactions could be agreed back to invoice
- Payment approval slip was on file, authorised by appropriate officers, with evidence of councillor sign off
- Payment approved at a meeting of the Council
- Cheque signed to provide appropriate councilor authorization (copy cheques saved electronically)
- VAT accounted for appropriately.

I note that the RFO is currently working on a project to move the Council over to electronic banking. This is a sensible decision, as on line banking produces a better audit trail and better security of payment than a cheque based system. I was pleased to note that the RFO will review the financial regulations and will work with councilors before making the move to electronic banking at the start of 2019-20.

I can confirm that the Council is compliant with the 2015 Transparency Code. Information is disclosed in the “Littlehampton Town Council Finance” section of the website, and regular information on payments, fixed assets, grants and staffing is loaded to the website. I tested a sample of information loaded on to the website and found it was up to date.

I have no recommendations in this area.

Final Audit

Non pay expenditure in box 6 to the accounts is £645,672 (£509,030 in 2017-18).

I tested an additional sample of expenditure transactions from the final quarter of the financial year. For all transactions tested I was able to confirm:

- Transactions could be agreed back to invoice
- Payment approval slip was on file, authorised by appropriate officers, with evidence of councillor sign off
- VAT accounted for appropriately

The Council has recently amended financial regulations in preparation for the introduction of electronic banking. I reviewed the new document, and I consider the system documented within the new financial regulations appropriate for the Council.

As a larger town council, Littlehampton is required to follow the 2015 Transparency Code. I confirmed that information required by the Code is disclosed correctly on the Council website, and that information is up to date. There is one area where disclosure could be improved. The Council does not currently publish information relating to Council contracts. I therefore recommend that the RFO reviews the Transparency Code and ensures this information is published on the Council website.
I have identified no errors in my testing of expenditure recorded in box 6 to the accounts.

I am of the opinion that the control assertion “This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for”, has been met.

C. Risk Management & Insurance

Interim Audit

The Council has a risk strategy in place and monitors and reviews risk on an ongoing basis. The RFO has confirmed that this will be formally reviewed at the February Governance and Audit Committee with Full Council sign off at the March 2019 meeting. I will review the approved risk assessment at my year end visit.

The Council is in year two of a 3-year deal with Zurich insurance. I have viewed the insurance policy and can confirm it is valid until September 2019. Money cover is set at £1 million. This would appear too low, given the Council’s cash at bank in excess of 2.5 million. However, this was considered by the Council in response to my audit recommendation last year, and rather than increasing insurance cover, the Council made changes to internal financial controls and restricted banking mandates. I therefore conclude that money cover is lower than I would expect for a Council with Littlehampton’s level of cash at bank, however, this has been risk assessed by the Council and appropriate internal controls have been put in place. Asset cover appeared consistent with the asset register.

The Council has a well-established process for backing up computer data, with backups held at remote locations. The RFO confirmed that a test of the back-up has been carried out in the course of 2018-19. The RFO attended and was able to confirm key data could be accessed from the back up.

I have no recommendations in this area.

Final Audit

I confirmed that the Council has carried out a comprehensive risk assessment. This was reviewed at the Governance and Audit Committee in February 2019 after review by Service Managers. The risk assessment was then approved at Full Council on 28 March 2019 and a separate minute recorded. I reviewed the detailed risk assessments, these are comprehensive and well documented, with evidence of updating in the course of the financial year.

I suggest that the Council should add processing of payroll as an additional risk. Payroll is currently processed by the RFO, and there is no other officer with file access or knowledge to process payroll, should the RFO be absent. The risk should be added to the risk register and contingency arrangements considered.

The Council prepared a comprehensive response to my interim audit, which was reviewed at both Governance and Audit Committee and Full Council. I have updated appendix A of this report with details of actions taken by the Council.

I am of the opinion that the control objective of “This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.”, has been met.

D. Budget, Precept & Reserves

Interim Audit

The Council is the process of preparing the budgets for 2019/20. At the time of my audit, meetings had been held with cost centre managers, and at the time of my audit, the RFO was in the middle of a cycle of meetings with committee chairs and council leaders. The budget will be considered at the Full Council meeting in December, and approval of final budget and precept will be finalised at the Full Council meeting in January 2019. All precepting authority deadlines will therefore be met.
I have confirmed that regular budget monitoring reports are issued to committees in line with financial regulations. I reviewed the budget as at 31.10.18. I only identified one significant overspend, an overspend on the ICT budget, relating to work on the new website. I was pleased to note that this spend was approved in advance and is picked up in budget monitoring reports.

I will review the Council’s reserves position at my year end visit. However, I note that the Council has well developed reserves, which are recorded on the balance sheet, with additional monitoring via an excel spreadsheet which is used to monitor committed expenditure.

The Council has an investment policy in place which is complaint with statutory guidance on local government investments. I have one minor recommendation – the RFO should prepare a year-end report as required by the investment strategy for consideration by councillors.

**Final Audit**

Reserves at year end set out in box 7 to the account were £2,575,675 (2017/18 £2,620,040). Of this £200K is held in general reserves, plus £500k which is held as long term investments on the asset register. General reserves are therefore £700K, which is 55% of precept plus income. This is an appropriate level of general reserve for a council of this level of activity. £2.3m is held in several well managed earmarked reserves. This includes £1.5m in the capital receipts reserve. I understand from the RFO that work continues on proposals to utilise this capital receipt.

I confirmed that the 2019-20 budget was approved at the Full Council meeting of January 2019. Precepting authority deadlines were met. Budget and precept are properly noted within minutes. I reviewed the 2019-20 budget and note a small surplus is anticipated, which will be transferred to general reserves. Detailed supporting notes confirm that Councillors were given full information on Council budget proposals enabling informed budget setting decisions to be made. I note that agenda papers include

- Detail on year on year changes compared to the budget for the previous financial year
- Reserves statements, including details on projected earmarked reserves

I am of the opinion that the control objective of “The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.”, has been met.

**E. Income**

**Interim Audit**

I carried out a small sample test of non-precept income. For all items sampled I was able to agree

- credit in the cashbook back to an appropriate voucher
- Entry on ledger could be agreed back to invoice
- Fees charged on invoice could be agreed back to approved hire rates (e.g. room hire) or third party confirmation of income due
- Correct VAT levied

I also confirmed fees and charges for 2018-19 had been properly approved at a meeting of the Council

**Final Audit**

Precept per box 2 to the accounts is £1,132,449 (2017-18 £1,078,470). I have confirmed precept income to third party notification available on the Arun DC website.

Other income per box 3 to the accounts is £132,666 (2017-18 £182,596). The fall in income is due to lower grant income (Welcome pack grant) and reductions in hire income.
I tested a small sample of income transactions from the final quarter of the financial year and I was able to confirm income recorded on the cashbook back to invoices. Where appropriate I then agreed invoice to approved fees and charges for the financial year.

I have identified no errors in my testing of income recorded in box 2 and 3 to the accounts

I am of the opinion that the control objective of “Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.”, has been met.

F. Petty Cash

Interim Audit

The Council holds £250 in petty cash. All expenditure is recorded on a spreadsheet, and is counted periodically, depending on activity levels. Cash count is reconciled to the spreadsheet at each count. Detailed receipts are kept to support transactions, and the finance team review records periodically to ensure that expenditure incurred using petty cash is reasonable. I confirmed the year end petty cash balance to reconciled cash count – this had been signed off by the RFO.

I am of the opinion the control objective of “Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.”, has been met.

G. Payroll

Interim Audit

The Council processes the payroll in house using Sage 50 payroll. The RFO inputs all payroll changes and expense claims each month. The payroll is processed and a telepay document is produces and faxed to the bank – payments are made electronically to staff.

I tested the June 2018 payroll in detail. I was able to confirm the payroll posted to the general ledger back to the telepay document that had been authorised by the clerk and by the RFO. I then agreed pay for two officers back to payslips, Rates of pay were checked back to appropriate NJC scales. I am satisfied that the Council has satisfactory controls over payroll.

Final Audit

Staff costs per box 4 of the AGAR £622,789 (2017-18 £603,466)

I carried out further testing of the February payroll. I confirmed the February Telepay document had been completed and signed off by the RFO and counter signature from the Assistant Clerk was viewed. I agreed telepay back to payroll summary produced by SAGE, and agreed pay for 3 officers back to payslip. I confirmed gross pay for these officers back to approved rates of pay.

I have identified no errors in my testing of payroll in box 4 to the accounts.

I am of the opinion that salaries are correctly stated on the AGAR and that the control object of “Salaries to employees and allowances to members were paid in accordance with this authority’s approvals, and PAYE and NI requirements were properly applied.”, has been met.

H. Assets and Investments

Final Audit

Fixed assets per box 9 to the accounts are £3,095,313 (2017-18 £3,101,911). I have been able to confirm the balance in the accounts to the Council’s asset register. I reviewed the asset register and confirmed that the only change is
due to the disposal of a van, which was correctly written off at cost. I confirmed with the RFO that there have been no additions, and I have identified no additions in my testing of expenditure.

I note that the Council has approved a fixed asset policy in 2018-19. This is in line with best practice and sets out a clear framework for recording Council fixed assets going forward, whilst ensuring inventories are maintained for equipment not to be included on the fixed asset register (e.g. ICT equipment).

I confirmed the £500k deposit with the Local Authority Property Fund is still held by the Council by review of 31 March statement. This is correctly shown at cost on the asset register.

I have identified no errors in my testing of fixed assets recorded in box 9 to the accounts.

I am of the opinion that the control objective of “Asset and investments registers were complete and accurate and properly maintained.”, has been met.

I: Bank Reconciliations

Interim Audit

Reconciliations for all bank accounts are carried out regularly and in accordance with regulations. This is clearly evidenced in the Council’s bank reconciliation file. The September 2018 bank reconciliation was tested in detail. I confirmed the following.

- The face of the bank statements and the bank reconciliations had been signed off by the reviewing councillor.
- All balances on the bank reconciliation were agreed back to bank statements/cashbooks.
- Cashbook/bank statement differences were explained by schedules of unpresented cheques/lodgments. Testing of these items to subsequent clearance through the bank account confirmed these adjusting items to be genuine – I tested 5 large items to confirm this.
- Bank reconciliations were reported to a meeting of the Policy and Finance Committee, and this review was minuted.

I have no recommendations in this area.

Final Audit

Borrowings – box 10 to the accounts £90,000 (£128,000, 2017-18). I have confirmed year end borrowings to information available on the Public Works Loans Board website.

Cash and bank – box 8 to the accounts £2,659,208 (£2,712,644 2017-18) I have reperformed the year end bank reconciliation and I was able to agree the bank reconciliation back to bank statements and the RBS cashbook. The reconciliation had been reviewed by Councillors at the time of my audit, and review was evidenced on the bank rec and on the bank statement. The bank reconciliation cast correctly.

I checked that all monies on short term deposit, amounting to £2.2m, were held in deposits maturing before 31.3.20. These deposits are therefore correctly categorised as cash on the balance sheet, as they mature within 12 months of balance sheet date.

Unpresented cheques were £88k. I checked 10 cheques, amounting to £53K, to subsequent presentation at bank in April 2019. This confirms all unpresented cheques are genuine.

Boxes 10 and 8 to the accounts are fairly stated.

I am of the opinion that bank and cash balances are properly shown on the AGAR and that the control objective of “Periodic and year-end bank account reconciliations were properly carried out.”, has been met.
J. Year-end accounts
I confirmed that the Council has completed a reconciliation between box 7 and 8 of the accounts and that this is supported by schedules of debtors and creditors. A year on year variance report has been completed as required by the external auditors. Detailed explanation has been provided as required.

The council has prepared the accounts on the income and expenditure basis, which is correct for this larger council.

I am of the opinion the AGAR will be ready for submission to the external auditor within statutory time scales and that the control objective of “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.”, has been met.

K. Trusteeship
No trusts.

L: Exercise of Public Rights - Inspection of Accounts
This new internal control objective is not active for 2018-19 financial year. However, I confirmed with the RFO that arrangements are in place at this Council to ensure proper exercise of public rights. Proposed dates for inspection periods are set out below – this complies with regulatory requirements.

<table>
<thead>
<tr>
<th>Inspection of Accounts Process</th>
<th>2018-19 Proposed Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts approved at full council</td>
<td>20 June</td>
</tr>
<tr>
<td>Date Inspection Notice Issued and how published</td>
<td>21 June</td>
</tr>
<tr>
<td>Inspection period begins</td>
<td>21 June</td>
</tr>
<tr>
<td>Inspection period ends</td>
<td>2 August</td>
</tr>
<tr>
<td>Correct length</td>
<td>yes</td>
</tr>
<tr>
<td>Common period included?</td>
<td>yes</td>
</tr>
<tr>
<td>Summary of rights document on website?</td>
<td>yes</td>
</tr>
</tbody>
</table>

Should you have any queries please do not hesitate to contact me, finally I enclose a fee note for your kind attention.

Kind regards
Yours sincerely

Mark Mulberry
**Points Forward – Action Plan - Interim Audit**

<table>
<thead>
<tr>
<th>Matter Arising</th>
<th>Recommendation</th>
<th>Council Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Council has an investment policy in place which is complaint with local</td>
<td>I have one minor recommendation – the RFO should prepare a year end report as required by the investment strategy for consideration by councillors.</td>
<td>This in hand, will be completed as part of year end outturn documentation</td>
</tr>
<tr>
<td>government investments</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Points Forward – Action Plan - Final Audit**

<table>
<thead>
<tr>
<th>Matter Arising</th>
<th>Recommendation</th>
<th>Council Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>I checked that information required by the Code is disclosed correctly on the</td>
<td>I therefore recommend that the RFO reviews the Transparency Code and ensures this information is published on the Council website.</td>
<td></td>
</tr>
<tr>
<td>Council website, and that information is up to date. There is one area where</td>
<td></td>
<td></td>
</tr>
<tr>
<td>disclosure could be improved. The Council does not currently publish</td>
<td></td>
<td></td>
</tr>
<tr>
<td>information relating to Council contracts.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I suggest that the Council should add processing of payroll as an additional</td>
<td>The risk should be added to the risk register and contingency arrangements considered</td>
<td></td>
</tr>
<tr>
<td>risk. Payroll is currently processed by the RFO, and there is no other officer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>with file access or knowledge to process payroll, should the RFO be absent.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
LITTLEHAMPTON TOWN COUNCIL

Non-Confidential

Committee: Governance and Audit

Date: 2nd July 2019

Report by: The Town Clerk

Subject: Revised Corporate Risk Register

1. Summary

1.1 For the Committee’s consideration and endorsement, attached as Appendix 1 to this report is the Risk Report for Employment of Staff, taken from the Councils’ Corporate Risk Register. This has been revised following a recommendation from the Council’s internal auditor.

2. Recommendation

The Committee is RECOMMENDED to:

(1) Endorse the revised section of the Risk Register, and, if satisfied, recommend it to Full Council for approval.

3. Employment of Staff

3.1 In the final Internal Audit Report for Littlehampton Town Council for the financial year 2018/19 the auditor suggested the Council add processing of payroll as an additional risk as payroll is currently processed by the RFO, and there is no other officer with file access or knowledge to process payroll should the RFO be absent. The risk should be added to the risk register and contingency arrangements considered.

3.2 The current Risk Register already identifies the ‘Loss of key staff’ as a risk. The control for this is to ensure procedures for covering key functions are documented. Procedures for running payroll have been documented by the RFO and are kept in a file accessible by the Town Clerk, PA to the Town Clerk and Finance Assistant.

3.3 The paper payroll files are also accessible by the above listed staff. If the RFO were to be absent it is also possible for the Town Clerk and PA to the Town Clerk to obtain access to the Council’s electronic payroll system through the Council’s IT Support Provider and Sage.

3.4 However, in order to ensure payroll is completed accurately and complies with relevant regulations and procedures, including those set by HMRC, it should be completed by somebody with experience in processing payroll, working alongside the PA to the Town Clerk and/or the Finance Assistant who have knowledge of local information (such as overtime completed, starters and
leavers). It is therefore recommended that the contingency arrangements require an RFO from another Town/Parish Council or an experienced payroll provider is contracted to process payroll. The Risk Report has been updated to reflect this and is attached at Appendix 1 with the changes highlighted.

Peter Herbert
Town Clerk

Laura Chrysostomou
Deputy Town Clerk
## Employment of Staff

### Littlehampton Town Council
Assessment for year 2019 To 2020

<table>
<thead>
<tr>
<th>Ref</th>
<th>Risk</th>
<th>Hazard</th>
<th>Control</th>
<th>Review timing</th>
<th>Likelihood of occurrence</th>
<th>Impact on Council</th>
<th>Risk Value</th>
<th>Your action required (&gt; 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>364</td>
<td>Administration/Legal</td>
<td>Failure to comply with Employment Law</td>
<td>Issue contracts of employment to all employees. Awareness of new legislation. Subscribe to appropriate organisations for regular updates and Training.</td>
<td>As and When</td>
<td>Low</td>
<td>Medium</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>352</td>
<td>Professional</td>
<td>Attacks on Personnel</td>
<td>Ensure that an effective security sytem is in operation. Ensure appropriate insurance cover held. Ensure other workers in building are aware of staff working alone. Ensure staff have telephone access at all times during their work. Instruct out of office hours staff to refuse admittance to the Council Offices to people unknown to them. Lone working policy issued to lone workers.</td>
<td>Monthly</td>
<td>Low</td>
<td>Medium</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>363</td>
<td>Professional</td>
<td>Lack of Employee motivation/efficiency</td>
<td>Ensure that each employee has job description. Arrange regular staff appraisals. Maintain appropriate staff records. Defined training policy in operation.</td>
<td>Annually</td>
<td>Low</td>
<td>Medium</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>362</td>
<td>Professional</td>
<td>Lack of Training</td>
<td>Determine a policy for training. Arrange annual review. Regular Staff Appraisals to highlight any training needs. Take advantage of any localised training through local associations, SLCC etc. Encourage staff to network with other Clerks in the area. Maintain appropriate training records.</td>
<td>Annually</td>
<td>Low</td>
<td>Low</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>358</td>
<td>Professional</td>
<td>Loss of key staff</td>
<td>Ensure procedures for covering key functions are documented. Ensure files (electronic and paper), databases and software can be accessed by appropriate staff. Consider and check contingency arrangements, such as contracting personnel to undertake/cover key functions.</td>
<td>Annually</td>
<td>Low</td>
<td>Medium</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>38</td>
<td>Professional</td>
<td>Inability to retain and recruit staff</td>
<td>Review salary and staff structures regularly. Regular Staff Appraisals. Complete exit questionnaire.</td>
<td>Annually</td>
<td>Low</td>
<td>Medium</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>
### Employment of Staff

**Your Duty** = Duty to Appoint

**Requirement** = To minimize risk arising from high turnover of staff.

<table>
<thead>
<tr>
<th>Ref</th>
<th>Risk</th>
<th>Hazard</th>
<th>Control</th>
</tr>
</thead>
</table>

- **Scoring note:** Low = 1, Medium = 2 and High = 3
- **Review timing**
- **Likelihood of occurrence**
- **Impact on Council**
- **Risk Value**
- **Your action required (> 3)**

<table>
<thead>
<tr>
<th>No of risks scored</th>
<th>Average score</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>1.8</td>
</tr>
</tbody>
</table>

**Completed by:**

**Date:**

**Position:**
<table>
<thead>
<tr>
<th>Description</th>
<th>* Frequency</th>
<th>Date of last review</th>
<th>Date of Next review</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Governance Review incorporating:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Register of Members' interests</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Scheme of Dispensation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Standing Orders</strong></td>
<td>Quadrennially</td>
<td>Feb. 2019</td>
<td>Feb. 2020</td>
</tr>
<tr>
<td><strong>Scheme of Delegation to Committees</strong></td>
<td>Annually</td>
<td>July 2018</td>
<td>No change – 2019</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Next review - July 2020</td>
</tr>
<tr>
<td><strong>Scheme of Delegation to Officers</strong></td>
<td>Annually</td>
<td>July 2018</td>
<td>Currently under review – Next meeting</td>
</tr>
<tr>
<td><strong>Annual Governance Statement</strong></td>
<td>Annually</td>
<td>Feb. 2019</td>
<td>Feb. 2020</td>
</tr>
<tr>
<td><strong>Internal Audit Report</strong></td>
<td>Half yearly</td>
<td>Feb. 2019</td>
<td>Report to this meeting (Feb. 2020)</td>
</tr>
<tr>
<td><strong>Corporate Risk Register (LCRS &amp; Strategic Policies Risk Register)</strong></td>
<td>Every 2/3 years</td>
<td>Feb 2019</td>
<td>Report to this Meeting (Feb 2020)</td>
</tr>
<tr>
<td><strong>Council’s Aims and Objectives</strong></td>
<td>Performance Review Annually / Every 2 /3 years as required</td>
<td>March 17</td>
<td>Strategic Aims and Objectives to be reviewed by new Council</td>
</tr>
<tr>
<td><strong>Complaints / Complements Review</strong></td>
<td>Annually</td>
<td>Feb 2019</td>
<td>Feb 2020</td>
</tr>
<tr>
<td><strong>Complaints Policy</strong></td>
<td>Every 2 /3 years as required</td>
<td>March 2016</td>
<td>Due</td>
</tr>
<tr>
<td><strong>Electronic Communications</strong></td>
<td>Quadrennially</td>
<td>June 2015</td>
<td>Due</td>
</tr>
</tbody>
</table>

* unless there is a change to key staff / as a result of legislative or regulatory change.

**Frequency of Meetings:** Tuesday 4th February 2020 & Tuesday 7th July 2020.