

DURSLEY TOWN COUNCIL

Independent Internal Audit 2015/2016 - Final Report

The approach to the audit is based on the guidance detailed in the JPAG publication (see reference below). The interim and final audits were carried out on the 10th and 15th December 2015 and the 25th April. I produced a report covering the areas examined in December and this document is an updated report to reflect the outcome of the April visit.

The main part of this report is arranged to cover the headings in the Internal Audit section of the Annual Return. I have examined the Council's records in the areas detailed and made enquiries as deemed appropriate. In my opinion the Council's systems of internal control are adequate for the purposes intended. Any recommendations are included in the body of the report and summarised at the end.

References used in the report:

- JPAG Joint Practitioners' Advisory Group
Governance and Accountability for Local Councils – A Practitioners' Guide March 2014
- NALC National Association of Local Councils
Model Financial Regulations April 2014

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Independent Internal Auditor
29th April 2016

1 Proper Bookkeeping

The Scribe system is used for bookkeeping.

I could see that an appropriate cost centre and ledger code structure is in place, which provides financial information in formats required for proper monitoring.

I checked random samples of entries at both December and April visits; all agreed with supporting vouchers and the correct codes appeared to have been allocated.

These checks are also made by the appointed Internal Controls member.

2 Financial Regulations/Payment Controls

The Council adopted new Financial Regulations and Standing Orders, based on the NALC models, in March 2016.

I examined a selection of invoices; all were properly authorised and the payments could be followed through to presentation on the bank statements. A further sample will be looked at during the April/May audit.

A schedule of payments is presented to Council for approval, this approval minuted and the schedule initialled by the Mayor/Deputy Mayor. Invoices are rubber stamped with a certification box for initialling that goods have been received/work done and for the Mayor/Deputy Mayor to initial as having been passed for payment. All payments checked were backed up by invoices. Levels of expenditure are defined in the Financial Regulations where the Council has to seek quotations or tenders from at least three suppliers. Minutes show that the Council followed procedures, for example Council invited tenders for:

- Youth Centre Project
- Grass Cutting
- Cleaning at Jacobs House and the Vibe

I could see that Council also asks for quotes on lower levels of expenditure as a matter of course.

Grants expenditure is separately identified and monitored. VAT items checked had been recorded and claimed.

3 Risk Management Arrangements

No unusual financial activity was identified in the minutes.

The Council's insurance arrangements cover many of the risks likely to be met, while some risk areas are reviewed as part of normal procedures.

Risk Management (cont'd)

The Council's annual review of its Risk Management Strategy was discussed at the December and February Policy & Finance committee meetings and adopted by Council in March 2016. It is also good practice for the Council to document and periodically review the specific day to day procedures it undertakes to implement its system of internal controls.

At Council meetings councillors scheduled to undertake Internal Controls Checks are noted. I could see that checks are taking place and the results of these checks documented.

Last year's internal audit noted that the level of the Council's Fidelity Guarantee Insurance cover was low when considered against the level of balances held. As a result, the cover has been increased to £380,000. The recommended level is that of the maximum amount of money the Council holds at any one time during the year i.e. at least the total of balances plus half the precept. The new figure is still below this recommended level.

4 Budgetary Controls

Actual expenditure against budget is reported regularly to members. Minutes show that members discuss variations and agree action regarding likely over/underspending. I could find no unexplained large variances from budget.

The draft budget and forward planning document discussed at both the Policy & Finance committee and full Council and the budget and precept was agreed at the January 2016 Council meeting.

5 Income

Income is a subject of the internal control checks performed by the appointed member.

Income examined was properly recorded and banked promptly.

The recorded precept received from the District Council agreed with the precept notification.

I examined a sample of Cemetery records. All charges on the items checked were at the correct rates and matched to burial records.

Some long outstanding invoices were noted at the audit: one from April and six others from September to November. It is recommended that these are examined to establish if they are still true debtors.

6 Petty Cash

This is another area covered by the internal controls member. The member confirms that the petty cash book balances with cash held. This check was last carried out in October.

Petty Cash (cont'd)

All of the items examined at the audit were supported by vouchers/receipts and properly accounted for. A separate spreadsheet of petty cash expenditure is maintained.

7 Payroll Controls

All employees have contracts of employment. Salaries to employees have been paid in accordance with Council approval.

Payments of expenses to employees were reasonable, backed up by receipts and included on the payments schedule.

A sample check showed PAYE, NI and pension deductions have been processed correctly, including employers NI and pensions contributions.

8 Asset Controls

The Council maintains a register of assets which is included as part of the year end statements. JPAG 3.73 gives a list of what is considered to be key information for an assets register. Accounting for assets is described in detail in JPAG 3.69 and 3.73 onwards. 3.74 states:

Most assets will be first recorded in the asset register at their actual purchase cost. In some cases the purchase cost may not be known and a proxy cost should be substituted. A proxy cost is a value for the asset which is estimated by the council based on external advice. Councils may apply the insurance value of the asset at the time of first recording as a proxy. Whether actual or proxy cost is used, for accounting purposes the first recorded value of the asset will not change throughout its life.

Financial Regulation 14.6 states the need for the verification of the continued existence of tangible assets at least annually and that insurance cover is adequate and sufficient. This is an area included on the internal controls check list.

9 Bank Reconciliation

Bank Reconciliations are carried out regularly. The Council's Financial Regulation 2.2 defines procedures regarding verification by the internal controls member and reporting on reconciliations.

I could see no unexplained balancing entries on any of the reconciliations.

10 Year End Procedures

The accounts were prepared on a Income and Expenditure basis.
An audit trail could be followed on all areas examined.

The Scribe system produces lists of Debtors and Creditors. This is required information for the external auditor as the differences between boxes 7 and 8 have to be quantified. The VAT claimed before 1st April 2016 but not yet paid must be included with the Debtors, of course.

Other areas covered at audit

Service Level Agreements

The Council has Service Level Agreements where it makes regular donations to local services. The SLA details obligations on the receiving party to ensure the value of the Council's contribution.

Codes of Conduct etc

A new Code of Conduct was adopted in October 2015.

Minutes show that members regularly state Declarations of Interest at meetings.

Cemetery Records

Various checks were made on the records and all appear to be properly documented.

Items checked against Register of Burials, invoices raised and receipts all matched satisfactorily.

Summary of Recommendations

- 1 Internal Controls member to sign bank reconciliation and bank statements as evidence of verification
- 2 Document day to dat financial control procedures
- 3 Review information on Asset Register in line with JPAG guidance
- 4 Consider level of Fidelity Guarantee insurance cover
- 5 Review aged debtors