

# **DURSLEY TOWN COUNCIL**

## **Independent Internal Audit 2015/2016 - Interim Report**

This interim Audit was carried out on the 10th and 15th December 2015. The approach to the audit is based on the guidance detailed in the JPAG publication (see reference below). The main part of this report is arranged to cover the headings in the Internal Audit section of the Annual Return. As the audit took place in December certain items, in particular budget/precept setting and year end procedures, will be addressed at the second audit in April/May. 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*

Peter Newman  
Independent Internal Auditor  
22nd December 2015

## **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 a random sample of entries; 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 Financial Regulations, based on the NALC model, in July 2014.

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:

- Youth Centre Project
- Grass Cutting

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.

The Council's annual review of its Risk Management Strategy was due to be discussed at the December Policy & Finance committee meeting.

### **Risk Management (cont'd)**

At Council meetings councillors scheduled to undertake Internal Controls Checks are noted. I could see that checks are starting to take place with evidence of two in October and one in November. 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.

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.

At the time of this audit the budget cycle had started and the draft budget and forward planning document discussed at both the Policy & Finance committee and full Council.

The full budget process and precept setting will be examined at the April/May audit.

## **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 Council's insurance cover will define terms for money movement and security.

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 February, one from April and two from June. 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.

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.

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**

There are issues with the reconciliation of the 'Business' bank account this year, with a current difference of £15 between the actual bank balance and that held in the Scribe system. This obviously needs to be resolved before the end of the financial year.

All other accounts seemed to be in order.

The Council's Financial Regulation 2.2 defines procedures regarding verification by the internal controls member and reporting on reconciliations.

## **10 Year End Procedures**

This interim audit was carried out in December. A report on Year End Procedures will be made at the time of completing the Internal Audit section of the Annual Return at the April/May audit.

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