

FINAL INTERNAL AUDIT REPORT

**TEWKESBURY TOWN COUNCIL 2015/16
JUNE 2016**

Introduction:

The audit was undertaken using the internal control objectives (listed A-K) as detailed in section 4 of the annual return. The audit was a selective assessment of compliance with relevant procedures and controls expected to be in operation during the year ended 31 March 2016.

Control Objectives (CO):

- A- Appropriate books of account have been kept properly throughout the year.
- B- The council's financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.
- C- The council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.
- D- The annual precept 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 processes, 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 council approvals and PAYE and NI requirements were properly applied.
- H- Asset and investment 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, were supported by an adequate trail from underlying records and where appropriate debtors and creditors were properly recorded.
- K- Trust funds (including charitable) The council met its responsibilities as a trustee

Executive Summary

The 2014/15 annual audit made 20 recommendations and these were followed up as part of the 2015/16 audit. The majority of these remain either partially implemented or not implemented (see Appendix A) despite assurances progression towards implementation would be monitored by the Finance Committee on a quarterly basis. From the audit conclusions summarised below the number of control objectives which have a 'no' return have increased from two to four. The 2015/16 findings has identified a lack of fundamental financial control, for example, no formal bank reconciliation being undertaken, invoicing issues (both receipts and payments) and no formal ordering system in place. The potential of the Scribe finance system is also not being maximised. The Town Clerk has received a formal proposal for the provision of accountancy expertise and we would support such a move as there appears to be a gap in the current level of such expertise. All recommendations including those that remain outstanding have now been consolidated into a new summary sheet. This can be found at Appendix B. Implementation dates will need to be agreed internally.

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Audit opinion:

CO	Opinion	2015/16 Achieved (Yes/No)	2014/15 Achieved (Yes/No)
A	<p>Books of account in the form of a cashbook using the SCRIBE system have been set up. The system records payments and receipts and has a facility to provide year end income and expenditure returns. Transactions are currently not normally entered until they appear on the bank statement. As a result, the bank reconciliation facility is not being used. This has the potential of transaction entries being missed within the financial system and does not provide for the regular reporting of outstanding commitments (such as cheques not paid and receipts not received). The town clerk also confirmed that the opening balance within SCRIBE for 2015/16 reflected the year end bank statement position and not the external auditor's approved 2014/15 closing balance. The town clerk acknowledged that additional accountancy support would be of benefit to ensure the accuracy of financial information presented to members.</p> <p>In respect of the previous audit recommendation, the bank account relating to the mayor's charity is now reported within SCRIBE, reporting a balance brought forward together with payments and receipts - therefore this element of the recommendation is considered implemented. The bank account concerning the war memorial should now be reflected in a similar manner within the financial system. In relation to the flood grant bank account, it was a decision at council on 18 May 2016 to keep the account open.</p>	No	Yes
B	<p>Financial Regulations were approved by Council on 20th May 2015. Payments are supported by hard copy invoices. These invoices are accurately being recorded to Scribe, VAT appropriately accounted for and paid on a prompt basis. Purchase orders are not currently used, which in effect breaches Financial Regulations. We have considered this as a procedural issue only but it does need addressing.</p> <p>Payments are not being consistently authorised and the authorised signatory list should be reviewed and updated to maintain the integrity of the authorisation process.</p> <p>An exceptions list of contractors to the procurement process has been established. For additional transparency, this list should be enhanced to provide details of which exception rule the contract applies and should be presented to members as part of the regular financial reporting process.</p> <p>With regard to the five previous outstanding recommendations, the allocation of utilities expenditure (recommendation 6) within Scribe is considered implemented as actual amounts as issued are now</p>	Yes	No

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	recorded and not a percentage allocation. With regards to the 4 remaining recommendations these are partially implemented and details of these can be found in Appendix A to the audit report.		
C	A risk management policy is in place and a risk report is presented to the appropriate committees as a standard agenda item. Risks have been identified within a risk assessment which is proportionate to the size of the organisation. Using a small sample of identified risks, assurance was obtained that mitigating controls are in place; however the assessment should be reviewed as some areas do require updating and some key risks are not currently included, namely compliance to the Local Transparency Code; although the Clerk did demonstrate awareness of this.	Yes	Yes
D	<p>The 2015/16 precept calculation (£240,700) was supported with appropriate evidence and was approved by council. The 2015/16 budget was approved at council prior to the commencement of the financial year and this has been accurately reflected within the Scribe system. In accordance with financial regulations, the Clerk provides the Finance Committee and subsequently Full Council, on a regular basis, with a statement of receipts and payments to date under each heading of the budget, comparing actual expenditure against that planned. A covering report also provides details of the current bank account balances, the perceived risks to the budget and any variances identified.</p> <p>Recommendations made in the 2014/15 audit in respect of the monitoring of reserves and ensuring that members are aware of the current balance of any appropriate budgets prior to authorising payments remain outstanding.</p>	Yes	Yes
E	<p>Fees and charges for hire of the Town Hall and Watson Hall have been reviewed and approved by Council including an approval for concessionary rates for local charities.</p> <p>Testing of income identified that booking forms were being completed, although there were some inconsistencies between the way they were filled in and the amount paid. It was established that this was due to the setup of the form and had not been recognised by the Town Clerk. This should now be mitigated by the introduction of a new order form. Furthermore a new form for application for reduction of rates has been added. This ensures that any variances in charges are documented and officially approved to maintain consistency.</p> <p>Payments charged were accurate for the purpose of the charge. VAT was appropriately assigned, and where deposits were necessary, invoices were raised. The payments in, appearing on the bank statement, were accurate to the total on the invoices. However, invoices are not being raised promptly and there is not a clear audit trail between the bank statement and Scribe – this would be enhanced through the consistent input of invoice numbers and paying in slip</p>	Yes	Yes

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	<p>references when entering each receipt transaction into Scribe.</p> <p>In respect of the five previous audit recommendations concerning approval and fees, debt recovery procedures, money collection from public conveniences and the retention of documentation; these were found to have been implemented.</p>		
F	<p>The record of petty cash payments are adequately supported by receipts, the issue of payments is adequately controlled and there is evidence to demonstrate that a monthly reconciliation between the petty cash statements, cash and receipts is undertaken by the Town Clerk. This confirms that appropriate actions have been undertaken in order for the previous audit recommendation to have now been implemented.</p>	Yes	Yes
G	<p>Salaries to employees and the mayor's allowance are paid in accordance with council approvals. PAYE and NI requirements have been properly applied. In respect of the previous audit recommendation assurance was obtained that an agreement had been established in respect of the Town Crier's role. The remaining actions related to the setting up of contracts for staff in post at the time of the previous audit. These staff have either left the council or had a role change and also new staff have been employed. The Town Clerk has verbally confirmed that contracts are in the process of being established and that these contracts will reflect their pay scale grading and hours of employment. A fresh audit recommendation to confirm the completion of this task has been established. A contract with Tewkesbury Borough Council regarding the administration of the payroll could not be identified. It is recommended that one be established to formalise this arrangement.</p>	Yes	Yes
H	<p>A record of assets exists; however, this is outdated and requires enhancing in order to comply with Financial Regulations. Recommendations made as part of the 2014/15 audit have not been implemented; therefore the completeness of this asset register and evidence of regular asset valuations could not be obtained.</p> <p>Progress has been made since the previous audit in that an inventory of equipment etc now exists for all Town Council properties. This is work in progress and should continue to be developed to include the date acquired and value against each item. Recommendations have been made in respect of reviewing this inventory against the council's insurance policy to ensure that all items are included and that the actual sums insured in respect of contents is appropriate. Information required to be published under the Local Transparency Code 2015 is not currently made available on the Town Council's website. The Town Clerk was able to demonstrate awareness of this and actions have been taken towards achieving compliance.</p>	No	No
I	<p>The bank statement's receipt and payment entries were found to be reviewed against the Scribe transactions and verbal confirmation from</p>	No	Yes

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	<p>the town clerk was obtained confirming that this was undertaken on a monthly basis. However, the bank reconciliation facility within Scribe is not used. It was also noted that the current approach does not constitute a full reconciliation in that payment and receipts should be entered into Scribe at the time the transaction occurred and then reconciled to the bank statement at the end of each month. Furthermore, the reconciliation process should be formally documented and reflect appropriate adjustments such as outstanding payments and unrepresented cheques.</p>		
J	<p>Accounting statements to finance committee and council are prepared during the year. This was on a payments and receipts basis, and amounts were found to be consistent with the bank statement. However, as indicated in earlier within this report full utilisation of the Scribe system is required including the bank reconciliation process. Underlying records exists in relation to payments and receipts, although financial information such as invoice and paying in slip references should be consistently entered into the Scribe system.</p>	No	Yes
K	<p>The Watson Hall was identified as a trust which is registered with the Charities Commission. A requirement of this registration is that annual returns are submitted and a review of their website confirmed that annual returns had been submitted. The Town Clerk confirmed that each council member was a trustee, with the Building Committee having delegated authority to undertake such activities as ensure the property is fit for purpose, review hire charges and commit expenditure in line with the budget. It was agreed that the council should be made aware of their trustee responsibilities and that in accordance with the trust schedule an annual meeting should take place.</p>	Yes	Not reported

Appendices:

A Update on previous audit recommendations

B 2016/17 audit recommendations