

TEWKESBURY TOWN COUNCIL

Internal auditor's report for the year ended 31 March 2017

Date of appointment of Internal Auditor: 2017

Date of Internal Audit: 2nd May 2017 (full)

1. Bookkeeping

Ref	Test	Meets requirements	Internal auditor's comments	For use by Council
1.1	Were books made up to date?	Yes		
1.2	Is cash book arithmetic correct? (If excel - check formulae)	Not checked	Using Scribe scheme. Internal Control by nominated Councillor to check	
1.3	Is there evidence of regular in-house checks by members (signed and minuted)?	None	See ** for guidance. This is required as per Financial regulations and this AR	

2. Day to day transactions

Ref	Test	Meets requirements	Internal auditor's comments	For use by Council
2.1	Have Standing Orders been formally adopted?	Yes	May 2016	
2.2	Have Standing Orders been reviewed and minuted?	Not completed	S/O should have an annual review, delegated to F&S committee with Clerk for FC approval	
2.3	Have Financial Regulations been tailored to council and formally adopted?	Yes but not completed	May 2015 approved. Current review agreeing TTC tailored points	
2.4	Have Financial regulations been reviewed and minuted?	NOT YET	Current review taking place. FR should be reviewed annually	
2.5	Have items / services above the de minimus amount been competitively purchased in accordance with Financial and	Yes	But will need to take into account newly adopted FR	

	Procurement Regulations?			
2.6	Has the General Power of Competence been adopted? If "yes", has evidence been seen? E.g. a minute	No	Criteria not by TC at this time	
2.7	If 2.6 = "no", separate account for s.137 payments?	No		
2.8	If 2.6 = "no", s.137 spend limit for year identified?	No		
2.9	Loans – interest / principal payable	n/a		
2.10	Lending – interest / principal receivable.	n/a		
2.11	Does the Council have a Grant Awarding policy?	Yes	On web. Amount recently increased	
2.12	Council's authorisation of Direct Debit / SO list approved.	Yes but	TC needs to approve records and formally approve these agreements shown by a minute	

3. Risk management

Ref	Test	Meets requirements	Internal auditor's comments	For use by Council
3.1	Evidence that council maintains an adequate & effective system of internal control, including risk management and that it is reviewed by full council annually?	No	In ** details of this procedure. No evidence of Councillor checks or reports. F&S failed to ensure the details are clear as to what is to be checked, when and where reported. This should be in Fin.Regis.	
3.2	Copy of Risk Management policy / statement seen?	Yes	General statements for each committee to be reviewed and checked for action. TC currently reviewing companies to carry out risk assessments. Failure to carry out checks, could invalidate	

			TC insurance	
3.3	Minutes checked for unusual activity & evidence that risks are being identified and managed	Not detailed		
3.4	Minutes initialled, each page identified and overall signed	Not always	In file some not signed or initialled	
3.5	Insurance – in place, and adequate and appropriate? See also 8.3	Yes	With Zurich and AXA. 3yr deal, 2015—2018. Current review and valuation underway.	
3.6	Insurance – evidence of review of cover		Contracts register on Web	
3.7	Evidence that assets have been inspected for risk	Not consistent	Some work by Committees, need to keep checklists as the absence of this could invalidate insurance.	
3.8	Review of investments, including bank accounts	No	Couldn't see evidence.	

4. Budgetary controls

Ref	Test	Meets requirements	Internal auditor's comments	For use by Council
4.1	Was a budget adopted?	Not clear	Mtg 19.01.2017. Details of further amendment's, no copy of final budget as agreed by full council. Not compliant	
4.2	Was a copy of the budget attached to the minute adopting it?	No	(clerk was absent due to sickness)	
4.3	Was a contingency included in the budget?	Yes	Final budget shows £9023 for 2017 /18	
4.4	Were the objectives of the reserves identified?	Yes but	Clerk doing extensive work to show ongoing projects / surplus/ earmarked reserves	

			and general reserve	
4.5	Were the balances at the close of the year projected? How many months spend does the general reserve represent?	No	Due to changes in cost centre description, difficult to compare. £61k +£33 = earmarked Possibly too low in consideration of potential risks	
4.6	Did the council regularly compare the actual income and expenditure to the budget, as detailed in Financial Regulations.	Yes	Report from clerk details income and expenditure against budget for each cost centre for F&S and FC.	
4.7	Are there any significant unexplained variances from budget?	No		

5. Income controls

Ref	Test	Meets requirements	Internal auditor's comments	For use by Council
5.1	Was the precept demand properly minuted?	No	Nowhere in full Council does it state what the precept request is for 2017 – 18. I note the request in 2016 for 2016/17 is clear.	
5.2	Was the precept received?	Yes	£256,005 = CTSG £9054	
5.3	Were all anticipated grants received?	Yes	CCTV grant. Still to be spent. Some confusion as to whether it's a TC agreed project.	
5.4	Were all anticipated rents received?	Yes	TC has a number of rentals from assets. Relevant Committees should review annually in line with budget / maintenance needs.	
5.5	Was all anticipated investment income received?	Yes	£320.79	
5.6	Is income properly recorded and	Yes		

	promptly banked? As quickly as possible			
5.7	Are security controls over cash adequate and effective? If in receipt of cash, is a receipt provided?	No	No Councillor checks on this. No spot checks on 'toilet' money. Needs to be reviewed as part of risk.	

6. Petty cash/cards/internet banking

Ref	Test	Meets requirements	Internal auditor's comments	For use by Council
6.1	Was cash float sufficient and regularly replenished?	Yes		
6.2	Was the cash float physically counted by a member?	No	Clerk checks	
6.3	Was expenditure approved?	No	I can see out of date DD lists and subscription lists. No record in Committee or FC of approval of payments, or authority to spend in minutes by quoting the relevant legislation.	
6.4	Is all expenditure supported by VAT invoices / receipts?	Yes	Claimed quarterly	
6.5	If credit / debit / prepaid cards in use, proper procedures in place?	n/a	Some councils have a payment card. (Stow) but need to ensure robust checks and balances in place	
6.6	Is the 2 cllr signature rule applied to payments made by internet banking?	Note	TC operating mixture of cheques , d/d and electronic payments	

7. Payroll

Ref	Test	Meets requirements	Internal auditor's comments	For use by Council
7.1	Do all staff have a contract of employment?	Yes	Clerk just signing.	

7.2	Are contracts regularly reviewed?	Yes		
7.3	Do salaries paid agree with those approved by Council?	Not checked		
7.4	Are other payments to employees reasonable and approved by Council?	Yes	Need to put in place a comprehensive expenses policy as required by employment contract, which can be applied to members and staff. See websites.	
7.5	Has the Council registered as an employer with HMRC and have PAYE / NIC been properly dealt with (including year-end procedures)?	Yes	Yes by TBC	
7.6	Minimum wage paid?	Yes		
7.7	Are Councillor's allowances and expenses properly authorised & controlled and reported to HMRC if required?	n/a		
7.8	Pension provision in place/considered?	Yes	LGPS and NEST	

8. Assets control

Ref	Test	Meets requirements	Internal auditor's comments	For use by Council
8.1	Asset register seen and up to date?	Yes, but	Needs to be reviewed annually. TC still establishing titles and deeds. Some items not fully listed	
8.2	Basis of valuations	No	Insurance value . See ** for advice	
8.3	Comparison with insurance schedule (see also 3.4)	No	Not everything is insured. Current work on establishing accurate valuations.	

9. Bank reconciliation during the year

Ref	Test	Meets	Internal auditor's comments	For use by Council
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		requirements		
9.1	Evidence of completion for each account on regular basis?	Yes but	Improved later in the year as RFO grasped what was required	
9.2	Any unexplained balancing entries in any reconciliation?	No		

10. Year-end procedures

Ref	Test	Meets requirements	Internal auditor's comments	For use by Council
10.1	Cash book additions: - (a) tested by Councillor? - (b) tested by Internal Auditor?	No No		
10.2	Bank reconciliation: - (a) Original bank statement(s) seen? - (b) RFO's reconciliation? (last year and current year)	Yes Yes	Councillors never checked.	
10.3	Where appropriate, debtors and creditors properly recorded?	Yes		
10.4	RFO to sign and certify year end accounts	Yes	Meeting 20.06.16. Min10344(04)	
10.5	Council as a whole to consider the year end accounts	Yes	Incorrectly minuted. No record in minute book of 20.06.16 FC meeting, not signed. No full approval of the various sections, therefore no evidence Cllrs have seen what they approved....	
10.6	Annual Governance Statement, Section 1 of Annual Return approved by whole council	Yes	As above. Not a valid statement as it contradicts the Independent audit report. Should be different minute no.	
10.7	Annual Statement of Accounts, Section 2 of Annual Return approved by whole council	Yes same comment as above		

11. Other matters

Ref	Test	Meets requirements	Internal auditor's comments	For use by Council
11.1	VAT - recorded and paid / reclaimed properly?	Yes		
11.2	Code of conduct adopted by resolution of full council?	Yes	Should be reviewed annually	
11.3	Referrals under the Code of Conduct?	Yes		
11.4	Registered with ICO?	Yes	Renewed annually. TC to update and possibly adopt the model scheme which ties in with the website. See GAPTC website.	
11.5	Is the Council a Managing Trustee	Yes	See Watson Hall. American Field	
11.6	Minutes - apologies	No	Not clear if accepting or noting / receiving?	
11.7	Minutes – declarations of interest	No	Altho' on minutes, not clear what the interest is? Therefore TC do not know what action to take place. IE Leave the room on agenda 6!	
11.8	Minutes - dispensations	No		
11.9	Minutes generally	No	Sheets not numbered consecutively. Some confusion as all in same file Full Council and Committees. Not all signed by the Chairman.	
11.10	Previous internal audit – action taken where recommended?	Not fully	A lot of good work done by RFO establishing book work systems, but need to continue addressing issues	
11.11	Previous external audit – action taken where recommended?	No	Need to address in a/c for 2016-17 on AR.	
11.12	Electronic records backed up,	No	Discussed, F&S to consider	

	physical records stored securely (fire proof box/off site)		risks and put in place safe guards	
11.13	Compliance with Transparency Cde/guidance	Yes but	Work done on website, but not all items downloaded.	
11.14	List of members' interests held?	No	Localism Act requires publishing on website, or a link to them on TBC website.	
11.15	Agendas signed and displayed 3 clear days prior	Yes		
11.16	Summons issued in proper format?	Yes		
11.17	Delegated authority	Yes	Delegated authority to Committees and Clerk / RFO, these will be updated with review of Fin. Regs. And S/O. Make sure they don't contradict themselves.	

See Governance and Accountability for Smaller Authorities 2016 (update in 2017) for guidance and financial requirements

Observations;

The TC often goes into private session when there is no requirement to do so. Most agenda items should be in the public domain.

The TC may wish to consider allowing the clerk to visit Cirencester TC for a day to look at various best practices. Also to visit Churchdown PC to look at a number of community initiatives they have undertaken.

The TC may wish to consider forming a Business Plan for 1 – 4 years to help with strategic planning, budgeting and resource management.

I have concerns over the number of Bank Accounts in use, some of which just seem to incur charges. TC can control all these under one by proper use of reporting in the Scribe Financial package. The current system is very time consuming and doesn't appear to have any advantages.

Very importantly where the Tc are trustees this has to have a separate bank a/c and report using the Charities Commission standards.

Lastly, whilst I can see a lot of work has been done to improve governance and compliance, the Town Councillors need to play their part as required by regulation.