

TEWKESBURY TOWN COUNCIL

Independent Internal Audit 2018/2019 - Interim Report

This interim Audit was carried out on the 27th and 28th November 2018. 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 November certain items, including precept setting and year end procedures, will be addressed at the second audit in May. I have examined the Council's records in the areas detailed and made enquiries as deemed appropriate. Any issues are included in the body of the report and recommendations are summarised at the end.

References:

JPAG Joint Practitioners' Advisory Group

Governance and Accountability for Local Councils – A Practitioners' Guide March 2014

and

Governance and Accountability for Smaller Authorities In England – A Practitioners Guide to Proper Practices to be applied in the preparation of statutory annual accounts and governance statements March 2018

Peter Newman
Independent Internal Auditor
3rd December 2018

1 Proper Bookkeeping

The Scribe software 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. The accounts are up to date and are regularly balanced.

2 Financial Regulations/Payment Controls

Standing Orders and Financial Regulations, both based on the NALC models, were adopted in December 2017. A review of both documents is underway.

I examined a selection of invoices. All of the payments could be followed through to presentation on the bank statements. A further sample will be looked at during the May audit.

A schedule of payments is presented to Council or spending committees for approval, this approval minuted and the schedule signed by two councillors. The Scribe system produces payment/internal order sheets to attach to the front of the invoices. These sheets show cost code, method of payment etc. and are rubber stamped with a certification box for initialling that goods have been received/work done and for two councillors to initial as having been passed for payment. Approved lists are kept of direct debits and contractors to be paid electronically.

Copy orders were attached to each invoice examined. The councillors internal check also confirmed this.

Levels of expenditure are defined in the Financial Regulations where the Council has to seek quotations or tenders from at least three suppliers. To date there has been no item above the £25,000 level defined in the Council's Financial Regulations. I could see that Council also regularly asks for quotes on lower levels of expenditure.

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

The Town Council adopted the General Power of Competence in July 2018, so from that date, the need to identify Section 137 expenditure does not apply.

3 Risk Management Arrangements

No unusual financial activity was identified in the minutes. The Council reviewed its insurance cover and agreed new arrangements in April 2018.

Risk Management (cont'd)

A Risk Register was approved at the June Council meeting. I could see that a review of the register is now a regular agenda item for the Finance Committee. The latest revision was in September.

Two councillors undertook Internal Controls checks in July 2018 and produced a report. The councillors use an agreed list on which to base their checks.

4 Budgetary Controls

Actual expenditure against budget is reported monthly 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 budget/precept setting process for 2019/20 has started. This will be examined in more detail at the visit in May.

5 Income

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

A check was made on invoices for hire of Town Hall, Watson Hall, Moorings etc. On some, it was difficult to relate the charges shown to the published rates. The councillors who carried out the internal checks in July had similar problems. It appears that some special rates were agreed in previous years. However, in October, all regular hirers were contacted stating that the official rates now apply to all.

There are a number of outstanding invoices, a few very old. These have been pursued, but difficulty in obtaining current contact details, lack of response, etc is hampering progress.

6 Petty Cash

This is an area covered by the internal check list. The member confirms that the petty cash book balances with cash held.

This is also checked by the Clerk/RFO.

A list of all transactions is kept with VAT shown separately where appropriate. Items examined were supported by vouchers.

7 Payroll Controls

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

Council uses an external Payroll service, who act as the Council's agent with HMRC.

The internal checkers' report found everything to be in order and I found nothing to contradict this.

8 Asset Controls

The Town Council has a comprehensive Asset Register approved earlier this year. Insurance cover was reviewed at the time of the new insurance arrangements in April.

Financial Regulation 14.6 states the need for the verification of the continued existence of tangible assets at least annually. Minutes show that regular checks are made on assets. Documented evidence of this is a requirement of some insurance companies.

9 Bank Reconciliation

Bank Reconciliations are carried out regularly for individual accounts and overall. The Town Council's own Financial Regulation 2.2 states that 'a member other than the Chairman or a cheque signatory shall be appointed to verify the reconciliations. The regulation requires the member to sign both the reconciliation and the bank statement. This procedure is also recommended in the JPAG documents.

I could see no unexplained balancing entries on the reconciliations.

10 Year End Procedures

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

Other areas covered at audit

Grants

The Council has a clear Grants policy which is on its website.

Codes of Conduct etc

The Council's has a Code of Conduct which new members sign up to on acceptance of office.

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

Internal & External Audit Reports

The Internal and External Audit reports were considered at council meetings. A response to any issues raised from both internal and external audits is a condition of a positive response in the governance statement on the annual return (Part 1 item 7). An Audit Task Group has been set up to address the issues raised,

The final External audit observations had just been received at the time of this audit.

Transparency Code

I understand that details of Town Council owned land and buildings are to be loaded onto the council's website to comply with the transparency code.

Watson Hall

Discussions on how to treat the charitable trust are ongoing.

Summary of Recommendations

- 1 Bank Reconciliations/statements to be signed by member
- 2 Examine aged debtors and decide on treatment of very old debts
- 3 Ensure compliance with Transparency Code
- 4 Ensure Watson Hall accounts are treated appropriately