



FINAL

Internal audit report 2014/15  
Visit 2 of 3

# SHAFTESBURY TOWN COUNCIL

Date: 5<sup>th</sup> March 2015

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## Introduction

This report contains a note of the audit recommendations made to Shaftesbury Town Council following the carrying out of internal audit testing on site on the 2<sup>nd</sup> and 5<sup>th</sup> March 2015.

The audit work has been carried out in accordance with Appendix 9 of the 'Governance and Accountability for Local Councils: A Practitioners' Guide'.

An internal audit covers the review of the operation of the Council's internal control environment. It is not designed to review and give full assurance over every transaction carried out by the Council. Instead it enables the auditor, following the sample testing of a number of different types of transaction, to give an opinion as to whether or not the control objectives are being achieved across a range of financial and governance systems.

## Audit Opinion

As this audit report is an interim one, no audit opinion is offered at this stage.

The report issued after the final visit for 2014/15 (which will be in May or June 2015) will contain the audit opinion and a summary of all findings and recommendations made during the 2014/15 audit year.

The following areas were reviewed during this audit visit:

1. Payments
2. Budgetary Control
3. Income
4. Petty Cash
5. Payroll
6. Bank Reconciliation

## Audit Recommendations

Recommendations made during the audit are shown in appendix one to this report.

Recommendations are graded as follows:

| Rating | Significance  |
|--------|---|
| High   | Either a critical business risk is not being adequately addressed or there is substantial non-conformity with regulations and accepted standards. |
| Medium | Either a key business risk is not being adequately addressed or there is a degree of non-conformity with regulations and accepted standards.      |
| Low    | Either minor non-conformity with procedure or opportunity to improve working practices further.   |

The number of recommendations made at this audit visit and their priority are summarised in the following table:

| Rating | Number |
|--------|--------|
| High   | 2      |
| Medium | 6      |
| Low    | 4      |
| TOTAL  | 12     |

I would like to thank Stephen Holley, Town Clerk, Tracy Moxham, Finance Officer, Barbara Carter, Compliance and Information Officer and Claire Commons, Committee Services Officer for their assistance during this audit.

**Darkin Miller ~ Chartered Accountants**  
**2014/15 INTERNAL AUDIT OF SHAFTESBURY TOWN COUNCIL**  
**DRAFT REPORT VISIT 2 OF 3: 5 MARCH 2015**

**Appendix 1 – Recommendations and Action Plan**

| Recommendation number | Detail   | Priority (Low/Medium/High) | Management Response   | Responsible Officer | Due Date      |
|-----------------------|--|----------------------------|---|---------------------|---------------|
| 2.1                   | <p>The financial regulations adopted in October 2014 contain a note of the thresholds for officers to obtain quotations and tenders. The current regulations are confusing as the thresholds are spread over a number of pages. There is also an inconsistency with regards to the threshold which triggers a tender, as this is noted in one part of the regulations as being £25,000, and in another part as being £30,000.</p> <p>I understand that the Council is due to consider a revised set of financial regulations (based on the NALC model) in May 2015, and recommend that this consideration be carried out as planned.</p> | L                          | <p>The NALC Model FRs have been provided to GEM for consideration of recommendation for approval by the Council. Any recommendation will be put to the Council at its meeting to be held on 24<sup>th</sup> March 2015.</p> | Town Clerk          | 24 March 2015 |
| 2.2                   | <p>The VAT return is being carried out every 6 months. The Council is a net reclaimer of VAT and could improve its cashflow by making a claim quarterly.</p> <p>It is recommended that the VAT return is carried out quarterly.</p>  | L                          | Agreed.   | Finance Officer     | 30 June 2015  |

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| 2.3 | <p>3 of the 14 sample payments made in the year were not certified by the Clerk before payment. It is important that invoices are certified for payment to evidence that they have been checked to ensure they are for the correct amount, are for valid Council expenditure and relate to goods or services which have been received.</p> <p>It is recommended that all invoices are certified by the Clerk or a nominated officer.</p>           | M | This will be addressed immediately.  | Town Clerk                                  | With immediate effect                   |
| 2.4 | <p>9 of the 14 sample payments made in the year were not approved by the Council or a delegated Committee. It is important that payment of invoices is approved in accordance with the Council's Financial Regulations.</p> <p>It is recommended that payments made by the Council (whether paid by cheque, direct debit, standing order or BACS) be listed in a payments schedule and presented to the relevant body for approval each month.</p> | H | The Town Clerk will consider the scheme of delegation and provide a payments list for approval to the appropriate body.            | Town Clerk                                  | With effect from the new financial year |
| 4.1 | The budgetary control report currently contains limited information to enable management to monitor its income and expenditure in the year, and to enable it   | M | The introduction of the new Sage accounting system is intended to provide improved reporting. The management will ensure that such | Town Clerk supported by the Finance Officer | 30 June 2015                            |

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|     | <p>to identify corrective actions.</p> <p>It is recommended that the budgetary control report be amended to include the following additional information, which will help management to identify and address significant adverse variances:</p> <ul style="list-style-type: none"> <li>- Budget to date</li> <li>- Variance £ (comparison of budget and actual costs to date)</li> <li>- Variance %</li> <li>- Reason for variance (for those variances over a threshold £ or % value)</li> <li>- Action being taken (to address any adverse variance)</li> </ul> |   | reporting encompasses the IA recommendations. |                 |              |
| 5.1 | <p>Not all of the Council's income is collected via the debtors' ledger. There is an increased risk of non-collection where no invoice is raised as it is more difficult to monitor whether users have paid the Council for the service received. I understand that it is the Finance Officer's intention to raise invoices for as much of the Council's income as possible when the new finance system is implemented in April 2015.</p> <p>It is recommended that invoices are raised for as much of the Council's</p>  | M | Agreed.                                       | Finance Officer | 30 June 2015 |

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|     | income as possible in order to improve officers' ability to monitor and collect all income due.   |   |   |                 |                       |
| 5.2 | <p>The analytical review of income revealed that expenditure relating to the neighbourhood plan had been coded to the neighbourhood planning income code in error.</p> <p>It is recommended that the balance is journalled to the correct expenditure code as soon as possible.</p>   | L | Agreed. This appears to have been a clerical error which will be corrected before the year-end financial statements are produced. | Finance Officer | 24 April 2015         |
| 6.1 | <p>Each petty cash receipt is coded individually to the accounts. Whilst this provides an excellent audit trail, it is administratively burdensome.</p> <p>It is recommended that management consider whether to analyse the petty cash expenditure for the period on a spreadsheet, and to post the totals of that analysis when petty cash is reimbursed. If a spreadsheet is used, it should have a note of the petty cash voucher reference on it in order to ensure that the quality of the audit trail is not lost.</p> | L | Agreed. This will bring immediate time savings.   | Finance Officer | With immediate effect |
| 6.2 | The petty cash vouchers relating to the most recent reimbursement were agreed back to receipts for nine of the  | M | Agreed for immediate implementation.  | Town Clerk      | With immediate effect |

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|     | <p>ten payments. For the tenth payment, the supporting receipt was 23p less than was reimbursed. It appears as though the confusion has arisen because the receipt concerned (plus three of the other receipts) contain a mix of items for the Council which have been reimbursed, and personal items of shopping.</p> <p>It is recommended that reimbursement of petty cash is made only where supported by a receipt, and that receipts contain Council purchases only.</p>  |   |  |            |              |
| 7.4 | <p>In September 2013, the Council resolved that the full management of the HR Process would sit with the CEO. The Town Clerk made provision for pay awards to her staff within the 2014/15 budget, but left before implementing any changes. In May 2014 Council approved terms of reference for the HR Sub-Committee which brought the power to consider and recommend annual pay awards back to Members. As a result of staff changes, the majority of the salaries proposed within the agreed 2014/15 budget have not subsequently been brought back to Members for agreement, meaning that staff are being</p> | M | <p>Noted. This would appear to have been an administrative error. However, correction is complicated by the fact of the new terms of reference for the HR Committee which may be at odds with the contracts of employment and the standard provision for automatic payment of annual increments.</p> <p>Following a review of the contracts concerned to establish their provisions, this will be referred to the HR Committee at the earliest convenient meeting.</p> | Town Clerk | 30 June 2015 |



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|     | <p>paid at the rates agreed in 2013/14. The exception relates to the Town Clerk, whose salary has been agreed by Members.</p> <p>It is recommended that the level of salaries for 2014/15 is agreed as soon as possible.</p>  |   | <p>The Clerk is aware that this may give rise to a requirement for back pay to be issued.</p> |            |                   |
| 7.5 | <p>It is further recommended that Members consider whether it is appropriate to be involved in the operational detail of staff management, as detailed in the HR Sub-Committee's Terms of Reference, or whether it would be more appropriate that Members set the policy framework and strategic direction of the Council and to leave the delivery of the operational detail to the Town Clerk.</p>        | M | <p>This will be taken to Members for their consideration.</p>                                 | Town Clerk | 30 September 2015 |
| 7.6 | <p>The minutes relating to the appointment of new Town Clerks in the year do not specifically note the level of salary to be paid to that officer, albeit the details are included in the agenda papers which were presented to members.</p> <p>It is recommended that salaries are reviewed annually and agreed by Council (or by the Clerk (with delegated authority) for staff below the Clerk), and</p> | H | <p>Agreed.</p>  | Town Clerk | 30 September 2015 |

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|  | that the decision is minuted. This will improve the audit trail in relation to a significant proportion of Council expenditure. This could be achieved by use of a confidential minute. |  |  |  |  |
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