



FINAL

Internal audit report 2015/16

Visit 1 of 3

SHAFTESBURY TOWN COUNCIL

Date: 21st October 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 12th and 13th October 2015.

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

At the request of the Council, I also reviewed (via discussion) the Council's compliance with the new Transparency Code 2015.

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 2015/16 (which will be in May or June 2016) will contain the audit opinion and a summary of all findings and recommendations made during the 2015/16 audit year.

Although no audit opinion is offered, I would like to commend the Council on making improvements to its way of working. In the past, Shaftesbury Town Council has drawn criticism from the public and has received a significant number of high level audit recommendations relating to the way in which it has conducted its business. Much of the criticism was levelled at Members' apparent inability to work together. This dysfunction, combined with a lack of permanent Town Clerk, led to a re-active and slightly chaotic feel to operations. From an audit point-of-view, this was particularly evident during the 2014/15 review of minutes, when I spent a disproportionate amount of time carrying out a review of the Council's minutes as matters were debated, resolved or approved and then re-opened for further review.

The minute review carried out to date for 2015/16 shows a Council which is making decisions, moving forwards, and starting to consider longer-term strategic planning. The minutes also note the actions that the Council is taking towards achieving the Foundation Award of the Local Council Award Scheme. These improvements, if sustained, will help to ensure a firm foundation exists for the conduct of business, and for the making and delivery of strategic and operational plans for the benefit of Shaftesbury residents and businesses.

The following areas were partly or wholly reviewed during this audit visit:

1. Proper Book-keeping
2. Payments
3. Risk Management
4. Budget Monitoring
5. Income
6. Petty Cash
7. 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	0
Medium	7
Low	3
TOTAL	10

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

Darkin Miller ~ Chartered Accountants
2015/16 INTERNAL AUDIT OF SHAFTESBURY TOWN COUNCIL
FINAL REPORT VISIT 1 OF 3: 21st OCTOBER 2015

Appendix 1 – Recommendations and Action Plan

Recommendation number	Detail	Priority (Low/Medium/High)	Management Response	Responsible Officer	Due Date
2.1 – Approval of Clerk expenses	<p>One of the payments made in the year related to travel expenses claimed by the Clerk. The payment was supported by an expense claim which had been signed by the Clerk to certify that the amount claimed was for genuine Council business, but the expense claimed was not counter-signed to evidence approval.</p> <p>It is recommended that the Clerk's expenses claims are checked and approved by a member of the Council.</p>	L	Agreed, although it should be noted that two subsequent claims have processed in this way in 2015/16	Clerk to ensure ratification by Mayor or Chairman of General Management Committee	With immediate effect
2.2 – Certification of payments	3 of the 23 sample payments made in the year were not certified by the Clerk before payment. Two of the payments were of grant monies which had been agreed by Council, and one related to business rates. 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	M	Agreed	Clerk/RFO	With immediate effect

	<p>services which have been received.</p> <p>It is recommended that all invoices are certified by the Clerk or a nominated officer.</p>				
2.3 – Update contracts database and procurement plan	<p>The Council maintains a contract database which notes the contracts in place for a range of annual expenditure. This will allow officers to identify when contracts are due for renewal, in order that the requirements of the financial regulations can be followed to procure goods and services in the most value-for-money way. Some of the entries are out-of-date, and there is not a note against each entry of the contract end date and the date by which a procurement process should be commenced.</p> <p>It is recommended that the database be updated, and that it be used to form the basis of a medium term procurement plan.</p>	M	Agreed.	Information and Compliance Officer	31 March 2016
2.4 – Transparency code	<p>The transparency code 2015 requires all authorities to publish certain data. Details of expenditure over £500 and contracts over £5k must be published quarterly. Details of land and buildings held or operated by the authority, grants</p>	M	Agreed, but it should be noted that the only information not published at the time of the Audit visit was the list of contracts exceeding £5,000. All other	Information and Compliance Officer	31 December 2015

	<p>given, staff pay and organisation charts (amongst others) must be published annually. Details of existing waste contracts must be published once.</p> <p>The Council has already identified and published the majority of information required by the transparency code and is performing well as compared to neighbouring Town Councils. The discussion with staff during the audit identified some areas where some additional information may be required.</p> <p>It is recommended that officers review the requirements and, if required, publish the outstanding data as soon as possible.</p>		requirements have been complied with.		
3.1 – Level of fidelity guarantee	<p>Guidance for the level of fidelity insurance cover suggests the value should be broadly equivalent to the amount of cash held at the previous year end plus 50% of the current precept. This gives a value of £475k for 2015/16. Although the level of fidelity cover was increased in the year as part of the insurance review, the current level of fidelity cover is only £444k.</p> <p>It is recommended that the Council</p>	M	The Clerk/RFO will review the calculation method and report back to the Council.	Clerk/RFO	31 December 2015

	considers whether to increase the level of fidelity insurance cover.				
4.1 – Inclusion of all income and expenditure in budget report	<p>Actual income and expenditure against budget is reported back to the General Management Committee on a quarterly basis. The reports include a note of actual income and expenditure compared to budget and compared to prior year. The comparison to budget includes a note of the percentage of budget income or expenditure received or spent to date. Some notes have been included where actual performance has deviated from the expected budget position. The quarter two report also includes predictions for the position at the year-end. The reporting is significantly improved as compared to last year, but could be further improved by the inclusion of all income and expenditure due for the period (at present income and expenditure on the budget monitoring report is only shown where there is a budget set).</p> <p>It is recommended that all income and expenditure is included in the quarterly budget monitoring reports.</p>	M	Agreed. This appears to be a clerical error and has now been corrected for the Quarter Two report to be presented to the Council on 3 rd November 2015.	Finance officer	31 October 2015
4.2 – Content of budget	As part of the review of budget monitoring, I checked the information	M	Agreed. This is in hand. The Council and its officers are to	RFO	31 December 2015

<p>monitoring reports</p>	<p>presented to Members at the end of the first quarter (to 30 June 2015). I found that Members of the General Management Committee received a number of reports, some of which appeared to duplicate information. For instance, the budget monitoring report contained a printout of income and expenditure from Sage, most of which was replicated in the variance analysis report (which compared budget income and expenditure to actual). Ultimately it is for those charged with governance to identify what information they need to run the Council, balancing this against the amount of administrative time required to produce the information. Ideally the information required will be such that it can easily be produced from the Council's accounting system with the minimum manipulation by officers. It is suggested that, in addition to the variance analysis (comparison of income and expenditure actuals to budget), the Council continues to receive a quarterly report noting the level of bank balances and reserves.</p> <p>It is recommended that the Council considers what budget monitoring</p>		<p>review the information possible from the new Sage accounting system to optimise reporting with the minimum amount of administrative input.</p>		
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	information is useful to enable it to monitor income and expenditure and govern the organisation.				
5.1 – Analysis of precept and CTSG	<p>The nominal code for 'Finance Precept' includes both the precept and the Council Tax Support Grant. It is useful to have the CTSG separately analysed as this element of grant support is discretionary and likely to reduce. The CTSG also has to be split out in the Council's annual return at the year-end.</p> <p>It is recommended that the Council Tax Support Grant be analysed to a separate code.</p>	L	Agreed. This has now been corrected for the Quarter Two report to be presented to the Council on 3 rd November 2015.	Finance officer	31 October 2015
6.1 – Approval of cheque payments	<p>Lists of payments made or due to be made by the Council are presented to either the General Management Committee or full Council for approval. Three of the cheque payments reviewed during the audit testing slipped between reports and so have not been formally approved as part of the payments list, albeit the largest payment (relating to the Council's insurance), was approved in a separate minute.</p> <p>It is recommended that the two unreported payments are reported back to Members at the next opportunity.</p>	L	Agreed. If these payments can be identified, they will be referred to the Council or to the General Management Committee at the earliest opportunity.	Finance officer	30 November 2015

6.2 – Check of completeness of cheque payments	It is further recommended that a check is carried out to ensure that cheque numbers are sequential and that there are no gaps before the payments lists are printed for inclusion with the agenda papers.	M	Agreed. This was rectified in the first payment run following the Auditor's visit.	Finance officer	With immediate effect.
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