

Report to Eye Town Council

The Internal Audit of the Accounts for the year ending 31 March 2018

1. Summary

1.1 During the 2017/18 year the Town Council maintained effective governance arrangements including a robust framework of financial administration and internal control. The Town Council can point to a number of significant achievements during the 2017/18 year, not least the major refurbishment work to the Town Hall. There has also been a step-change improvement during the year in the area of financial management and control. The Town Clerk and Responsible Financial Officer (RFO) has achieved significant success in the delivery of efficient and effective financial administration, including the advanced use of the Scribe accounting system and securing improvement in the quality of the Town Council's documentation to evidence the operation of internal financial controls.

1.2 By examination of the 2017/18 accounts and supporting documentation it was confirmed that the Town Clerk, in the role as the Town Council's RFO, satisfactorily undertook the administration of the Town Council's financial affairs and produced satisfactory financial management information to enable the Town Council to make well-informed decisions.

1.3 The Accounts for the year confirm the following:

Total Receipts for the year: £389,056.34
Total Payments in the year: £311,058.26
Total Reserves at year-end: £195,258.68 (of which £122,009 is earmarked)

1.4 The Annual Governance and Accountability Return (AGAR) to the External Auditors was examined and the following figures agreed with the Clerk for inclusion in Section 2 Accounting Statements 2017/18 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2017):</i>	<i>Box 1: £117,261</i>
<i>Annual Precept 2017/18:</i>	<i>Box 2: £79,104</i>
<i>Total Other Receipts:</i>	<i>Box 3: £309,952</i>
<i>Staff Costs:</i>	<i>Box 4: £39,326</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: £4,218</i>
<i>All Other payments:</i>	<i>Box 6: £267,515</i>
<i>Balances carried forward (31 March 2018):</i>	<i>Box 7: £195,258</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £195,258</i>
<i>Total fixed assets:</i>	<i>Box 9: £129,614</i>
<i>Total borrowings:</i>	<i>Box 10: £122,232</i>

1.5 Sections One and Two of the AGAR are due to be approved and signed at a forthcoming meeting of the Town Council. The Internal Auditor has completed the Annual Internal Audit Report 2017/18 within the AGAR.

1.6 The following Internal Audit work was carried out on the adequacy of systems of internal control in accordance with the Audit Plan. The Quarterly Internal Audit Reviews undertaken on visits to the Town Council on 25 July 2017, 31 October 2017 and 24 January 2018 support and inform this End-of-Year Review. Comments and any recommendations arising from the End-of-Year Review are made below.

2. Proper book-keeping (examination of entries in the Cash Book, regular reconciliation of books and bank statements and supporting vouchers, invoices and receipts).

2.1 The Cashbook within the Scribe Accounting System as at 31 March 2018 was found to be in good order and well presented. VAT payments are tracked and identified within the Cashbook.

2.2 Local Government Act 1972 (Section 137) payments are recorded within the Scribe system under Donations. Total payments in the 2017/18 year under Section 137 amounted to £400 (the donation to the Citizens Advice Bureau is made under Section 142 (2A) of the Local Government Act 1972).

2.3 The Payments List and the Receipts List for the 2017/18 year are well referenced and provide a good audit trail to the Bank Statements and Cheque Book counterfoils and provided good evidence in support of the receipts and payments in the year. The Payments system was tested during the Quarterly Internal Audit Reviews through detailed examination of a sample of transactions; these were found to be in order, with supporting invoices and vouchers in place.

2.4 The Town Clerk/RFO is extremely competent in dealings with the essential elements of the Scribe accounting package and undertakes all necessary up-dates, report generation and regular reconciliations between the Accounts and the bank statements. Indeed, a step-change improvement has been achieved in many areas, including the recording of allotment income (with each allotment holder being listed in the system to enable sales invoices to be prepared and debtors monitored) and the recording of the Asset Register within the system. Work is currently underway to transfer data from the bound Cemetery Ledgers into Scribe's Cemetery Management System.

3. Financial regulations and Standing Orders (examination of Financial Regulations and Standing Orders, Tenders where relevant, appropriate payment controls including acting within the legal framework with reference to Council Minutes. Identifying VAT payments and re-claims. Cheque books, paying in books and other relevant documents).

3.1 Standing Orders and Financial Regulations are in place, both were reviewed and approved by the Town Council at the meeting held on 15 March 2017.

3.2 Following a review by the Finance & Governance Committee on 10 October 2017 of the safeguards to be applied to Internet Banking and Credit Card, the Council

approved amendments to Financial Regulations (meeting on 18 October 2017, Minute 10.7 refers)

3.3 Similarly, following a review by the Finance & Governance Committee on 2 November 2017, the Council approved alterations to Standing Orders, Section 18 Financial Controls and Procurement, at its meeting on 15 November 2017 (Minute 10.5 refers).

3.4 The Minutes of the Council and the Committees are very well presented and provide clear evidence of the decisions taken by the Council and Committees in the year.

3.5 The Council is correctly registered with the Information Commissioner's Office (ICO) as a Data Controller for the provision of council services under Data Protection legislation (Registration ZA059872 refers, expiring 19 June 2018).

3.6 The Council adopted the revised Code of Conduct at a meeting held on 17 June 2015 (Minute 7c, page 1939 refers).

3.7 The Council demonstrates good financial and management practice by maintaining a wide range of formal policies and procedures. The Town Clerk/RFO presented a schedule of current and required policies to the Finance and Governance Committee at its meeting on 7 December 2017. The Schedule highlighted the frequency of review and the date of the next planned review. The Minutes of the Committee meeting confirm that the Committee agreed to receive policies currently overdue for review, two at a time.

3.8 The VAT element with payments is identified within the Scribe accounting system with reports available to assist the re-claims to HMRC. The Town Council's claim of £3,799.97 VAT paid during the period 1 April 2017 to 30 June 2017 was reimbursed by HMRC on 18 August 2017. The Town Clerk/RFO submitted a claim to HMRC of £1,585.42 for Quarter 2 (the 3-month period 1 July 2017 to 30 September 2017) on 26 October 2017 and re-imbusement was received at bank on 13 November 2017.

3.9 The VAT re-claim for Quarters 3 and 4 are shortly to be submitted to HMRC, the Town Council recently having received confirmation of its VAT Registration number. A re-claim of £74.62 for VAT paid in the period 1 October 2017 to 17 October 2017 can be made on Form VAT 126 (prior to registration) and a re-claim of £31,288.52 for VAT paid in the period 18 October 2017 to 31 March 2018 can be made on Form VAT 100 (post registration).

4. Internal Control, Governance & the Management of Risk (*Review by Council of the effectiveness of internal controls, including risk assessment, and minuted accordingly*)

4.1 At the meeting held on 18 March 2018 the Town Council considered and approved the Internal Control Statement (Minute 12 Refers). A Risk Register is in place and this was also considered and approved by the Council at the meeting held on 18 March 2018 (Minute 13 refers).

4.2 The Council accordingly complied with the Accounts and Audit Regulations 2015 which require a review by the full Council at least once a year of the effectiveness of the Council's system of internal control, including the arrangements for management of risk, with the review suitably Minuted.

4.3 Individual Risk Assessments have been considered by Committees and were considered and approved by the Town Council at the meeting held on 15 November 2017 (Minute 12 refers). The Risk Assessment for Phase 1 of the Town Hall Renovation work identified significant risks and the actions in place to mitigate the risks identified. As the project develops over time it is important that risk assessments for each phase are constructed and reviewed to ensure that all financial and operational risks are identified and carefully monitored.

4.4 It is noted that the Town Council is unable to confirm in Box 3 of Section 1 of the Annual Governance Statement (within the Annual Governance and Accountability Return) that during the 2017/18 year 'all reasonable steps were taken to assure ourselves that no matters of actual or potential non-compliance with laws, regulations and proper practices that could have a significant financial effect on the ability of the authority to conduct its business or on its finances'. As outlined in the Internal Audit Quarterly Review Report dated 26 January 2018, the Town Council agreed to proceed to award the contract for the re-roofing of the Town Hall to Paul Durrant Ltd without first advertising on the Contract Finder website (contrary to the requirements under the Public Contracts Regulations 2015).

4.5 Whilst the Internal Auditor noted the reasons for the Town Council's decision in this instance, it was reported that the Town Council had been placed in a potentially vulnerable position in the event of a legal challenge regarding the award of this contract. The Town Council is accordingly unable to confirm that 'all reasonable steps' had been taken but will be providing an attachment to the 2017/18 Annual Governance and Accountability Return detailing the circumstances of the award of the re-roofing contract, including a copy of the Minutes of the meeting of 15 August 2017, in order to mitigate the risk of the External Auditors issuing a Qualified Audit Opinion for the year 2017/18.

4.6 Insurance was in place for the year of account. A review of insurance cover was undertaken by the Finance and Governance Committee on 7 June 2017. The Committee put proposals to the Town Council on 21 June 2017 to amend the schedule to ensure that all areas of the Council's activities were covered (Minute 6 refers). As part of this process the Fidelity Guarantee cover (loss through fraud and corruption by Officers/Members) was increased.

4.7 As a result of significant additional grant income being received during 2017/18 relating to the Town Hall Renovations the level of Fidelity Guarantee insurance was increased to £250,000 as from 27 July 2017. In this respect, it is noted that this cover was inadequate at certain times during the year of account. For instance, the level of bank/cash held by the Town Council as at 31 October 2017 stood at £315,316 which would have placed the Town Council in a potentially vulnerable position in the event of loss of funds at that time.

4.8 The Internal Audit Quarterly Review dated 26 January 2018 recommended that 'it is in the interests of the Town Council that the level of Fidelity Guarantee insurance cover should be carefully monitored in future in order to ensure that all sums in the Town Council's bank accounts have appropriate insurance cover'. The Clerk/RFO has confirmed that the level of Fidelity Guarantee insurance cover will be monitored by the Council as part of the Risk Assessment reviews undertaken during the year.

4.9 Regarding future insurance cover, the Town Clerk/RFO met the WPS Insurance Brokers on 12 April 2018 to examine policy requirements and to compare existing cover with the Asset Register in order to ensure that all assets have appropriate cover. WPS are due to present up-dated schedules to the Town Council prior to the insurance renewal date of 1 June 2018.

5. Budgetary controls *(Verification of the budgetary process with reference to Council Minutes and supporting documents)*

Precept 2017/18: £79,103.98 agreed by Town Council on 18 January 2017 (Minute 8e, page 2068 refers).

Precept 2018/19: £81,240.00 agreed by Town Council on 20 December 2017 (Minute 9.3 and 9.4 refer).

5.1 The precept decisions and amounts have been clearly Minuted. The Town Clerk/RFO ensures that the Town Council is made aware of responsibilities, commitments, forward planning and the need for adequate reserves.

5.2 The Town Council re-examined the Budget for 2017/18 at the meeting held on 17 May 2017 and made a number of amendments to the budget originally agreed on 18 January 2017. The Town Council has detailed estimates of the annual budget and of receipts and payments; the estimates were used effectively for financial control and budgetary control purposes during 2017/18. Details of Actual Expenditure and Actual Income in 2017/18 compared to the 2017/18 Budget were reported to the Town Council at the meeting held on 20 September 2017 (Minute 11.4 'Half-year Accounts Cost Centre Report').

5.3 The 2018/19 Budget document was considered by the Finance and Governance Committee on 7 December 2017 and approved by the full Council at its meeting on 20 December 2017, when the Town Council agreed a precept of £81,240 for the 2018/19 year. A detailed and informative Budget document was constructed by the Town Clerk/RFO to enable the Town Council to consider and agree the financial requirements for the 2018/19 year. The Budget document can act as a basis on which the Town Council can undertake budgetary control scrutiny during the 2018/19 year.

5.4 Effective budgetary control is of particular importance for the Town Council; it is good financial practice for the Town Council to receive regular reports of the income and expenditure in the year compared against the budget. In this way, all Councillors will have the opportunity to receive sufficient information to make informed decisions

and, specifically, will be in a position to identify any significant variations from budget and take any remedial action as necessary. In this respect, Internal Audit noted that all Town Councillors who are members of the Finance and Governance Committee receive a 'Net Position by Cost Centre and Code' report each month. In addition, all Town Councillors receive a copy of this report at Month 6 and at the Year-End.

5.5 The overall Reserves available to the Council at the year-end 31 March 2018 stood at £195,258, consisting of general reserves of £73,249 and earmarked reserves of £122,009 (detailed as follows):

- Town Hall Refurbishments contribution earmarked 2017/18: £31,900
- Unspent Grant funding from Town Hall Refurbishment into 2018/19: £83,684
- CCTV for Skate Park: £1,500
- Feasibility Study for allotment land: £2,000
- Community Infrastructure Levy Receipts: £2,925

5.6 As at 31 March 2018 the Council accordingly maintained sufficient general reserves and contingency sums to meet, within reason, any unforeseen items of expense that may occur.

6. Income controls ***(Regarding Precept and other income, including credit control mechanisms)***

6.1 The Receipts system was tested by means of examination of a sample of transactions; these were found to be in order, with supporting documents in place. There is a clear audit trail from the income recorded in the bank paying-in book to the Scribe accounting system. The Town Clerk/RFO is aware of the importance of income being fully recorded in the Scribe system, the need for adequate and effective security over cash and cheques received as well as all income being banked promptly (an area of financial administration and control which will require review prior to September 2018, when banking facilities in the town may no longer be available).

6.2 The Town Clerk/RFO advised Internal Audit that the charges applicable to the Environment Committee (including Cemeteries and Allotments) were reviewed during the current financial year and are due to continue to apply until March 2018. The charges relating to the hiring of the Town Hall are to be reviewed following completion of the Town Hall refurbishment.

7. Petty Cash ***(Associated books and established system in place)***

7.1 A Petty Cash system is in use, with transactions supported by receipts/vouchers and re-imbursements to the account being made regularly. The Petty Cash system was examined and tested during the course of the Quarterly Internal Audit Reviews and was found to be operating satisfactorily.

8. Payroll controls ***(PAYE and NIC in place; Compliance with Inland Revenue procedures; Records relating to contracts of employment)***

8.1 Payroll Services were operated by Anglia Book-Keeping on behalf of the Town Council during the year 2017/18. The Town Clerk/RFO has confirmed the details of the procedure for calculating salaries and wages: a document detailing the contractual employment arrangements in place is maintained and acts as the basis for a Spreadsheet which calculates basic monthly salary payments and any overtime payments.

8.2 The Spreadsheet data is submitted to Anglia Book-Keeping which undertakes all necessary calculations for PAYE, NI contributions and pension contributions. Anglia Book-keeping, in turn, submits to the Council a copy of all pay-slips and details of payments to be made (viz. net salary payments and the amounts due to HMRC) from which the Draft Payments List is prepared. Cheques will then be signed or electronic payments will be made in accordance with the approved procedure for accounts payable.

8.3 The details of payments to Staff are approved at each meeting of the Town Council.

8.4 The Audit Plan for the End-of-Year Audit for 2017/18 included specific testing and confirmation of the Spreadsheet data in the calculation of payments made in respect of salaries/wages. Audit tests were performed on salary/wage payments to confirm that correct amounts had been calculated and paid in respect of the following:

- a) The Project Manager proceeded to the top of his salary scale (LC2- 29); this was approved by the Town Council at its meeting on 15 August 2017 (Minute 10 refers).
- b) The Town Council increased the working hours of the Town Clerk/RFO to 30 hours at the meeting on 15 August 2017 (Minute 10 refers).
- c) A Part-Time Administrative Assistant had been appointed @ £7.50 per hour at the Town Council meeting on 20 September 2017 (Minute 10 refers).

The audit tests confirmed that correct amounts of salary/wages had been paid in accordance with the Council's approvals.

8.5 The Council agreed to adopt the NEST pension scheme for Council employees at its meeting on 20 July 2016 (Minute 12f, page 2024 refers). The Pensions Regulator confirmed on 28 March 2017 that the Council has completed a declaration of compliance under the Pensions Act 2008.

9. Asset control & valuation ***(Inspection of asset register and checks on existence of assets; recording of fixed asset valuations; cross checking on insurance cover).***

9.1 A detailed Asset Register is in place and displays a total value of £129,614 as at 31 March 2018, an increase of £3,478 over the value of £126,136 at the end of the previous year, 31 March 2017, and reflects the acquisition of a Speed Camera,

Lenovo Laptop, Brother Laser Printer and 4 office chairs in the year of account together with the disposal of an Apple Mac computer.

9.2 The Register complies with current requirements which provide that each asset should be recorded on a consistent basis, year-on-year. The Register displays values at original purchase cost or, where the original purchase price is unknown, at a nominal (community) value of £1.

9.3 The Scribe system now supports the Asset Register, each asset having been input into the Scribe accounting system.

9.4 The value of assets has been correctly recorded in Box 9 in Section 2 of the Annual Return (AGAR) for 2017/18.

10. Bank Reconciliation *(Regularly completed and cash books reconcile with bank statements)*

10.1 Bank Reconciliations and supporting details are regularly presented to Council by the Clerk/RFO. The Internal Auditor examined in detail the bank reconciliation as at 31 March 2018.

10.2 The bank statements as at 31 March 2018 in respect of the Council's Barclays Business Current Account (£117,274.06), the Business Savings Account (£49,010.04) and the National Savings Account (£30,549.18, recorded in the statement issued as at 31 December 2017) agreed with the entries in the Bank Reconciliation and the End-of-Year Accounts. The List of Unpresented cheques (totalling £1,641.15) displayed in the Bank Reconciliation was confirmed.

10.3 The Petty Cash Balance of £66.55 displayed in Bank Reconciliation and the End-of-Year Accounts was confirmed with the Scribe system entries as at 31 March 2018.

11. Year End procedures *(Regarding accounting procedures used and can be followed through from working papers to final documents. Verifying sample payments and income. Checking creditors and debtors where appropriate).*

11.1 End-of-Year Accounts are prepared on a Receipts and Payments basis and were in good order. Sample audit trails were undertaken and were found to be in order.

12. Internal Audit Procedures *(That the Council has satisfactory internal financial controls in place and any previous recommendations implemented).*

12.1 The Town Clerk/RFO is aware of the importance of maintaining adequate and effective internal financial controls and has achieved significant progress in the delivery of efficient financial administration, including the advanced use of the Scribe accounting system and securing improvement in the quality of the Town Council's documentation to evidence the operation of adequate and effective internal financial controls.

12.2 The Town Clerk/RFO is also committed to ensure that Town Councillors are provided with adequate financial information and advice to enable them to make informed decisions. Cheque Book Counterfoils and invoices/vouchers for payment by cheque or by electronic payment are initialled by cheque signatories as part of the overall financial control framework.

12.3 The End-of-Year Internal Audit Report for 2016/17 was presented to Council at its meeting on 21 June 2017 (Minute 12 refers).

12.4 Internal Audit Quarterly Reports are being formally reported to the Town Council. The Quarter 2 Review Internal Audit Report (dated 3 November 2017) was presented to the Finance & Governance Committee at its meeting on 7 December 2017 and confirmed by the Town Council at its meeting on 20 December 2017 (Minute 9 refers).

12.5 Similarly, the Quarter 3 Review Internal Audit Report (dated 26 January 2018) was presented to the Finance & Governance Committee at its meeting on 8 March 2018 and confirmed by the Town Council at its meeting on 21 March 2018 (Minute 9 refers).

12.6 The Town Council formally appointed the Internal Auditor for the 2018/19 year at its meeting on 18 April 2018. The Internal Auditor has been directed to undertake two internal control reviews in the financial year, at month 6 (the Half-Year Review) and month 12 (the End-of-Year).

13. External Audit (*Recommendations put forward or comments made following the annual review*)

13.1 The External Audit Report for the year 2016/17 was formally reported to the Town Council at its meeting on 20 September 2017 (Minute 11.5 refers) The External Audit report raised no matters of concern and no qualifications were issued to the audit opinion.

14. Additional Comments

14.1 I would like to record my appreciation to the Town Clerk/RFO and to Town Councillors for their assistance during the audit work undertaken during the 2017/18 year.



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Internal Auditor

26 April 2018

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