

# **Independent Internal Audit Review**

**for**

**Burntwood Town Council**

**Audit for the year to 31<sup>st</sup> March 2017.**

**Summary Report**

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Toplis Associates Limited**

**April 2017.**

Burntwood Town Council  
2016/17  
Internal Audit - Summary Report

### 1. Introduction

This report has been prepared to provide an opinion on the adequacy of the system of internal control operating in respect of the systems of financial administration within Burntwood Town Council throughout the 2016/17 financial year.

### 2. Scope

The review focussed on the 11 key control areas, as outlined in the annual return for 2016/17, namely:

- Proper Bookkeeping;
- Standing Orders and Financial Regulations;
- Risk Management activities;
- Budgetary Controls;
- Income Controls;
- Petty Cash procedures;
- Payroll Controls;
- Assets Controls;
- Bank Reconciliation;
- Year - end procedures; and
- Trust Funds.

We also assessed your Council's public information to check conformance against the Local Government Transparency Code 2015.

In addition your council provided me with an Internal Audit Programme for 2016/17. This proforma was completed after the concluding audit on 18<sup>th</sup> April 2017 without any qualification. The completed programme should be read as an integral part of this report and the original is attached. We also attach a copy of our summary report which will be included as page 5 of your Annual Return card to the External Auditor for the year ending 31 March 2017.

### 3. Results of the Internal Audit Review

#### 3.1 Proper Bookkeeping

It was confirmed through a review of accounting records maintained in respect of the 2016/17 Financial Year that the books of account have been properly maintained throughout the year. The Council operates a computerised bookkeeping system using RBS Omega software. Proper audit trails are clearly identifiable and have been verified on a significant sample of the documents.

The records examined included an income and expenditure account, balance sheet, bank and VAT reconciliations, insurance schedule, asset register and

inventory and all relevant supporting documentation. There were proper audit trails to all records of a high quality. Record keeping is to a very high standard and is to be commended.

We also examined the William Cadman Charity Account (Charity Commission No 218505) where the Council is a sole trustee. By law these accounts do not form part of the Councils accounts.

### 3.2 Standing Orders and Financial Regulations

From a review of Council minutes, and related supporting documentation, it was established that:

- The Council had in place formally adopted Standing Orders and Financial Regulations throughout the 2016/17 financial year. Standing Orders and Finance Regulations were last reviewed in July 2016;
- The Chief Executive Officer (“CEO”) is also the Responsible Financial Officer and has been since her appointment in April 2007;
- Payments identified in the cash book are supported by invoices, as verified through testing conducted on a sample of over 50 recent invoices, with the authorisation being at the point of cheque signature or electronic authorisation. (Cheque authorisation procedures require that all cheques or electronic payments are “signed” by two members of the Council or two members and the CEO, as required under Financial Regulation 5.3) Original invoices and a payments schedule are required to be provided to Councillors signing cheques;
- All payroll transactions were checked and no extraordinary payments noted. All payments were properly authorised;
- Pension contributions were correct and properly accounted for and disbursed accordingly;
- VAT payments have been identified in relevant cases, adequately recorded and reclaimed. A sample check of claims verified that all of these were correctly made.

### 3.3 Risk Management

The arrangements for assessing and managing risk were reviewed. All Council minutes were examined for the 2016/17 financial year. No unusual financial activity was identified.

A risk assessment and management (financial) policy was in place. An audit review of the risk assessment proved very satisfactory. It is recommended that the Risk Assessment should be reviewed for continuing completeness during 2017/18.

Insurance documentation was examined and found to have been in place throughout the period under review. The policy (YLL 122019-5063 last dated 9th July 2016), a local council policy, is held with Zurich Municipal.

The Council also had adequate Insurance to cover the Burntwood Wakes Festival and various other “one off” items.

### 3.4 Budgetary Control

It is confirmed that the Council approved its 2017/18 estimates and set the precept at £327,992 (£308,800 + £19,192 Council Tax Support Grant) at its meeting in January 2017. Proper levels of general reserve coverage are included in the Precept calculation.

The periodic reporting of actual expenditure against budget to Council has occurred on a regular basis since this regime was agreed by the Council in 2007. This was evidenced to be operating as intended through a review of Council minutes, with reports being submitted for review at every full meeting of the Council.

Overall the control of Total Income and Total Net Expenditure within the General Budget was tightly controlled by the Council. Despite the very large number of unknown factors involved in the move from Lambourne House and the refurbishment and continued letting of The Old Mining College Centre your Council has performed slightly better than overall budget.

Schedules of actual expenditure were reported to Council throughout the financial year. It was confirmed that there were no breaks in the continuity of cheque numbers and any void cheques are properly accounted for. All BACS payments are properly authorised.

The current arrangements of budgetary control are considered very adequate given the level and nature of expenditure involved.

### 3.5 Income Controls

Income records were examined and found to have been correctly maintained.

The 2016/17 precept, £329,606 (£306,324 + £23,582 Council Tax Support Grant), was received from Lichfield District Council and had been correctly accounted for.

It should be noted that in accordance with the instructions from the External Auditor you will report £306,324 in box 2 of the Annual Return (Annual Precept) and the balance (Council Tax Support Grant) as part of box 3 (Total Other receipts).

A check on the receipts into the Burntwood Cemetery & Coulter Lane Remembrance Garden accounts was included in the interim internal audit and was found to be correct. It is noted that it is the intention that the former should be self supporting and this was more than achieved during the audit year.

### 3.6 Petty Cash

The current petty cash imprest account level is £200. The petty cash float is maintained for minor items of expenditure and was checked for correctness. Invoices for reimbursement are raised as required and are reviewed as per all other invoices, when cheques are signed by the Council. It was verified that no payments are made from Petty Cash without a receipt.

Turnover on this account is in line with acceptable “petty cash” levels.

### 3.7 Payroll

All payroll records were reviewed and confirmed as being correct. The CEO is properly, for tax purposes, an employee of the council.

No payments were considered unreasonable and PAYE, NIC and superannuation records have been properly maintained for all employees. The Council's systems for reporting PAYE Real Time information are in place and operating correctly. A check was made to verify that updates had been filed and acknowledged by HMR&C.

### 3.8 Assets

The Asset Register was examined and found to be up to date, as at 31 March 2017. Insurance cover for items stated on the Council's Asset Register was found to be adequate throughout the 2016/17 financial year. This was verified by matching the register to the insurance policy schedule (Policy No YLL-122019 – 5063).

### 3.9 Bank Reconciliation

It was confirmed that the Council has operated a number of bank accounts during the year. At the audit year end the following accounts were in operation:

- Current Business Savings Account – Barclays Account No 93506029 20-85-13;
- Current Account – Barclays Account No 43176428 20-85-13;
- Tailored Business Current Account – Unity Trust Account No 20346595 60-83-01;
- Charge Card – Lloyds Multipay Account 5563-1407-0776-8299 (Limit £1000).

Your Council conducts its day to day financial activities through these accounts. Proper bank reconciliations have taken place at regular intervals on all accounts throughout the year.

We are aware that at the meeting of the Policy and Resources Committee on 12<sup>th</sup> January 2017 you resolved to make changes to these accounts to minimise financial risk and maximise cover under the Financial Services Compensation Scheme. The implementation of this resolution has still to be completed.

Transfers between all accounts were verified as having been properly authorised and were countersigned by two authorised signatories.

Bank reconciliations are performed for each account on a monthly basis, with a year end reconciliation being included with the final accounts for 2016/17. This was reviewed and found to be correct, including the reconciliation of un-presented cheques. There were no unexplained differences.

### 3.10 Year- end Procedures

The pro-forma year-end accounts for 2016/17 were examined and found to have been prepared on the correct accounting basis, showing receipts and payments including cash book records. All bank accounts were properly reconciled against the relevant bank statements and un-cleared cheques are accounted for and were verified.

### 3.11 Trust Funds

Accounts relating to the William Cadman Charity for 2016/17 were examined in conjunction with bank statements (Co-operative Bank Current account no 08-90-08 6102098000) and found to have been correctly maintained. The major investments of the charity are held by the CCLA in COIF Charities Investment Fund units (453130001T – A01 & 453130002T). There have been no movements in the number of units held during the audit year.

Expenditure from the Current Account during the audit year was minimal and properly approved.

In accordance with your Councils resolution these charity funds and all responsibilities have been transferred to the Staffordshire Community Foundation who will be responsible for revising and registering a new trust deed with the Charity Commissioners. We noted that it is your responsibility to notify the Charity Commissioners of this change in arrangements and that this is now complete.

### 3.12 VAT on Lettings

We noted two possible anomalies in accounting for VAT on certain charges and have advised you to seek clarification. These are:

- You have charged VAT on bare pitch rentals at the Burntwood Wakes week, we believe that this is a VAT exempt item;
- You have not charged VAT of lettings of your Computer Suite. We believe that lettings of a room with specific services (as opposed to a “bare room”) should be subject to VAT. We have recommended that you should seek advice on this matter and have recommended a suitable expert authority to confirm our understanding.

### 3.12 Other matters

For the purposes of the Data Protection Act 1998 the Council is a properly registered Data Controller. The Council's registration was properly recorded with the Information Commissioners Office for 2016/17.

We have reviewed you publicly available data against the published requirements of the Local Government Transparency Code 2015 and can confirm that you are compliant. Our web-site auditor did however note that navigation of the site was with some difficulty and rated you 7/10 whilst most councils of your size rated 8.5/10. We are assured that this matter is under active consideration. We would be happy to comment on any design improvements before you embark on expensive revisions. We have recommended a model web site to match your design against. Ideally any future supplier should have a design which has been approved under the Transparency Code.

### 4. Conclusion

The overall conclusion is that the systems and procedures currently in operation within Burntwood Town Council are operating satisfactorily and provide an extremely adequate level of internal control.

One recommendation has been made as stated below.

### 5. Recommendation:

5.1 We note that within the minute books of the council there are several references to "confidential minutes". Under the Local Government Act confidential minutes are not allowed as they may not be relied upon in evidence. Your council may hold meetings (or sections of meetings) in confidence and make proposals under the correct legislation but the outcome of such discussions must be ratified and voted upon in the public section of your meetings to be binding.



Alan Toplis  
Internal Auditor to Burntwood Town Council

Date of interim audit: 14<sup>th</sup> December 2016

Date of final audit: 18<sup>th</sup> April 2017.