Independent Internal Audit Review

for

Burntwood Town Council

Audit for the year to 31st March 2018.

Summary Report

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May 2018.

Burntwood Town Council
2017/18
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 2017/18 financial year.

2. Scope
The review focussed on the 11 key control areas, as outlined in the annual return for 2017/18, 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 2017/18. This proforma was completed after the concluding audit on 1st May 2018 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 3 of your Annual Governance and Accountability Return to the External Auditor for the year ending 31 March 2018.

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 2017/18 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 was the sole trustee. These accounts have now been properly transferred outside the council's control.

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 2017/18 financial year. Standing Orders and Finance Regulations were last reviewed in July 2016;
- The Chief Executive Officer ("CEO") was also the Responsible Financial Officer to the date of her resignation and had 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 authorising cheques and BACS transfers;
- 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 2017/18 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 2018/19.

Insurance documentation was examined and found to have been in place throughout the period under review. The policy (YLL 122019-5063 last dated 12th May 2017), 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 2018/19 estimates and set the precept at £313,645 at its meeting in January 2018. 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 frequent 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.

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 2017/18 precept, £327,992 (£308,800 + £19,192 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 £308,800 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. We wish to carry out a more detailed review of the procedures and controls in place for these two cost centres and intend to make a specific visit to focus on these once a new Cler has been appointed. A supplementary report will be issued to you after that visit.

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 was 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 Councils 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 2018. 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;
- CCLA Local Authority Property Fund – Account No 621195601
- CCLA Public Sector Deposit Fund – Account No. 0119560001PC
- 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.

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 2017/18. 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 2017/18 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 accordance with your Councils resolution these charity funds and all responsibilities have now been completely transferred to the Staffordshire Community Foundation who will be responsible for revising and registering a new trust deed with the Charity Commissioners. In our last report we noted that it was your responsibility to notify the Charity Commissioners of this change in arrangements and have verified that this is now complete.

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 8/10 whilst most councils of your size rated 8.5/10. I am also concerned that some features of your web site which are considered as mandatory are not being properly updated. This hiatus appears to be due to the fact that you have not had a full time CEO/RFO in place during the latter part of the audit year. We will undertake to discuss this matter further with your newly appointed RFO and monitor its revision before the next Interim Audit takes place.

You will be aware that the new requirements of the General Data Protection Regulation ("GDPR") come into effect from late May this year. We note that you still have to completely address this matter and would remind you that the regulation comes in to force at the end of May 2018. It is our intention to check implementation when we make our 2018 interim audit.

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

One recommendation has been made as stated below.

5. Recommendation:

Revision of web site content.

Alan Toplis

Alan Toplis
Internal Auditor to Burntwood Town Council

Date of interim audit: 29th March 2018 (late - due to resignation of Clerk)
Date of final audit: 1st May 2018.