Independent Internal Audit Review

for

Burntwood Town Council

Audit for the year to 31^{st} March 2019.

Summary Report

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Toplis Associates Limited

July 2019.

Burntwood Town Council
2018/19
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 2018/19 financial year.

2. Scope
The review focussed on the 10 key control areas, as outlined in the Annual Governance and Accounting Return for 2018/19, 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

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

In addition your council provided me with an Internal Audit Programme for 2018/19. This proforma was completed after the concluding audit on 24th April 2019 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 2019.

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 2018/19 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 standard.

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 2018/19 financial year. Standing Orders and Finance Regulations were last reviewed in July 2016 and now require amendment and ratification by the Council due to changes in roles;
- The acting Chief Executive Officer ("CEO") was also the Responsible Financial Officer; Mrs Alison James was Finance Officer throughout the year and has since been appointed as Responsible Financial Officer;
- Payments identified in the cash book are supported by invoices, as verified through testing conducted on a sample of over 100 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 your Financial Regulations) 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 2018/19 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 2019/20.

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 with amendments), 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 £318,690 at its meeting in January 2019. 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 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 2018/19 precept, £313,645 was received from Lichfield District Council and had been correctly accounted for.

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 also carried out a specific visit to review the procedures and controls in place for these two cost centres. We can confirm that the procedures you have in place ensure that all expenditure is properly recorded and procedures are in place to ensure that disbursements are properly recharged to the funeral directors and/or to the next of kin.

We would remind you that any alterations to consecrated burial grounds (including perimeter walls and fences) requires a faculty from the Chancellor of the Diocese of Lichfield which must be obtained prior to the commencement of any works.

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.

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 2019. Insurance cover for items stated on the Council's Asset Register was found to be adequate throughout the 2018/19 financial year. This was verified by matching the register to the insurance policy schedule (Policy No YLL-122019 – 5063).

We note that in line with instructions from the External Auditor (Mazars LLP) you have changed the accounting treatment of the investment in the CCLA Local Authority Property Fund from deposit to an asset.

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 2018/19. 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 2018/19 and the Annual Governance and Accounting Return ("AGAR") 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. There were no long dated unpresented cheques.

3.11 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 2018/19.

You will be aware that the new requirements of the General Data Protection Regulation ("GDPR") came into effect from late May 2018. We can confirm that your procedures appear to meet the minimum requirements of the regulations.

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.

Alan Toplis

Alan Toplis
Internal Auditor to Burntwood Town Council

Date of interim audit: 11/07/2018 & 29/11/2018
Date of final audit: 24/04/2019

BURNTWOOD TOWN COUNCIL
2018/19 AUDIT PROGRAMME

	Yes	No
1) Appropriate books of account have been properly kept throughout the year?		
▪ Are the cashbooks maintained and up to date?	✓	
▪ Are the cashbooks arithmetically correct?	✓	
▪ Are the cashbooks regularly balanced?	✓	

2) The Council's financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.		
▪ Has the Council formally adopted standing orders and financial regulations?	✓	
▪ Has a Responsible Financial Officer been appointed with specified duties?	✓	
▪ Are payments in the cashbooks supported by invoices, authorised and minuted?	✓	
▪ Has VAT on payments been identified, recorded and reclaimed?	✓	
▪ Where necessary, is S137 expenditure separately recorded and within statutory limits?	✓	

3) The Council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.		
▪ Does a scan of the minutes identify any unusual financial activity?		✓
▪ Do the minutes record the Council carrying out an annual risk assessment?	✓	
▪ Is insurance cover appropriate and adequate?	✓	
▪ Are internal financial controls documented and regularly reviewed?	✓	

4) The annual precept requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored and reserves were appropriate.		
▪ Has the Council prepared an annual budget in support of its precept?	✓	
▪ Is actual expenditure against budget regularly reported to the Council?	✓	
▪ Are there any significant unexplained variances from budget?		✓

5) Expected income was fully received, based on correct prices, properly recorded and promptly banked and VAT was appropriately accounted for.		
▪ Is income properly recorded and promptly banked?	✓	
▪ Does the precept recorded in the cashbook agree to the District Council's notification?	✓	
▪ Are security controls over cash adequate and effective?	✓	

	Yes	No
6) Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.		
▪ Is all petty cash spent recorded and supported by VAT invoices/receipts?	✓	

7) Salaries to employees and allowances to members were paid in accordance with Council approvals and PAYE and NI requirements were properly applied.		
▪ Do salaries paid agree with those approved by the Council?	✓	
▪ Are any other payments to officers reasonable and approved by the Council?	✓	
▪ Has PAYE/NI been properly operated by the Council as an employer?	✓	
▪ Are Pension contributions properly calculated and accounted for?	✓	

8) Asset and Investments registers were complete and accurate and properly maintained.		
▪ Does the Council keep an asset register of all material assets owned?	✓	
▪ Are the Assets/Investments registers up to date?	✓	
▪ Do asset insurance valuations agree with those in the asset register?	✓	

9) Periodic and year end bank account reconciliations were properly carried out.		
▪ Is there a bank reconciliation for each account?	✓	
▪ Is a bank reconciliation carried out regularly on receipt of statements?	✓	
▪ Are there any unexplained balancing entries in any reconciliation?		✓

10) Year end accounts were prepared on the correct accounting basis (receipts and payments/income and expenditure), agreed with cashbooks, were supported by an adequate audit trail from underlying records, and, where appropriate, debtors and creditors were properly recorded.		
▪ Are year end accounts prepared on the correct accounting basis (~~Receipts and Payments~~/Income and Expenditure)?	✓	
▪ Do accounts agree with the cashbooks?	✓	
▪ Is there an audit trail from underlying financial records to the accounts?	✓	
▪ Where appropriate, have debtors and creditors been properly recorded?	✓	

Annual Internal Audit Report 2018/19

BURNTWOOD TOWN COUNCIL

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation **during** the financial year ended 31 March 2019.

The internal audit for 2018/19 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Agreed? Please choose one of the following		
	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	✓		
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic and year-end bank account reconciliations were properly carried out.	✓		
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		
K. IF the authority certified itself as exempt from a limited assurance review in 2017/18, it met the exemption criteria and correctly declared itself exempt. *("Not Covered" should only be ticked where the authority had a limited assurance review of its 2017/18 AGAR)*			✓
L. During summer 2018 this authority has correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations.			Not applicable ✓

M. **(For local councils only)** Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes	No	Not applicable
			✓

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken: 11/07/18 29/11/18 24/04/19

Name of person who carried out the internal audit: ALAN TOPLIS - TOPLIS ASSOCIATES

Signature of person who carried out the internal audit: A Toplis

Date: 24/04/19

*If the response is 'no' you must include a note to state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).