



Annual Return 2016-17


Final Report




Issue Date: 22 May 2017

Working in Partnership to Deliver Audit Excellence




Executive Summary

-  This section provides an overview for senior management to understand the main conclusions of this audit review, including the opinion, significant findings and a summary of the corporate risk exposure.

Findings and Outcomes

-  This section contains the more detailed findings identified during this review for consideration by service managers. It details individual findings together with the potential risk exposure and an action plan for addressing the risk.

Appendices:

-  Audit Framework Definitions
-  Support and Distribution
-  Statement of Responsibility

Executive Summary

Overview

SWAP Internal Audit Services were appointed as Internal Auditor for Ilminster Town Council for three years starting 30th March 2017.

As part of the 2017/18 audit plan agreed with the Town Clerk, a review has been undertaken to assess the adequacy of the financial controls and operating procedures. This work will support and inform the Internal Auditor declaration of the annual return submitted to the Council's External Auditor, Grant Thornton.

This audit included a review of compliance with the guidance described in "Governance and accountability for Local Councils - A Practitioner's Guide" and included the following areas:

- Accounting arrangements & bank reconciliations
- Corporate Governance
- Expenditure
- Assessment & management of risk
- Budgetary control & Reserves
- Income
- Petty Cash
- Salaries
- Asset Management
- Year-end procedures

This report provides the Town Clerk and the Council with a summary of the audit findings and assurance that, in no order of priority, each of the expected key controls are in place and managing the associated risk in a 'satisfactory' manner. Where expected controls are not met, a recommendation for improvement is made to assist in managing the risk. Where a control is not referred to in the audit findings, I have found the effectiveness of this control to be operating satisfactorily.

Objective

To provide a selective assessment of the Council's Financial Controls for the Annual Return.

Significant Findings

Finding:	Risk:
None identified	None identified

Audit Opinion:

Reasonable

Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

A significant amount of work has been completed over the last 12 months surrounding the assessment and management of risk, including the development of a new Risk Management Policy and a Finance Risk Register. Annual risk assessments are carried out by the Senior Open Spaces

Warden for the risks that the Open Spaces Team face and risk registers detailing controls to mitigate these risks are also maintained. However, these assessments and registers are not brought to the attention of Members. An annual report should be presented to Members to enable them to consider all the risks that the Council faces in the pursuit of its objectives.

Well Controlled Areas of the Service

The majority of the areas reviewed were found to have adequate controls in place but a number of recommendations have been made to further strengthen these controls. On the whole officers are following the procedures as set out in the Financial Regulations and finances are being managed adequately.

Corporate Risk Assessment

Risks	Inherent Risk Assessment	Manager's Initial Assessment	Auditor's Assessment
Financial management is inadequate or ineffective resulting in financial loss for the Council or risk of fraud.	High	Medium	Low

Findings and Outcomes

Method and Scope

This audit has been undertaken using an agreed risk based audit approach. This means that:

- the objectives and risks are discussed and agreed with management at the outset of the audit;
- the controls established to manage risks are discussed with key staff and relevant documentation reviewed;
- these controls are evaluated to assess whether they are proportionate to the risks and evidence sought to confirm controls are operating effectively;
- at the end of the audit, findings are discussed at a close-out meeting with the main contact and suggestions for improvement are agreed.

1	Financial management is inadequate or ineffective resulting in financial loss for the Council or risk of fraud.	Low
---	---	-----

1.1 Finding and Impact

Assessment and management of risk

A significant amount of work has been carried out by the Clerk and the Council over the last 12 months to address issues raised by both internal and external audit surrounding the assessment of risk that the Council is exposed to. A Risk Management Policy has been developed, together with a Finance Risk Register that assesses the financial risks that the Council is exposed to. Finance risks are presented to the Resources Committee on a periodic basis.

The Senior Open Spaces Warden carries out annual risk assessments for the risks that the Open Spaces team face, which includes risks at the Cemetery, play areas and when using vehicles and equipment. There are also risk registers maintained which include controls to mitigate risks. However, these assessments and registers are not brought to the attention of Members. Although the risks that are faced by the Open Spaces Team may not necessarily have high financial implications, reputationally they could prove damaging, in particular risks at the Cemetery and in play areas. Members should be kept informed of the work carried out on risk assessments and registers by the Open Spaces Team in order that they can consider all the risks that the Council faces, not just the financial risks.

The Health & Safety Policy was reviewed during 2016/17, but a Health & Safety Officer was not nominated. This should be carried out as soon as possible and all staff should be informed and formed part of the recommendation made in the previous audit report.

1.1a	Agreed Outcome:	Priority 3
------	-----------------	------------

The Clerk has agreed to ensure that the work carried out on risk assessments and risk registers by the Open Spaces Team is brought together in an annual report to enable an assessment of all risks faced by the Council to be carried out.

Action Plan:

Person Responsible:	Town Clerk	Target Date:	31 December 2017
---------------------	------------	--------------	------------------

Management Response:	A report will be presented to Councillors on completion of the Open Spaces risk assessments which are done annually – this is usually done out of growing season		
1.1b	Agreed Outcome:	Priority 3	
The Clerk has agreed to ensure that a Health & Safety Officer is nominated and that this is published within the Health & Safety Policy.			
Action Plan:			
Person Responsible:	Town Clerk	Target Date:	30 September 2017
Management Response:	Further work is being done on the health & safety policy, including discussions and advice being sought from SSDC & Officers in other local Councils.		

1.2	Finding and Impact		
<u>Petty Cash</u>			
The Council operates an imprest system for petty cash where at any one time, the cash held in the tin and the value of receipts totals the imprest amount, which in this case, is £150.00. When the petty cash tin is topped up, the Deputy Clerk completes a spreadsheet which lists all the receipts contained within the tin together with the relevant budget heading and the total of these receipts equals the amount of the cheque that is drawn to bring the petty cash back up to £150.00. Although the Deputy Clerk counts and checks the cash held in the tin, this is not listed on the spreadsheet. When the petty cash tin is topped up, the reconciliation spreadsheet should also include a list of the cash held in the tin as evidence that the petty cash has been reconciled and to demonstrate that the cash and receipts total the imprest amount.			
1.2a	Agreed Outcome:	Priority 3	
The Deputy Clerk has agreed to ensure that when the petty cash tin is topped up, the reconciliation spreadsheet includes a list of the cash held in the tin to demonstrate that the cash and receipts total the imprest amount.			
Action Plan:			
Person Responsible:	Deputy Clerk	Target Date:	Immediate
Management Response:	This has been implemented		

1.3	Finding and Impact		
<u>Staff contracts</u>			
All staff employed have up to date contracts on file with clear terms and conditions with the exception of the Clerk whose hours increased in July 2016. Although this was approved correctly by the Resources Committee, a contract amendment has not yet been issued. For reasons of transparency, an amendment should be issued as soon as possible, signed by the Mayor.			
1.3a	Agreed Outcome:	Priority 3	
The Clerk has agreed to ensure that an amendment to her own employment contract is issued, signed by the Mayor, to reflect the changes to the contractual hours which took effect in July 2016.			
Action Plan:			
Person Responsible:	Town Clerk	Target Date:	30 June 2017
Management Response:	An amendment to the contract will be issued		

1.4	Finding and Impact		
<u>Bank reconciliations</u>			
All bank accounts reconciled on a monthly basis and no significant errors were identified. Although			

this has not been raised as a recommendation, the Deputy Clerk has agreed that in future she will sign all reconciled statements and the Financial Summary - Cashbook report to evidence the monthly reconciliation.

Audit Framework and Definitions

Assurance Definitions

None	The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Reasonable	Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Substantial	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

Definition of Corporate Risks

Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors, however, the definitions imply the importance.

Priority 5	Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.
Priority 4	Important findings that need to be resolved by management.
Priority 3	The accuracy of records is at risk and requires attention.

Priority 2 and 1 Actions will normally be reported verbally to the Service Manager.

Report Authors

This report was produced and issued by:

Angie Hooper, Auditor
Laura Wicks, Lead Auditor
Moya Moore, Assistant Director

Support

We would like to record our thanks to the following individuals who supported and helped us in the delivery of this audit review:

Deborah Speed, Deputy Clerk
Joy Norris, Town Clerk

Distribution List

This report has been distributed to the following individuals:

Joy Norris, Town Clerk

Working in Partnership with

Devon & Cornwall Police & OPCC	Somerset County Council
Dorset County Council	South Somerset District Council
Dorset Police & OPCC	Taunton Deane Borough Council
East Devon District Council	West Dorset District Council
Forest of Dean District Council	West Somerset Council
Herefordshire Council	Weymouth and Portland Borough Council
Mendip District Council	Wiltshire Council
North Dorset District Council	Wiltshire Police & OPCC
Sedgemoor District Council	

Statement of Responsibility

Conformance with Professional Standards

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Auditing Standards.

SWAP Responsibility

Please note that this report has been prepared and distributed in accordance with the agreed Audit Charter and procedures. The report has been prepared for the sole use of the Partnership. No responsibility is assumed by us to any other person or organisation.