

INTERNAL AUDIT SERVICES

**BRAUNSTONE TOWN COUNCIL
2016/17**

FINAL INTERNAL AUDIT REPORT

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	Draft	Final
Mr D Tilley Executive Officer & Town Clerk	√	√
Councillor Nick Brown Leader		√

1. Executive Summary

1.1 Introduction

This audit was undertaken in accordance with the agreement to provide an Internal Audit Service to Braunstone Town Council (BTC) for 2016/17.

1.2 Scope

The programme of work was undertaken to support Section 4 of the Council's Annual Return.

The following transactions/documents were sampled and examined:

- bookings agreed to invoices and receipts;
- bookings income agreed to the current schedule of charges;
- bookings income and miscellaneous income agreed to the daily banking summaries, to the bank account statements and to VAT returns;
- confirmation of receipt and banking of monies received from Blaby District Council, including the Precept;
- petty cash and expenditure records to ensure that payments are supported by receipts, expenditure is appropriately approved and any VAT content correctly accounted for;
- VAT returns;
- salary and timesheet records to ensure payments are in accordance with Council approvals and PAYE and NI contributions have been applied and paid over correctly;
- asset register and insurance policy to ensure consistent and accurate;
- risk register;
- Financial Accounts for year ending 31st March 2017 and supporting documents; and
- bank reconciliations for year ending 31st March 2017.

1.3 Conclusion

The overall opinion is that systems are operating efficiently and effectively. Four recommendations (three medium and 1 low priority) have been made (see the action plan at the end of the report).

2. Detailed Findings

2.1 Bookings Diary and Income

A review of the bookings diary and income for 2016/17 was undertaken and a sample of ten bookings was selected. Tests relating to the bookings statements, receipts and daily income summaries were carried out to confirm that hire charges were correct, all income was received and VAT was accounted for correctly.

One hire charge was found to have been calculated incorrectly which resulted in a £1.31 undercharge. A further 5 bookings were selected for testing and the hire charge was found to be correct. As this is the only error of its kind in the total sample of 15 I am reasonably confident that this was due to human error.

2.2 Income Receipts

A sample of 10 Banking and Income Analysis sheets were reviewed and verified to the receipts, bank statements and VAT records. One item for £3.65 (tea/coffee relating to one booking) was correctly recorded on the Banking and Income Analysis sheet however when the transaction was created on the system a zero rate of VAT was allocated instead of a standard rate. This meant that the VAT was £0.61 under (sales).

Progress has been made during the year in regards to automating and simplifying processes however this has taken some time and the benefits will not be seen until 2017/18.

2.3 Precept Payments

Precept payments were agreed to minutes and bank statements.

2.4 Petty Cash

A sample of four petty cash claims processed during the financial year was reviewed. Two claims included items which are zero rated but were recorded at the standard rate:

- 10/11/16 £10.00 VAT on stamps
- 01/02/17 £1.67 VAT on an eye test

The Executive Officer and Town Clerk explained that the system defaults to the standard rate. He is currently looking into changing the default to the zero rate. This would be preferable to the current default as it is lower risk from a HMRC perspective if an error is made. As this is already under review a specific recommendation will not be made in this report.

The sample included a payment to an individual for delivery of meeting papers. Advice has been given to the Executive Officer and Town Clerk regarding HMRC's expectations of checks that organisations should carry out to ensure that the necessary Tax and NI has been paid by individuals who are not paid through the payroll system.

2.5 Expenditure

A sample of five high value items of expenditure were selected and tested. All were found to have been appropriately authorised and accounted for correctly, including VAT. It was noted that the expenditure transactions approval form only has space for the signatures of the authorisers. It would be helpful if 'print name' boxes were added to aid verification of correct authorisation.

2.6 Financial Accounts

A review of the annual accounts for the year ending 31st March 2017 found that they have been prepared on the correct basis and were supported by adequate audit trails to underlying records except for the following points:

- The Town Mayor's programme of events raises funds during the year for local groups; for 2016/17 this totalled £4061.42 (net). The amounts are not paid over to the groups until the start of the following financial year. Currently a creditor is not raised to reflect this. Whilst this treatment would not significantly distort a reader's understanding of the accounts, the correct accounting treatment would be to raise a creditor at year end. In addition in order to reflect the fact that the funds raised through this programme are not available to be used on any other services a reserve should be created.
- It was noted that £317.42 (net) has been received in 2016/17 for the 2017 summer fete. This is a receipt in advance however has not been treated as such. Again, this treatment would not significantly distort a reader's understanding of the accounts however the correct accounting treatment should be applied.

2.7 VAT Return

The minor issues identified with the VAT returns have been detailed at 2.2 and 2.4.

2.8 Salaries

The Income Tax and National Insurance records for the year were examined for accuracy and to ensure that payments have been paid over correctly. All testing proved satisfactory.

A sample of employee payslips from August 2016 and January 2017 have been reviewed and compared to the employee's timesheet. Testing was satisfactory.

2.9 Insurance Cover

During 2016/17 a review of buildings was carried out to ensure the values in the insurance policy were adequate. The values did change however it should be noted that this does not affect the fixed asset register values as these are stated at cost. The Asset Register was compared to the current insurance policy which confirmed that the Council is adequately insured.

2.10 Risk Management

A review of the risk register presented annually to the Corporate Governance Sub Committee and the Policy and Resources Committee meeting minutes concluded that risk management arrangements are adequate.

2.11 Bank Reconciliations

A copy of the bank reconciliations summary was scan reviewed and detailed testing of 5 reconciliations found that they have been completed and reviewed in a timely manner during the year.

3. Improvement Action Plan

Detailed Finding Reference	Observation	Risk	Recommendations	Priority High/Medium/Low	Braunstone Town Council Response to Recommendations	Officer Responsible	Action Date
2.1 Bookings Diary and Income	One hire charge (out of a sample of 15) was found to have been calculated incorrectly.	The correct hire rate is not applied resulting in under or over charges.	Staff should be reminded to take care when calculating hire charges and ask another officer to review if in doubt.	Medium	Management Team will review the requirements of the software and seek amendments from the software provider. Rooms have been categorised for charging purposes, which will be aligned from April 2018.	Resources & Facilities Manager	Aug 2017 Jan 2018
2.5 Expenditure Transactions Approval Form	In addition to the signature of the authoriser it would aid subsequent reviews to have their name printed as well.	Difficult to verify appropriateness of authoriser.	Add 'print name' to the form next to each signature line.	Low	A request will be made to the software provider to make amendments to the footer to provide an additional print name line. If this is not possible, no further action will be taken.	Resources & Facilities Manager	Jun 2017
2.6 Financial Accounts	There is no reserve for the Town Mayor's charities funds and a creditor is not raised at year end for amounts that will be paid out in the following year.	Lack of clarity and visibility around use of Town Mayor's funds.	A reserve should be created for amounts that are collected for the Town Mayor's charities. A creditor should be raised at year end to match the amounts paid out to the financial year it was raised in.	Medium	Arrangements will be made to Journal Town Mayor's Charity income from each of the Programme of Events at the time in order to keep the budget up-to-date so that a reserve and creditor can be created at year-end.	Executive Officer & Town Clerk	Sept 2017
2.6 Financial Accounts	Payments received during 2016/17 for the 2017 summer fete have not been treated as receipts in advance.	The accounts do not accurately reflect receipts in advance.	For future years ensure that any receipts in advance are accounted for correctly.	Medium	All of these payments were received as part payments of a single transaction – staff will be advised to enter transactions separately where these are advance receipts/payments.	Executive Officer & Town Clerk	Sept 2017