

DRAFT FOR DISCUSSION

Internal audit report 2014/15
Visit 3 of 3

SHAFTESBURY TOWN COUNCIL

Date: 4th May 2015

Report author: R Darkin-Miller
Email: r.darkin@darkinmiller.co.uk

Introduction

This report contains a note of the audit recommendations made to Shaftesbury Town Council following the carrying out of internal audit testing on site on the 27th April 2015.

The audit work has been carried out in accordance with Appendix 9 of the 'Governance and Accountability for Local Councils: A Practitioners' Guide'.

An internal audit covers the review of the operation of the Council's internal control environment. It is not designed to review and give full assurance over every transaction carried out by the Council. Instead it enables the auditor, following the sample testing of a number of different types of transaction, to give an opinion as to whether or not the control objectives are being achieved across a range of financial and governance systems.

Audit Opinion

The internal audit for 2014/15 has now been completed in accordance with the provisions of the Practitioners' Guide and the CIPFA code of internal audit practice.

Based on the sample testing carried out at this final audit visit and during the year, the Council's financial controls appear to be operating effectively although there remain some weaknesses in some of the governance controls.

Please include a copy of this audit report with the annual return sent to your external auditor.

Audit Recommendations

Recommendations made during the audit are shown in appendix one to this report.

Recommendations are graded as follows:

Rating	Significance
High	Either a critical business risk is not being adequately addressed or there is substantial non-conformity with regulations and accepted standards.
Medium	Either a key business risk is not being adequately addressed or there is a degree of non-conformity with regulations and accepted standards.
Low	Either minor non-conformity with procedure or opportunity to improve working practices further.

The number of recommendations made at this audit visit and their priority are summarised in the following table:

Rating	Number
High	9
Medium	2
Low	1
Information	1
TOTAL	13

The number of recommendations made at all of the audit visits in 2014/15 and their priorities are summarised in the following table:

Rating	Number			
	Visit 1	Visit 2	Visit 3	TOTAL
High	3	2	9	14
Medium	2	6	2	10
Low	2	4	1	7
Information	0	0	1	1
TOTAL	7	12	13	32

I would like to thank Stephen Holley, Town Clerk, Tracy Moxham, Finance Officer, Barbara Carter, Compliance and Information Officer and Claire Commons, Committee Services Officer for their assistance during this audit.

Darkin Miller ~ Chartered Accountants
2014/15 INTERNAL AUDIT OF SHAFTESBURY TOWN COUNCIL
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Appendix 1 – Recommendations and Action Plan

Recommendation number	Detail	Priority (Low/Medium/High)	Management Response	Responsible Officer	Due Date
A3	<p>During the year, a lease was drawn up for the rent of the football pitches and clubhouse. The resolution of Council of 2 September 2014 included requirements that the land be valued by the District Valuer, and that the clubhouse be operated by a third party.</p> <p>A draft lease was drawn up which was not in accordance with the original resolution of Council. The lease was circulated to Members before the Council meeting of 18 December 2014 but the deficiencies in the lease were not highlighted. Council resolved that the Mayor, Deputy Mayor and officer of the Council conclude negotiations and that the Mayor and Deputy Mayor should sign the lease.</p> <p>Concerns were raised by the Mayor and Deputy Mayor following the resolution of Council, and those Members refused to sign the lease without further</p>	H			

	<p>clarification and amendments. Five Members of Council then signed the lease in their place.</p> <p>I understand that, as at 27 April 2015, the issues relating to the lease have now been resolved and the lease has been signed by the Council and the tenant. However, the matter highlights weaknesses in the Council's governance arrangements. The following recommendations are made accordingly:</p> <p>I recommend that Council resolutions are implemented unless it is not possible to comply with the will of Council. If it is not possible to comply with a Council resolution then the matter should be referred back to Council for a formal amendment.</p>				
A4	I recommend that, where delegated authority is provided to named members or officers to conclude contracts or deeds on behalf of the Council, that the extent of the delegation is clear.	H			
A5	I further recommend that contracts and leases are carefully reviewed prior to being presented to Council for approval	H			

	to ensure that they comply with relevant resolutions, and that there are no errors or inconsistencies contained within.				
A6	I recommend that members be reminded of the requirement to comply with Council resolutions.	H			
2.5	<p>During the year the Council bought a second hand tractor. The Groundsman and a Member of Council met with the supplier and agreed the deal. The tractor was subsequently found to be inappropriate and a more appropriate vehicle was procured.</p> <p>I understand from discussions with the Clerk that Members have been reminded that they can neither give a direct instruction to individual officers, nor commit the Council to expenditure.</p> <p>It is recommended that the Council's requirements are evaluated before goods or services are procured in order to ensure that the right goods or services are procured first time.</p>	H			
2.6	It is further recommended that quotations are sought in accordance with the Council's Financial Regulations in order to ensure that the Council	H			

	obtains, and can demonstrate having obtained, best value for money.				
3.5	<p>The Council's Health and Safety risk assessment is currently carried out by a third party before being brought to Council. The completion of part of the risk assessment by an external contractor does not appear to comply with the requirement of the Accounts and Audit Regulations 2011 which stipulate that the council meeting as a whole have to review their system of internal control (including risk management).</p> <p>It is recommended that the Council carry out its own risk assessment in order to ensure that the Members of the Council, who are ultimately responsible for the management of the risks faced by the Council, fully understand the risks and are engaged with their management.</p>	H			
3.6	<p>The Council carried out its risk assessment on 31 March 2015. There is a risk that the review of risks at such a late point in the financial year may mean that financial implications have not been factored into the budget.</p>	L			

	<p>It is recommended that the Council consider carrying out its risk assessment earlier in the financial year in order to ensure that any financial implications can be captured in the following year's budget.</p>				
3.7	<p>The Internal Auditor made a number of recommendations in his 2013/14 audit regarding the Council acting in a corporate and responsible manner, the consecutive numbering of minutes and the timely approval of minutes. There have been instances in 2014/15 of Members not always acting in a way befitting their office. The minutes of committee meetings are still not consecutively numbered and there are instances where minutes of Committees and Council meetings have been approved late or, in the case of the HR Committee minutes of 23 October 2014, not approved at all.</p> <p>It is recommended that Members endeavour to act in a way befitting their office during Council and Committee meetings.</p>	H			
3.8	<p>It is further recommended that the minutes of Committee meetings are numbered consecutively. Committees</p>	M			

	could usefully adopt the referencing employed by Council (Year/minute number), perhaps prefixed by that Committee's initials.				
3.9	It is further recommended that minutes of Council and Committee meetings are adopted at the next meeting of that Council or Committee, and that minutes are signed and dated to evidence their approval, with the Chairman initialling pages which are not signed.	H			
10.1	<p>The Council's levels of reserves have increased in the year by £68k, mainly due to transfers to earmarked reserves in relation to work required for the swimming pool, town hall and toilets. The balance on the general reserve at the year end is £128k, which represents 29% of the expenditure incurred in 2014/15. Guidance indicates it is good practice to have a general reserve sufficient to cover between 6 and 9 months' worth of expenditure (50%-75% of the value of expenditure in year).</p> <p>It is recommended that the Council consider whether it should increase the level of general reserves in order to ensure sufficient balances are retained</p>	M			

	to deliver its corporate objectives.				
10.2	<p>The following corrections were identified (and amendments made by officers) during the audit of the annual return:</p> <p>1. The fixed asset register included assets which had been revalued in the year, which increased the total value shown on the asset register by £408,200. The Practitioner's Guide requires that 'Once recorded on the asset and investments register, the recorded value of assets and investments must not change from year to year until disposal.' The register was revised to reflect the original stated values of the assets concerned.</p>	For information			