

Full Council 26th June 2018 123/18 (Appendix B)

(Finance Committee 19th June 2018 105/18 (Appendix B))

Internal Audit Report Summary – Ensors Accountants LLP

Introduction and summary

The summary assessment overall was that the evaluation of control design and the effectiveness of control operation is substantial. This means that there is generally a sound system of Internal control, but there are some weaknesses which may place some of the system objectives at risk. These weaknesses and the action to be taken to improve is as detailed below.

Observation 1

During our testing of purchase transactions between £2,000 and £10,000, it was found that a minimum of 3 quotations was not always obtained due to the unique nature of the purchase.

Response

With so many contracts agreed during the year it has been noted that sometimes setting aside financial regulations to negotiate a contract without competition has been missed from the recommendation or resolutions although it will have been discussed during the meeting. Officers and the committee secretary will be reminded to ensure the suspension is noted in the recommendation and resolutions in future. Officers will be reminded to ensure three quotations are sort where possible and that they should be comparable. The council is starting to adopt a tender process for contracts between £2,000 and £10,000 as this ensures quotations received are according to the same published specification.

Action

Remind officers, committee chairs and councillors of the necessity to suspend financial regulations and ensure this is recorded in the relevant minute, when negotiating contracts without competition (FR Section 11.1(d)).

Observation 2

During the audit testing for purchases above £25,000, it was noted that, although there was discussion in the minutes about the tenders, the documentation for the tendering process for the replacement of the Carnegie toilets could not be located.

Response

This whole tender was subject to a special meeting on 3rd May 2018 as it had been found to not be properly minuted. The tender process has improved over the year but some less experienced officers may require training in this area. A tender form

has been designed to aid officers in ensuring that all steps of a tender process are followed and properly recorded and minuted. There is now always an agenda item on the Finance Committee meeting for updates regarding contracts where an up to date tender register is presented. All contracts over £25,000 now have to be presented to full council for approval as per the revised Financial Regulations. It will be recommended to officers that all completed tender files must be returned to the office for checking and safekeeping.

Action

To train officers in areas of finance and tender procedures and recommend that for each tender a file is maintained and returned to the office for safe keeping.

Observation 3

It was identified during our audit fieldwork for purchases that there was an invoice for Bryan Lecoche which was £682 higher than the purchase order. This was not authorised by an appropriate person. Any variations between the purchase order and invoice received should be reviewed by an appropriate person and signed to authorise the change of value is reasonable.

Response

Officers will be reminded that differences between orders and invoice totals need to be explained on the face of the invoice by the relevant officer and signed off as approved by the Clerk

Action

Remind officers that discrepancies between order and invoice totals must be explained on the face of the invoice and signed off by the Clerk.

Observation 4

It was noted during our fieldwork that some of the March 2018 bank payments had only been authorised by one Councillor rather than two.

Response

Action was taken to resolve this immediately and had come about due to a mandate change where "dual authorisation" was mistakenly ticked instead of "triple authorisation". This has now been resolved and payments made with only one authorisation have subsequently been approved by Full Council.

Action

No further action required

Observation 5

It was noted during our fieldwork that some purchase payments were not paid in line with the supplier's credit terms. This appears to have occurred as the accounts department do not always receive the invoices promptly as they are sent to other departments.

Response

Many Invoices are now sent direct to the officers who order services. Sometimes these are overlooked and not forwarded promptly to the accounts department. A reminder will be sent to all officers to forward to the accounts department flagged as important so this is less likely to happen.

Action

To remind staff to forward received invoices via emails and to remind accounts staff to flag email invoices to ensure they are processed when received.

Observation 6

It was noted during our fieldwork that the pro forma schedules for credit card transactions are not always completed and authorised appropriately. Where the Town Clerk has made a purchase using her credit card, this should be authorised by the Deputy Town Clerk as well as herself.

Response

Noted and we will ensure all credit card returns are fully authorised.

Action

To remind staff to check all credit card returns are properly authorised.

Observation 7

It was noted during our fieldwork that the rental value invoiced for Shambles 2 and 3 was switched in April 2015. This has resulted in Shambles 2 being overcharged and Shambles 3 being undercharged by £36.25 per quarter. However, both these properties were rented out to the same tenant until 5 December 2017. Therefore, overall the income between the two properties was recognised correctly up to that date.

Response

Noted and agreed

Action

This has been resolved and no further action is required.

Observation 8

It was noted during our fieldwork that the solicitor has confirmed that there are no title deeds for the following properties: Carnegie Room, Guildhall, Royal British Legion, Red Lion Public House, and the Shambles. The solicitor confirmed that the Council do not need the deeds as the properties are all registered.

Response

The Financial Regulations will be amended to reflect this.

Action

To amend Financial Regulations to reflect this, at the next review.



**Internal Audit Report:
Review of Internal Controls
Thetford Town Council**

Prepared for the Board of Councillors

Year ended 31st March 2018



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Making you more than just a number

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IMPORTANT NOTICE

Purpose

This report and the work connected are subject to the terms and conditions of the engagement letter dated 9 November 2015 between the Councillors of Thetford Town Council and Ensors Accountants LLP. It contains our factual findings in relation to the internal objectives and control procedures within the Council where the responsibility for the internal processes resides with the Council.

Confidentiality

Use of this Document is strictly for the purposes as described above. This document should not be circulated, copied or used in any way except as described above.

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This document has been prepared for the use of the Board of Councillors. This Document and all other information supplied should not be copied, reproduced or distributed to others at any time without the prior written consent of Ensors Accountants LLP.

Ensors do not accept or assume responsibility to anyone other than the Board of Councillors of Thetford Town Council for this report, or for the opinions we have formed.

Sources of Information

The sources of information that we have had at our disposal in preparing this report are as follows:

- Access to the financial records and systems of the council;
- Other non-financial information such as council meeting minutes and internal procedure documents as provided by Sarah Lewis and Tina Cunnell.

Procedures Adopted

Our report indicates the degree and extent to which we have carried out our review, and the conclusions that we have drawn from its findings.

Our work does not constitute an audit as defined under the UK Companies Act 2006; neither does this report constitute a prospectus.

Where we have been provided with purportedly third party documentation, we have not carried out any further verification work on such evidence – for instance asking the originator for confirmation that it is genuine.

1. EXECUTIVE SUMMARY

1.1. Internal Audit is a statutory requirement for local authorities under the revised Accounts & Audit Regulations 2015, which states that a local authority shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices.

1.2. The regulations state the due dates for publication of the accounts and annual governance statement. These, together with a narrative statement on the use of resources should be published by no later than 30 June. The audit opinion should also be published by this date.

1.3. The Public Sector Internal Audit Standards define the way in which internal audit should undertake its functions and requires that a written report is submitted to those charged with governance, which should include an opinion on the overall adequacy and effectiveness of the Council's control environment. The Annual Opinion supports the Annual Governance Statement (required under Regulation 13(1)(b) of the Accounts and Audit Regulations 2015).

1.4. This report summarises the scheduled, unplanned and investigation work undertaken by internal audit during the financial year 2017/18. It focusses on the outcomes of audit reviews, management actions, counter fraud activities and service performance.

1.5. The Regulations also require that a formal review of the 'effectiveness of the system of internal audit' is conducted. The Annual Audit Opinion together with the review of conformance with the Public Sector Internal Audit Standards (PSIAS) provides this assurance.

1.6. The role of Internal Audit is to provide independent and objective assurance on the adequacy of the council's control environment, comprising risk management, internal control, and governance by evaluating its effectiveness as a contribution to the proper economic, efficient and effective use of resources.

1.7 Responsibilities

The council is governed by the financial regulations which set out the conduct of the financial transactions of the council which may be amended or updated by resolution of the council. The council is responsible in law for ensuring that its financial management is adequate and effective as well as having a sound system of financial control, facilitating the effective exercise of its functions, including arrangements for the management of risk and the prevention and detection of fraud and corruption.

The Responsible Financial Officer (RFO), under the policy direction of the Council, is responsible for the administration of the Council's financial affairs, ensuring compliance with agreed accounting control systems, the maintenance of accurate accounting records and the timely production of financial management information in accordance with proper practice.

Our review and testing is focused on this system and its associated internal controls as well as compliance with the Council's financial regulations.

1.8 Objectives and Scope



The overall objectives of this review are to assess the adequacy and effectiveness of the system of internal controls designed to manage and mitigate the risks relating to the council in accordance with our engagement letter dated 9 November 2015.

In summary, the scope of the review covers the following areas: Appropriate book-keeping has been maintained, Financial regulations met, Risk assessments are adequate, Budgetary process, Income complete, Petty cash protected, Payroll authorised, Assets safeguarded, Bank Reconciliations, Accounting basis consistent and correct and the Council has met its responsibilities as a trustee.

Further enquiries were also made regarding compliance with financial regulations and appropriateness of policies and procedures, further detail on the scope of the review is provided in Section 2 of the report.

1.9 Summary Assessment

Our review of the internal controls operating over the Council's financial system and administration procedures determined that a good system of internal control exists, but there are some minor weaknesses which may place some of the system objectives at risk. Through the work undertaken in testing the controls in place there is evidence that a few controls are not operating as designed and are likely to put some of the system objectives at risk.

Assessment Type	Assessment Grade	Symbol
Evaluation of control design	Substantial	
Effectiveness of control operation	Substantial	

1.10 Key Findings

We have raised eight recommendations, all of which are categorised as significance level 2, with the exception of one which is categorised as level 3. Level 2 recommendations provide scope for improvement to be made, but are not of a fundamental nature. Level 3 recommendations relate to issues that are of a minor nature, but which nevertheless should be addressed. These are shown below:

Level 1

No recommendations of significance level 1 have been made.

Level 2

- The client is aware that a minimum of 3 quotes are required when looking to purchase any items between £2,000 and £10,000 as per the financial regulations. Where a purchase is for something unique and comparable quotes are not possible to obtain, the process should be carried out in accordance with FR Section 11.1 (d) and this should be documented in the minutes.
- It is recommended that a file is set up for each purchase that requires a tender. All documents should be kept in the file to help keep everything together. Once the tendering process is finished, the file should be kept in the accounts office.
- It is recommended that all staff are reminded of the importance to detail any discrepancies on the invoice and have the invoice authorised by the RFO.
- Unity bank have provided instructions on how to change the number of people required to authorise payments. It is recommended that action is taken as soon as possible to resolve this.
- It is recommended that all staff are reminded of the importance of passing information to the relevant department to ensure purchase invoices do not get overlooked causing late payments to suppliers.
- It is recommended that the pro forma schedule is completed and authorised appropriately for every credit card transaction.
- It is recommended that invoices for rental income are checked back to the rental agreement to ensure the tenant is being charged in line with the agreed terms.

Level 3

- It is recommended that the financial regulations are amended to reflect the fact that some of the properties do not have title deeds.

Full details of the recommendations are shown in sections 4 and 5 of the report.

2. SCOPE OF ASSIGNMENT

2.1 Objective

The overall objective of this review was to assess whether Thetford Towns Council's systems of internal control are sufficient and adherent to the Internal control objectives set out in section 2.3 below.

2.2 Approach and methodology

The following procedures were adopted to identify and assess risks and controls and thus enable us to recommend control improvements:

- Ascertain the nature of the systems and processes in operation through discussions with key members of staff;
- Evaluation of the current systems of internal control through walkthrough and other non-statistical sample testing;
- Identification of control weaknesses and potential process improvement opportunities;
- Discussion of our findings with management and further development of our recommendations; and
- Preparation and agreement of an internal audit report with the Town Clerk / Deputy Town Clerk.

2.3 Areas covered























The review was carried out to evaluate and test controls over the following areas:

- Appropriate accounting records have been kept properly throughout the year.
- The council financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.
- The council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.
- The annual precept requirement resulted from adequate budgetary process, progress against the budget was regularly monitored and reserves were appropriate.
- Expected income was fully received, based on correct prices, properly recorded and promptly banked and VAT was appropriately accounted for.
- Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT was appropriately accounted for.
- Salaries to employees and allowances to members were paid in accordance with council approvals and PAYE / NI requirements were properly applied.
- Assets and investment registers were complete and accurate and properly maintained.
- Periodic and year-end bank account reconciliations were properly carried out.
- Accounting statements prepared during the year were prepared on the correct accounting basis (accruals basis) and agreed to cash book. Were supported by an adequate audit trail from underlying records, and were appropriate debtors and creditors were properly recorded.
- Trust funds (including charitable). The council met its responsibilities as a trustee.

In addition to the main areas mentioned above, general enquiries were also made regarding the appropriateness of the Council's various policies and procedures.

3. ASSESSMENT OF CONTROL OBJECTIVES

The following table sets out in summary the control objectives we have covered as part of this review. Our assessment is risk based determined against the adequacy of controls in place, the effectiveness of said controls and any resulting recommendations.

Control Objectives Assessed	Description / Observations	Design of Controls	Operation of Controls	Observation or Recommendation
Proper book-keeping	Appropriate accounting records have been kept properly throughout the year.			Observation
Financial Regulations met	The council financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.			Recommendation 1-6
Risk assessment adequate	The council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.			Observation
Budgetary process	The precept or rates requirement resulted from adequate budgetary process, progress against the budget was regularly monitored and reserves were appropriate.			Observation
Income complete	Expected income was fully received, based on correct prices, properly recorded and promptly banked and VAT was appropriately accounted for.			Recommendation 7
Petty cash protected	Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT was appropriately accounted for.			Observation
Payroll authorised	Salaries to employees and allowances to members were paid in accordance with council approvals and PAYE / NI requirements were properly applied.			Observation
Assets safeguarded	Assets and Investment registers were complete and accurate and properly maintained.			Recommendation 8
Bank reconciliations	Periodic and year-end bank account reconciliations were properly carried out.			Observation
Accounting basis consistent and correct	Accounting statements prepared during the year were prepared on the correct accounting basis (income & expenditure basis) and agreed to cash book. Were supported by an adequate audit trail from underlying records, and were appropriate debtors and creditors were properly recorded.			Observation
The council has met its responsibilities as a trustee	Trust funds (including charitable). The council met its responsibilities as a trustee.			Observation

The classifications of our risk assessment for the design and operation of controls are set out in more detail in Appendix A.

4. OBSERVATIONS AND RECOMMENDATIONS FROM THE PREVIOUS REVIEW

As part of our work, we have followed up on the Initial recommendations and actions that were proposed in previous years. The final column includes details of whether or not the proposed actions have been successfully implemented based on the results of our most recent review.

Recommendations from the previous review	Management's response and proposed actions	Results of follow up testing
<p><u>Progress on observation made during internal audit for year ended 31 March 2017:</u></p>		
<p>All purchase expenditure between £2,000 and £10,000 should follow the financial regulations and three quotations should be received.</p>		
<p>It is recommended that quotations are sought for all potential purchase expenditure between £2,000 and £10,000 as set out in the financial regulations.</p> <p>If, however, the Council decides to waive Financial Regulations relating to contracts on the basis a price can be negotiated with a single supplier with no competition, the decision must be made clear in the Minutes with reference to FR Section 11.1 (d).</p>	<p>The council is committed to tightening procedures and is working on detailed procedures to ensure important financial decisions are properly recorded in minutes as per Financial Regulations and Standing Orders. A reminder will be sent to all staff and councillors to remind them that contracts over £2,000 negotiated without competition must be recorded in minutes together with the fact that Financial Regulations have been set aside to do this.</p> <p>Civic procedures are also to be reviewed particularly with regard to the difference between a decision made in consultation with officers regarding the Mayor's Allowance expenditure, which can be made by the Mayor and the execution by the officers as this has caused confusion this year.</p>	<p>During review in 2018 it was found that where it was possible to obtain 3 quotes, quotes were obtained.</p> <p>In some situations, the purchase was unique and therefore it was not possible to obtain comparable quotes. In these instances, it was agreed to suspend financial regulations and this is recorded in the minutes.</p> <p>However, one instance was noted where quotes were obtained which were not comparable. See recommendation 1.</p>
Recommendations from the previous review	Management's response and proposed actions	Results of follow up testing
<p><u>Progress on observation made during internal audit for year ended 31 March 2017:</u></p>		
<p>Ensure booking forms are completed for hire of the Guldhall Complex all customers, including regular customers.</p>		
<p>To produce a booking form that allows recording of regular customers.</p>	<p>All bookings from June will have to go through the website booking facility which forms the contract between the hirer and Thetford Town Council. The hirer is also agreeing to the terms and conditions by booking through the website.</p>	<p>No issues were noted during 2018 testing. Bookings are now being made through the website which forms the contract between the hirer and Thetford Town Council.</p>

Recommendations from the previous review	Management's response and proposed actions	Results of follow up testing
<p><u>Progress on observation made during internal audit for year ended 31 March 2017:</u></p>		
<p>Ensure payroll checklists are completed and consideration is given to notice periods of staff in critical positions.</p>		
<p>Ensure that the monthly payroll summaries are reviewed in conjunction with completion of the payroll checklist by both Deputy Town Clerk and Town Clerk (RFO).</p> <p>Consideration should also be given to notice periods for staff in critical positions within the Council to ensure they are appropriate for the level of duties and responsibilities those personnel hold, and provide sufficient time for an appropriate handover to take place.</p>	<p>The officers will ensure that all wages checklists are correctly signed off in the future. The council is aware of the need to review notice periods of senior staff and are currently conducting a review of all contracts, the staff handbook and policies using a professional HR consultant.</p>	<p>From the review in 2018, it is evident that the wages checklists are correctly signed off in line with procedure.</p> <p>It is also evident that notice periods have been reviewed. There are now longer notice periods in the contracts of those staff in critical positions.</p>
Recommendations from the previous review	Management's response and proposed actions	Results of follow up testing
<p><u>Progress on observation made during internal audit for year ended 31 March 2017:</u></p>		
<p>New employment contracts have been put in place.</p>		
<p>To ensure all members of staff have a contract of employment in place.</p> <p>A clear and detailed contract of employment that outlines exactly what you expect from employees can help to safeguard your financial and business interests. With increased control over the terms and conditions, you can also reduce the possibility of disputes or claims being brought against your organisation.</p>	<p>The council is aware of their responsibilities regarding employment contracts and this is in hand as described above. Unfortunately, the starting of this process has taken longer than originally expected.</p>	<p>No issues were noted regarding employment contracts in 2018.</p> <p>New contracts were drawn up for all staff in September 2017.</p>

Recommendations from the previous review	Management's response and proposed actions	Results of follow up testing
<p><u>Progress on observation made during internal audit for year ended 31 March 2017:</u></p> <p>Ensure the custody of title deeds is known and accounted for.</p>		
<p>It is recommended that the title deeds are obtained and arrangements are made for these to be securely stored.</p>	<p>It appears that title deeds may not exist for these properties although they are clearly recorded at Land Registry as the Council's property. The Financial Regulations will be recommended for amendment if deeds are found, on further research, not to exist or not necessary to establish ownership. This is certainly something the Council will pursue in the near future.</p>	<p>It appears the title deeds for these properties do not exist. The solicitor has confirmed that the Council do not need the deeds as the properties are all registered. See recommendation 8.</p>

5. OBSERVATIONS AND RECOMMENDATIONS

Control Objective	Description	Compliance
Appropriate book-keeping	Appropriate accounting records have been kept properly throughout the year.	Satisfactory
Financial Regulations met	The council financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	Recommendation 1-6
Risk assessment adequate	The council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	Satisfactory
Budgetary process	The annual precept requirement resulted from adequate budgetary process; progress against the budget was regularly monitored.	Satisfactory
Income complete	Expected income was fully received, based on correct prices, properly recorded and promptly banked and VAT was appropriately accounted for.	Recommendation 7
Petty cash protected	Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT was appropriately accounted for.	Satisfactory
Payroll authorised	Salaries to employees and allowances to members were paid in accordance with council approvals and PAYE / NI requirements were properly applied.	Satisfactory
Assets safeguarded	Assets and investment registers were complete and accurate and properly maintained.	Recommendation 8
Bank reconciliations	Periodic and year-end bank account reconciliations were properly carried out.	Satisfactory
Accounting basis consistent and correct	Accounting statements prepared during the year were prepared on the correct accounting basis (accruals basis) and agreed to cash book. Were supported by an adequate audit trail from underlying records, and were appropriate debtors and creditors were properly recorded.	Satisfactory
The council has met its responsibilities as a trustee	Trust funds (including charitable). The council met its responsibilities as a trustee.	Satisfactory

Recommendation 1: The council financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

Observation	<p>During our testing of purchase transactions between £2,000 and £10,000, it was found that a minimum of 3 quotations was not always obtained due to the unique nature of the purchase.</p> <p>The Financial Regulations stipulate when intending to enter into a contract for provision of goods or services with a value between £2,000 and £10,000 (per annum), at least 3 quotations should be sought and at least 2 quotes must be received.</p> <p>Where it is not possible to obtain like for like quotes, this should be discussed with the council to agree suspension of financial regulations, and this should be documented in the minutes.</p> <p>Our testing identified one case where quotes were sought but the product was unique. There was no mention in the minutes to document waiving the financial regulations.</p>
Recommendation	<p>It is recommended that quotations are sought for all potential purchase expenditure between £2,000 and £10,000 as set out in the financial regulations where it is possible to obtain like for like quotes.</p> <p>If quotes are obtained but they are not like for like then a comparison cannot be made between these quotes to determine what is good value for money.</p> <p>If the Council decides to waive Financial Regulations relating to contracts on the basis a price can be negotiated with a single supplier with no competition, the decision must be made clear in the Minutes with reference to FR Section 11.1 (d).</p>
Significance Level	Level 2
Responsibility	Town Clerk / Deputy Town Clerk
Management response	<p>With so many contracts agreed during the year it has been noted that sometimes setting aside financial regulations to negotiate a contract without competition has been missed from the recommendation or resolutions although it will have been discussed during the meeting. Officers and the committee secretary will be reminded to ensure the suspension is noted in the recommendation and resolutions in future. Officers will be reminded to ensure three quotations are sought where possible and that they should be comparable. The council is starting to adopt a tender process for contracts between £2,000 and £10,000 as this ensures quotations received are according to the same published specification.</p>

Recommendation 2: The council financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

Observation	During the audit testing for purchases above £25,000, it was noted that, although there was discussion in the minutes about the tenders, the documentation for the tendering process for the replacement of the Carnegie toilets could not be located.
Recommendation	It is recommended that a file is set up for each purchase that requires a tender. All documents should be kept in the file to help keep everything together. Once the tendering process is finished, the file should be kept in the accounts office and maintained with the Council's accounting records until no longer considered necessary.
Significance Level	Level 2
Responsibility	Town Clerk / Deputy Town Clerk
Management response	This whole tender was subject to a special meeting on 3 rd May 2018 as it had been found to not be properly minuted. The tender process has improved over the year but some less experienced officers may require training in this area. A tender form has been designed to aid officers in ensuring that all steps of a tender process are followed and properly recorded and minuted. There is now always an agenda item on the Finance Committee meeting for updates regarding contracts where an up to date tender register is presented. All contracts over £25,000 now have to be presented to full council for approval as per the revised Financial Regulations. It will be recommended to officers that all completed tender files must be returned to the office for checking and safekeeping.

Recommendation 3: The council financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

<p>Observation</p>	<p>It was identified during our audit fieldwork for purchases that there was an invoice for Bryan Lecoche which was £682 higher than the purchase order. This was not authorised by an appropriate person.</p> <p>Any variations between the purchase order and invoice received should be reviewed by an appropriate person and signed to authorise the change of value is reasonable.</p>
<p>Recommendation</p>	<p>It is recommended that all staff are reminded of the importance to detail any discrepancies on the invoice and have the invoice authorised by the RFO.</p> <p>This ensures additional expenditure is authorised prior to payment. Without this authorisation, invoices should not be paid as they could need to be queried with the supplier.</p>
<p>Significance Level</p>	<p>Level 2</p>
<p>Responsibility</p>	<p>Town Clerk / Deputy Town Clerk</p>
<p>Management response</p>	<p>Officers will be reminded that differences between orders and invoice totals need to be explained on the face of the invoice by the relevant officer and signed off as approved by the Clerk.</p>

Recommendation 4: Payment for certain items may be made by BACS or CHAPS methods, provided that the instructions for each payment are signed, or otherwise evidenced, by two authorised bank signatories.

Observation	<p>It was noted during our fieldwork that some of the March 2018 bank payments had only been authorised by one Councillor rather than two.</p> <p>This occurred as an additional Councillor was being added to the mandate and dual authorisation was ticked on the form believing that this required two Councillors to authorise bank payments. However, dual means it requires one person to set the payment up and another to authorise. Therefore, triple authorisation is required.</p> <p>It was noted that action is being taken to resolve this and it will be mentioned in the next finance committee meeting.</p>
Recommendation	<p>It is recommended that action is taken as soon as possible to resolve this. Unity bank have provided instructions on how to change the number of people required to authorise.</p>
Significance Level	Level 2
Responsibility	Town Clerk / Deputy Town Clerk
Management response	<p>Action was taken to resolve this immediately and had come about due to a mandate change where "dual authorisation" was mistakenly ticked instead of "triple authorisation". This has now been resolved and payments made with only one authorisation have subsequently been approved by Full Council.</p>

Recommendation 5: The council financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

Observation	<p>It was noted during our fieldwork that some purchase payments were not paid in line with the supplier's credit terms.</p> <p>This appears to have occurred as the accounts department do not always receive the invoices promptly as they are sent to other departments.</p>
Recommendation	<p>It is recommended that all staff are reminded of the importance of passing information to the relevant department to ensure purchase invoices do not get overlooked causing late payments to suppliers.</p> <p>Delays In paying purchase invoices could result In penalties, interest on outstanding amounts and potential damage to supplier relationships.</p>
Significance Level	Level 2
Responsibility	Town Clerk / Deputy Town Clerk
Management response	<p>Many invoices are now sent direct to the officers who order services. Sometimes these are overlooked and not forwarded promptly to the accounts department. A reminder will be sent to all officers to forward to the accounts department flagged as important so this is less likely to happen.</p>

Recommendation 6: The council financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

Observation	<p>It was noted during our fieldwork that the pro forma schedules for credit card transactions are not always completed and authorised appropriately.</p> <p>Where the Town Clerk has made a purchase using her credit card, this should be authorised by the Deputy Town Clerk as well as herself.</p>
Recommendation	<p>It is recommended that the pro forma schedule is completed and authorised appropriately for every credit card transaction.</p>
Significance Level	<p>Level 2</p>
Responsibility	<p>Town Clerk / Deputy Town Clerk</p>
Management response	<p>Noted and we will ensure all credit card returns are fully authorised.</p>

Recommendation 7: Expected income was fully received, based on correct prices, properly recorded and promptly banked and VAT was appropriately accounted for.





Observation	<p>It was noted during our fieldwork that the rental value invoiced for Shambles 2 and 3 was switched in April 2015. This has resulted in Shambles 2 being overcharged and Shambles 3 being undercharged by £36.25 per quarter.</p> <p>However, both these properties were rented out to the same tenant until 5 December 2017. Therefore, overall the income between the two properties was recognised correctly up to that date.</p>
Recommendation	<p>It is recommended that invoices for rental income are checked back to the rental agreement to ensure the tenant is being charged in line with the agreed terms.</p> <p>The Deputy Town Clerk has confirmed that this will be rectified by back charging Shambles 3 for the period from 5 December 2017 to the audit date when the error was identified.</p>
Significance Level	Level 2
Responsibility	Town Clerk / Deputy Town Clerk
Management response	Noted and agreed

Recommendation 8: The Clerk of the council shall make appropriate arrangements for the custody of title deeds of properties owned by the council.

Observation	<p>It was noted during our fieldwork that the solicitor has confirmed that there are no title deeds for the following properties:</p> <ul style="list-style-type: none"> • Carnegie Room • Guildhall • Royal British Legion • Red Lion Public House • Shambles <p>The solicitor confirmed that the Council do not need the deeds as the properties are all registered.</p>
Recommendation	<p>It is recommended that the financial regulations are amended to reflect the fact that some of the properties do not have title deeds.</p>
Significance Level	<p>Level 3</p>
Responsibility	<p>Town Clerk / Deputy Town Clerk</p>
Management response	<p>The Financial Regulations will be amended to reflect this.</p>

APPENDIX A – Assessment and Grading Definitions

In order to provide the Board of Governors with an assessment of the adequacy and effectiveness of the systems of internal control, the following definitions are used:

Assurance Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed around the system objectives	Controls are being applied consistently
Substantial		There is generally a sound system of internal control, but there are some weaknesses which may place some of the system objectives at risk	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk
Limited		Weaknesses in the internal control system are such as to put the system objectives at risk	The level of non-compliance puts the system objectives at risk
Minimal		Control is generally weak leaving the system open to significant error of abuse	Significant non-compliance with basic controls leaves the system open to error or abuse

In order to assist the Board of Councillors in using the report, we categorise our recommendations according to their level of significance as follows:

Significance Level	Definition
Level 1	Recommendations that are fundamental to the objectives of the system and action to address these items should be taken immediately
Level 2	Recommendations that provide scope for improvement to be made, but are not of a fundamental nature
Level 3	Recommendations relating to issues that are of a minor nature, but which nevertheless should be addressed

The assessment grading's shown in the tables above are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full' does not imply that there are no risks to the stated control objective.

