



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

Prepared for the Board of Councillors

Year ended 31st March 2020



Prepared by

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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 15th January 2019 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.

Distribution

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 Tina Cunnell and Alan Yorke.

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 2019/20. 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 15th January 2019.

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, Limited assurance review consideration, provision for the exercise of public rights and whether 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 five recommendations, all of which are categorised as significance level 2. Level 2 recommendations provide scope for improvement to be made, but are not of a fundamental nature. These are shown below:

Level 1

No recommendations of significance level 1 have been made.

Level 2

- It is recommended that the pro forma schedule is completed and authorised appropriately for every credit card transaction, this includes having signatures and order numbers prior to transactions taking place.
- It is recommended that all market cash collection sheets are authorised in line with the council systems and controls so ensure cash is collected and recorded in full.
- It is recommended that that care is taken to ensure VAT is only charged on properties which have opted to tax.
- It is recommended that the payroll is reviewed in line with the systems and controls and the checklist is signed to show this authorisation.
- It is recommended that payment details are signed by the Town Clerk, Deputy Town Clerk, and/or councillor(s) as evidence of review and approval of payments in line with the bank mandate.

Level 3

No recommendations of significance level 3 have been made.

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 (income and 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.
- Trust funds (including charitable). The Council met its responsibilities as a trustee.
- The council has correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations
- If the Authority has met the criteria for an exemption from a limited assurance review.

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 and 5
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 2 and 3
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.			Recommendation 4
Assets safeguarded	Assets and investment registers were complete and accurate and properly maintained.			Observation
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
Provision for the exercise of public rights	The authority has demonstrated that during summer 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.			Observation
Exemption from limited assurance review	The authority did not meet the exemption criteria of a limited assurance review and correctly did not declare itself exempt.			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 2019:</u></p>		
<p>Ensure VAT returns are submitted on a timely basis.</p>		
<p>The council failed to submit the December 2018 VAT return on a timely basis. This should have been submitted by 7th February 2019 however the return was not submitted until May 2019, during our audit visit.</p> <p>The late submission of the return was due to the failure of the login details to be passed on to the Accounts Clerk following the Deputy Town Clerk leaving the council.</p> <p>We believe this is a one off issue. The late filing has occurred purely due to the Accounts Clerk not having the Government Gateway login details to be able to submit the VAT return.</p> <p>Important information such as these login details must be passed on to those responsible for completing such tasks to avoid anything similar happening in the future.</p>	<p>This issue is now resolved as the Finance Assistant has a new login, and this information is also held by the Town Clerk and Deputy Town Clerk.</p>	<p>This issue has now been resolved. All VAT returns during the 2019/20 financial year were submitted on a timely basis.</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 2019:</u></p> <p>Ensure tenders are retained for all projects exceeding £25,000 and can easily be located.</p>		
<p>During the audit testing for purchases above £25,000, it was noted that a lot of the tender documentation was difficult to pull together with one instance of even having to go back to the supplier for the information.</p> <p>This was noted during the 2018 internal audit but appears the recommendation was not implemented.</p> <p>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.</p>	<p>A Review of financial reporting practices has set up the individual tender folders and a financial decision trail is now minuted through both the appropriate committee and the Finance Committee.</p>	<p>This issue has now been resolved. All purchases above £10,000 that were tested had sufficient tender documentation provided in line with the financial regulations.</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 2019:</u></p> <p>Ensure pro forma schedule is completed in full for every credit card transaction.</p>		
<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>It was identified that in some cases, order numbers were missing from the proformas. It is stated in the systems and controls that 'all purchases require order numbers.'</p> <p>There was also a case where the only signature on the Town Clerk's credit card pro forma was her own. This should have been signed by the Deputy Town Clerk also.</p> <p>It is recommended that the credit card proforma is completed in full for all members. Order numbers should be given for all purchases made on the credit card, this indicates authorisation prior to the purchase.</p> <p>Following this, all should be signed off by either the Town Clerk or Mayor. The Town Clerk and Mayor cannot sign off their own credit card expenses without a second authorisation.</p>	<p>The Mayor does not have a credit card and the Deputy Town Clerk is now a signatory as well as the Town Clerk and the Mayor to ensure the paperwork is signed off appropriately.</p>	<p>Issues remain with the authorisation of credit cards.</p> <p>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 2019:</u></p>		
<p>Ensure 'Awaiting Authorisation' reports are authorised by the finance committee before payment is made from the Unity Account.</p>		
<p>It was noted during our audit field work that in May 2018 there was a situation where by the 'Awaiting Authorisation' listing on the Unity Trust bank account did not indicate any authorisation for payment by the finance committee members.</p> <p>The backing report from sage was signed by three Finance Committee members, however the 'Awaiting Authorisation' listing should have also be signed.</p> <p>Although it is visible from logging into the online bank account to see who has authorised payments, those authorising should also indicate their approval on the 'Awaiting Authorisation' listing on the Unity Bank account.</p>	<p>A screen print form the Unity Bank page will now be signed and filed with the backing report from SAGE.</p>	<p>Issues noted in relation to evidence of approval of payments in line with the bank mandate.</p> <p>See Recommendation 5.</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 2019:</u></p>		
<p>Ensure VAT is charged at the appropriate rate on rental properties.</p>		
<p>It was noted during our fieldwork that VAT was charged on two rental receipts during the year. Confusion may have arisen due to opting to tax a property during the year. However, this property has not been opted to tax and VAT should not have been paid.</p> <p>This resulted in VAT of £160.98 being paid to HMRC.</p> <p>It is recommended that care is taken to ensure VAT is only charged on properties which have been opted to tax.</p>	<p>A review of buildings opted to tax will be carried out and the finance staff updated appropriately.</p>	<p>This remains an ongoing issue. Lovewell Blake have been carrying out review.</p> <p>See Recommendation 3</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 2019:</u></p> <p>Ensure income is correctly accounted for during the period and appropriate accounting adjustments have been made.</p>		
<p>Several differences were identified during the audit fieldwork on property income between the rent per agreements and the rent recorded in the nominal.</p> <p>It was identified that this was due to the incorrect postings of accrued and deferred income at the year end.</p> <p>There were cases where this resulted in 15 months of rent being recorded and other cases where income was under recorded, with only 11 months being included in the nominal.</p> <p>It is recommended that property income is reviewed at the end of the year and compared to the relevant rental agreements.</p> <p>Journals should then be posted to account for accrued and deferred income.</p>	<p>Adjusted accrued and deferred income during 2019 internal audit.</p>	<p>No issues identified during final internal audit work in 2020.</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 2019:</u></p> <p>Ensure rent charged to tenants is in line with rental agreement.</p>		
<p>It was noted during our fieldwork in 2018 that the rental value invoiced for Shambles 2 and 3 was switched in April 2015. This resulted in Shambles 2 being overcharged and Shambles 3 being undercharged by £36.25 per quarter.</p> <p>Whilst this did not occur this year, rent was £36.28 higher than the rental agreement for Shambles 3 for the year.</p> <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>At the 2018 audit the Deputy Town Clerk confirmed that the original issue would be rectified by back charging Shambles 3 for the period from 5 December 2017 to the audit date when the error was identified.</p> <p>This is believed to be the reason for the additional £36.25 receipt in the year for Shambles 3.</p>	<p>It is confirmed that the above reasons for overpayment are correct.</p>	<p>No issues identified during 2020 Internal audit.</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 2019:</u></p> <p>Ensure Salary confirmation letters are retained for all employees.</p>		
<p>During the audit testing we were unable to obtain any confirmation of current salaries from letters signed or sent to employees.</p> <p>The council keep a spreadsheet of employees' salaries. No formal documentation could be obtained to agree these.</p> <p>It is recommended that salary increase letters are sent to employees. A copy of this should be retained by the council.</p>	<p>This is normal practice and letters were sent out as a duty of the previous Deputy Town Clerk, however we could not locate the letters on the management drive for the audit.</p> <p>This year's letters have been sent out to all staff by the Finance Assistant, scanned and held on the management drive.</p>	<p>No issues identified during 2020 Internal audit.</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 2019:</u></p> <p>Ensure that proceeds from the sale of items which are not on the fixed asset register are shown in sundry income.</p>		
<p>During the audit testing we reviewed the sage code for 'Sale of Fixed Assets'</p> <p>We identified that a number of sundry sales, for items not on the fixed asset register, were recorded within this nominal.</p> <p>Following this we also identified that no adjustments had been made to the Councils fixed asset register for assets disposed of during the year.</p> <p>It was recommended at the time of that audit that all of the sales proceeds for small items, which were not on the fixed asset register, are moved to sundry income.</p> <p>Going forward, it is recommended that the Council should ensure that where proceeds are shown in sundry income it relates to an item which is not on the fixed asset register.</p> <p>The fixed asset register should then be updated for disposals.</p>	<p>All SAGE codes have been reviewed and revised, there is now appropriate coding for both fixed assets and other sundry income.</p>	<p>No issues identified during 2020 Internal audit.</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 2019:</u></p>		
<p>Ensure an up to date fixed asset register is maintained.</p>		
<p>The asset register provided for the 2019 audit included items which had been disposed of in the previous financial year, therefore the net book value (NBV) did not agree to the Sage trial balance provided.</p> <p>It is recommended that the council keeps an up to date fixed asset register which is complete and maintained. The final NBV on this should agree to the information held in Sage.</p> <p>It is also important that the register is accurately maintained so the council have a complete record of the assets they hold.</p>	<p>The asset register will be fully reviewed and updated.</p>	<p>No issues identified during 2020 Internal audit.</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 2019:</u></p>		
<p>Ensure the financial regulations are updated to reflect the fact that some properties do not have title deeds.</p>		
<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> <p>This was noted in the 2018 audit too but the financial regulations have not yet been updated.</p> <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>	<p>The Financial Regulations have been amended to reflect this and will go to the June Finance Committee meeting for adoption.</p>	<p>Point 17.1 in the financial regulations has been updated.</p>

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 and 5
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 and reserves were appropriate .	Satisfactory
Income complete	Expected income was fully received, based on correct prices, properly recorded and promptly banked and VAT was appropriately accounted for.	Recommendation 2 and 3
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.	Recommendation 4
Assets safeguarded	Assets and investment registers were complete and accurate and properly maintained.	Satisfactory
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 (income and 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.	Satisfactory
The council has met its responsibilities as a trustee	Trust funds (including charitable). The council met its responsibilities as a trustee.	Satisfactory
Provision for the exercise of public rights	The authority has demonstrated that during summer 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.	Satisfactory
Exemption from limited assurance review	The authority did not meet the exemption criteria of a limited assurance review and correctly did not declare itself exempt.	Satisfactory

5. OBSERVATIONS AND RECOMMENDATIONS

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>A significant number of cases were identified where appropriate authorisation was not given on the credit card proforma.</p> <p>There were several cases, mostly dated between September 2019 and March 2020, where the credit card proforma had not been signed off by neither the card holder nor Town Clerk or Deputy Town Clerk in line with the council's financial regulations. A few cases were also identified where the card holder had signed the form but not the Town Clerk or Deputy Town Clerk.</p> <p>In addition, it was noted that in some cases, the monthly schedules submitted to the finance team had not been signed by the Town Clerk or the Mayor.</p>
Recommendation	<p>It is recommended that improvements are made to ensure appropriate authorisation of credit card expenditure is given and evidenced by signature on the proforma schedule by either the Town Clerk or the Deputy Town Clerk. Card holders should also ensure they sign their own proforma schedule.</p> <p>In addition, the council's systems and controls state that the monthly schedules submitted to the finance team must also be approved by the Town Clerk or Mayor. It is recommended this approval is evidenced by a signature on the schedule.</p>
Significance Level	Level 2
Responsibility	Town Clerk / Deputy Town Clerk / Mayor
Management response	<p>Credit cards continue to be a challenge. There is a significant delay in obtaining the supporting documentation which makes getting the schedules approved on a timely basis extremely difficult. We will incorporate credit card purchasing into the normal purchasing systems which we are currently improving.</p>

Recommendation 2: Expected income was fully received, based on correct prices, properly recorded and promptly banked and VAT was appropriately accounted for.

Observation	<p>During our audit fieldwork we were made aware of issues relating to the theft of cash by the old market cash collector.</p> <p>The council's previous cash collection process only required one signature on the cash collection sheets, being that of the cash collector. The cash collector is then responsible for banking that cash into the Unity bank account. This process lacked a level of supervision and review, which led to issues relating to theft of cash. These issues were identified by the finance team, as no cash was written on the sheets as being collected.</p> <p>The old market cash collector was dismissed in December 2019. The council also further improved its process around cash collection by requiring two signatures on the cash collection sheets from November 2019 to ensure a level of oversight and supervision in this process.</p>
Recommendation	<p>Based on our testing of a sample of market income cash collections, the council's new process is being followed as designed, as each cash collection sheet contained two signatures of approval. In addition, we verified the cash collected per the sheets was deposited into the Unity bank account.</p> <p>While it appears this issue has been resolved, we recommend this process is continuously monitored to ensure the process is being followed as designed, with any deviations from the process investigated and resolved to avoid similar issues in the future.</p>
Significance Level	Level 2
Responsibility	Town Clerk / Deputy Town Clerk
Management response	We will continue to monitor the cash collection processes.

Recommendation 3: Expected income was fully received, based on correct prices, properly recorded and promptly banked and VAT was appropriately accounted for.

Observation	<p>During our internal audit visit we were made aware of issues the council was facing regarding to the opting to tax of properties. There were properties which had been opted to tax which the council was not aware of, until the receipt of a letter from HMRC this year.</p> <p>Lovewell Blake are investigating the issue and it is likely that the council will have a payment to make due to the historic errors.</p>
Recommendation	<p>We recommend that the council now ensures that VAT is only charged on the properties opted to tax. A payment should also be made to HMRC for any VAT owed on these properties following the completion of work by Lovewell Blake. We note that £40k has been accrued as an estimate.</p>
Significance Level	Level 2
Responsibility	Town Clerk / Deputy Town Clerk
Management response	<p>We are confident that these issues will be addressed during the current year and are taking steps to address VAT issues. We have already partly addressed some of the VAT issues we faced. We are working with our service provider to improve our VAT recording processes.</p>

Recommendation 4: Salaries to employees and allowances to members were paid in accordance with council approvals and PAYE / NI requirements were properly applied.





Observation	<p>During the audit testing two months were identified where the monthly wages checklist had not been signed off by the Town Clerk and Deputy Town Clerk.</p> <p>There were also no copies of the September payslips in the file and these had to be requested from Lovewell Blake, indicating that the appropriate checks would not have been carried out in this month.</p>
Recommendation	<p>It is recommended that payroll reports from Lovewell Blake are reviewed and the checklist is signed off appropriately, in line with the council's systems and controls.</p>
Significance Level	<p>Level 2</p>
Responsibility	<p>Town Clerk / Deputy Town Clerk</p>
Management response	<p>The September 2019 payslips were reviewed as this is done before our payroll providers finalise the payroll.</p> <p>The monthly wage checklists are signed off. There may have been occasions where there was a delay because of annual leave. However, we will ensure that these processes are done timely.</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 that the payment authorisation process was changed in the year, where evidence of approval of payments are signed by the appropriate individual in line with the bank mandate to evidence approval of the payment.</p> <p>It was noted in our testing that not all payment runs were signed by the appropriate individual, being the Town Clerk for payments up to £15,000, one councillor for payments between £15,000 and £25,000 and two councillors for payments greater than £25,000. As a result, there was no evidence of approval of the payments.</p>
Recommendation	<p>It is recommended that payment details are signed by the Town Clerk, Deputy Town Clerk, and/or councillor(s) as evidence of review and approval of payments in line with the bank mandate.</p>
Significance Level	<p>Level 2</p>
Responsibility	<p>Town Clerk / Deputy Town Clerk</p>
Management response	<p>We will ensure payments are signed as evidence of review and approval.</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 or 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.