



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

Prepared for the Board of Councillors

Year ended 31st March 2016



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 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.

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 Sarah Lewis and Maurice Howard.

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

1.0 Introduction

1.1. Internal Audit is a statutory requirement for local authorities under the revised Accounts & Audit Regulations 2011, 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. The Council has recognised this statutory requirement in its financial regulations.

1.2. The new Accounts and Audit Regulations 2015 for English local authorities (including police and fire bodies) came into force from 1 April 2015 for the accounting year 2015/16. The new regulations recognise the need to follow public sector internal audit standards and also remove the need for a separate review of the effectiveness of internal audit.

1.3. The regulations make changes to the publication of the accounts and annual governance statement. These, together with a narrative statement on the use of resources should be published by 31 July. The audit opinion should also be published by this date or 'as soon as reasonably practicable'. This date applies from 2017/18 – until then the date remains as 30 September.

1.4. 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 4(2) of the Accounts and Audit Regulations 2011).

1.5. This report summarises the scheduled, unplanned and investigation work undertaken by internal audit during the financial year 2015/16. It focusses on the outcomes of audit reviews, management actions, counter fraud activities and service performance.

1.6. 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.

1.7. 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.

1.8 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.

1.9 Objectives and Scope



The overall objectives of this review is 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.

1.10 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	

1.11 Key Findings

We have raised three recommendations, all of which are categorized 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

- The client is aware that a signature is necessary on all purchase invoices as per the council's accounting procedures. It is important to ensure expenditure is for the purposes of the council and approved appropriately.
- From the review in 2016, it is evident that there is now a full accounting procedures document in place outlining the various tasks involved with purchase ledger, sales ledger, cash procedures, month-end, wages, VAT, goods ordering and budget setting etc. It would be advisable to add a section on the accounting process for fixed assets and the disposal process. It is recommended that the process of accounting for additions and disposals of capital expenditure is documented and the authorisation process is included in the manual.
- Introduce a signature or evidence of a check as part of the VAT returns process to indicate that the Town Clerk has checked and approved the return as satisfactory.
- Ensure the limits set in respect of credit card transactions are adhered to as per the financial regulations, or alternatively consider if the limits are appropriate.
- Due to the changes in personnel occurring closely after the year-end it will be advisable to check the procedures are updated in 2016 reflecting new employees' responsibilities and tasks completed with the accounting procedures.
- As a result of two key management personnel leaving after the year-end it would be appropriate to update the procedures manual in order to document personnel's new administrative duties. It would be important to document these duties to ensure tasks are appropriately assigned to the new individuals to ensure adherence with the Council's financial regulations and procedures.
- Following the recent changes in key management it was observed that consideration should be given to the notice period of those in critical positions. Sufficient notice periods should ensure a formal agreement of revised duties and responsibilities for staff members, provide time for an appropriate handover to take place, and reduce the risk of controls not being amended as agreed before a staff member leaves their post.

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 / Finance Manager.

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, 2 & 4
Risk assessment adequate	The council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.			Recommendation 3 & 5
Budgetary process	The annual precept 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.			Observation
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.			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 (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.			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

4. OBSERVATIONS AND RECOMMENDATIONS FROM THE PREVIOUS REVIEW

As part of the Council's ongoing internal controls review process, the control objectives was subject to a review in previous years. A summary of the recommendations made by Knights Lowe in connection with the internal audit for the years March 2014 & 2015 can be seen in the table below alongside details of the Council's proposed actions.

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 2014:</u></p> <p>Appropriate books of account have been properly maintained throughout the year.</p>		
<p>Although payment lists are not required to be authorised by the finance committee, they should be signed and dated as evidence that they were the actual lists discussed at the meeting.</p> <p>These lists can then be passed to the Council and not only signed by the Chairman, but also dated. This will provide an audit trail to demonstrate that the procedures are adhered to.</p> <p>All documents requiring signatures are signed at the time and subsequently filed as soon as possible to ensure books and records are properly kept throughout the year.</p>	<p>The original reports had been signed but not attached to Full Council papers. This was an oversight and was then rectified.</p> <p>Client advised in May 2014 that in future original documents agreed by finance committee will be signed by the Chair. The signed documents will then be presented to the Mayor at Full Council for counter signature and dating.</p>	<p>Discussed with the Finance Manager during the audit testing and it was evident from reviewing a sample of original documents that the Committee Secretary ensured the documents had been signed by the chair and counter-signed by the Mayor at full council appropriately.</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 2015:</u></p> <p>The council financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.</p>		
<p>All invoices are clearly cross referenced to the underlying order or approval.</p> <p>It may not have been practicable or deemed necessary by the RFO at the time to issue and order number.</p> <p>Consider stating this on the invoice where the order number would normally be written to show this was considered.</p>	<p>All staff and Councillors are aware of the need and importance of order numbers. Any invoice without an order number has to be signed off by the Clerk with an explanation which did happen on the sample selected in 2015.</p> <p>In 2015 there was one instance where no order number was found. The invoice was passed to the RFO to agree and authorise the invoice to be processed.</p>	<p>All samples had an order number, however, there was one sample where the RFO had not examined and verified the invoice.</p> <p>The client is aware that a signature is necessary on all purchase invoices as per the councils accounting procedures. It is important to ensure expenditure is for the purposes of the council and approved appropriately.</p> <p>Please see observations during 2016 audit relating to this area.</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 2015:</u></p> <p>The council financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.</p>		
<p>Remind councillors of their responsibilities and ensure spends over the current limit are entered on to the Tender register.</p> <p>If there is reason not to put a job out to tender due to technical knowledge or ability this should be documented.</p>	<p>This was a decision that was made by Committee Minute 847 /13 10th March 2014 and put straight to Council for resolution. It is made clear in the Committee Minutes that the discussion in the meeting was specific to appointing Mr Ashton due to his 'value'. Whilst only the recommendation is minuted at full council all Councillors would have been reading from the Committee minutes at that point. However, this will be clarified in full council minutes in the future.</p>	<p>During the audit fieldwork, it was observed that the tender process was adhered to for expenditure over the specific limits set out per 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 2014 and 2015:</u></p>														
<p>The council assessed the significant risks to achieving its objectives and had adequate arrangements to manage these.</p>														
<p>Although this is not specifically required by the Financial Regulations, it is recommended that the procedures manual should be reviewed and updated to ensure it covers at least the key/critical functions and processes of the Council.</p>	<p>It was noted in 2014 that the procedures would be updated. A schedule has been produced of accounting deadlines but the procedures have not been updated.</p> <p>The Council should ensure the procedures are updated regularly to reflect any changes.</p> <p>This is a time intensive task which the officers are committed to undertake. A start has been made but work load has hampered progress. It is hoped that an expected reduced workload in the future will allow time to complete this important task.</p>	<p>From the review in 2016, it is evident that there is now a full accounting procedures document in place outlining the various tasks involved with purchase ledger, sales ledger, cash procedures, month-end, wages, VAT, goods ordering and budget setting etc. However, it would be advisable to add a section on the accounting process for fixed assets and the disposal process.</p> <p>Due to the changes in personnel occurring closely after the year-end it is also advisable to check the procedures are updated in 2016 reflecting new employees' responsibilities and tasks completed with the accounting procedures.</p> <p>Please see observations during 2016 audit relating to this area.</p>												
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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 2015:</u></p>		
<p>Expected income was fully received, based on correct prices, properly recorded and promptly banked and VAT appropriately accounted for.</p>		
<p>The potential for bad debts was identified on the tenants at the Charles Burrell Centre.</p> <p>Although this did not materialize, it highlights the lack of proper credit control procedures in place.</p>	<p>The incidence of bad debt in the Council's recent financial history is extremely low. In the case of the Charles Burrell Centre debts were assessed in committee meetings but generally there were reasons where small debts had been built. The threat of revoking leases was constantly considered but not acted upon due to the ongoing dialogue with tenants.</p>	<p>As discussed with the Finance Manager, this is no longer an issue as the Charles Burrell Centre is no longer being managed by Thetford Town Council.</p> <p>On inspection of credit control and recoverability of debtors it was apparent that good controls were in place for collection of receipts from customers and amounts outstanding at the year end were recoverable. Therefore, no issues going forward.</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 2014 and 2015:</u></p>		
<p>Salaries to employees were paid in accordance with council approvals and PAYE and NI requirements were properly applied.</p>		
<p>Further to the observations in 2014, the input VAT on reimbursed mileage claims is not being reclaimed by the Council.</p> <p>Although the amounts are very small VAT should be reclaimed where possible on all applicable expenditure. This should be entered onto Sage at the same time as inputting the payment.</p>	<p>From the sample selected in 2015, it did not appear that vat is claimed on mileage in most instances.</p>	<p>It was evident that VAT is now being claimed on reimbursed mileage claims. I discussed this change with the Finance Manager and it was apparent that VAT is now being entered onto Sage and claimed appropriately.</p>
<p>Ensure the monthly payroll summaries are signed to evidence the checks.</p> <p>Although the payroll summaries are checked by the RFO, these are not all evidenced by a signature. The RFO is responsible for all salary payments according to the Financial Regulations.</p>	<p>A checklist has been formulated to allow authorization of salaries to be easily carried out on a monthly basis by the Town Clerk.</p>	<p>It was evident from our salary testing that the checklist was in place and there was evidence of a signature from the Town Clerk.</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, 2 & 4
Risk assessment adequate	The council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	Recommendation 3 & 5
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.	Satisfactory
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.	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 (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: All invoices are clearly cross referenced to the underlying order and appropriately approved by the RFO.

<p>Observation</p>	<p>Of the 30 purchase transactions that were tested, a sample of 1 had not been correctly approved.</p> <ul style="list-style-type: none"> • During the expenditure testing, the RFO had not adequately examined and approved a purchase invoice. <p>The finance team has strong procedures in place for raising and approving purchase invoices. The RFO will check that the work has been sufficiently completed and that is evidenced by a signature before payment.</p> <p>However, one of the invoices tested was not checked and signed appropriately, suggesting that the process is not always operating as it should.</p> <p>Overall, it was apparent that the procedures in place were operating effectively as 29 of the 30 expenditure invoices tested had been appropriately examined and verified by the Town Clerk or Deputy.</p>
<p>Recommendation</p>	<p>It is recommended that approval of invoices takes place on all expenditure as set out in the financial regulations.</p> <p>It is imperative that the invoice is checked to ensure the appropriate work has been carried out. For example, the prices, product description and delivery terms detailed on the purchase invoice match the purchase order.</p> <p>Furthermore, it will ensure expenditure is for the purpose of the council and in line with expectations.</p>
<p>Significance Level</p>	<p>Level 2</p>
<p>Responsibility</p>	<p>Town Clerk / Deputy Town Clerk</p>
<p>Management response</p>	<p>The invoice in question was a routine Total Butler invoice and the non signing was a pure oversight. The procedure for signing off payment runs is likely to change as a result of a change in personnel and all invoices will be checked for signature before approval for payment.</p>

Recommendation 2: Credit card usage should be used for the purpose of the councils operations and the credit card balance should be kept below the transactional limit of £1,500.

<p>Observation</p>	<p>During the audit testing for credit card usage, one particular sample tested was above the limit of £1,500 per transaction – and the maximum balance limit per the credit card of £3,000.</p> <ul style="list-style-type: none"> • During the credit card expenditure testing, the balance on the credit card exceeded the amount stipulated in the financial regulations. <p>The finance manager illustrated that credit cards are used very infrequently and only four people in the council are authorised to use. Furthermore, the council occasionally obtains approval from Barclays to exceed the limit for one off transactions.</p> <p>Generally, the credit card is mainly used for the purchase of equipment for the Carnegie room which will require approval by the RFO. Overall, there are sufficient controls around the monitoring and approving of credit cards in the council.</p> <p>The credit card transactions are kept in a monthly file which is checked against the statements by the Finance Manager.</p>
<p>Recommendation</p>	<p>It is recommended that the council do not breach the transactional limit of £1,500 as set out with Barclays and in the financial regulations.</p> <p>Alternatively the agreement with Barclays and financial regulations should be reviewed to consider whether the limit set is appropriate – or outline the process required to deal with transactions if they exceed this limit.</p> <p>Alternatively, other payment methods may be considered, for example using the bank account. Ideally, stricter controls need to be in place to ensure the limit is not exceeded in the future and the council remains compliant with the financial regulations.</p>
<p>Significance Level</p>	<p>Level 2</p>
<p>Responsibility</p>	<p>Town Clerk / Deputy Town Clerk</p>
<p>Management response</p>	<p>There were two purchases over the credit limit during the year relating to equipment bought for the Carnegie Room from a European supplier.</p> <p>In both cases the Town Clerk authorised the Finance manager to increase the limit on a temporary basis. The Finance Committee should consider whether there should be an increase in the limits for the Town Clerk, or, whether it is acceptable to increase the limits for expenditure previously agreed by Councilor Committee if credit card is the most suitable method of payment.</p>

Recommendation 3: A detailed procedures manual covering financial and administrative processes will need updating to reflect certain changes in the council.

<p>Observation</p>	<p>The finance manager has produced a manual covering various aspects of accounting and administrative procedures however the following areas do not appear to be covered:</p> <ul style="list-style-type: none"> • On review of the accounting procedures it was apparent that there were no documented procedures surrounding fixed assets. • From discussions with the finance manager after the year-end, it was apparent that two key management employees would be leaving and therefore it would be appropriate to update the Council's procedures based on each individual's responsibilities. <p>The finance manager keeps an up-to-date register detailing summaries of the fixed assets held by the council. Furthermore, the procedures manual outlines who is responsible for certain tasks and who should authorise various procedures.</p>
<p>Recommendation</p>	<p>1. It is recommended that the process of accounting for additions and disposals of capital expenditure is documented and the authorization process in the manual.</p> <p>Although, this is not required by the financial regulations, it is recommended that procedures are in place and reviewed regularly. The purchase and disposal of assets will be important to the activities of the council and therefore will need to be regularly reviewed.</p> <p>Evidence of a review would be appropriate to ascertain if any items become obsolete or have been scrapped during the year.</p> <p>2. As a result of two key management personnel leaving after the year-end it would be appropriate to update the procedures manual in order to document new personnel's administrative duties. It would be important to document these duties to ensure tasks are appropriately assigned to the new individuals to ensure adherence with the Council's financial regulations and procedures.</p>
<p>Significance Level</p>	<p>Level 2</p>
<p>Responsibility</p>	<p>Finance Manager</p>
<p>Management response</p>	<p>The changes in personnel occurred after the year-end but procedures have been updated for the new appointments where necessary. It has been agreed that in future any disposals of significant assets should be noted in the relevant committee, stating method of disposal and any proceeds received. A policy will be formulated and included in the procedures manual.</p>

Recommendation 4: Ensure VAT returns are checked and signed off appropriately by the RFO.





Observation	<p>The finance manager produces VAT returns quarterly on Sage accounting software and submits the returns appropriately to HMRC.</p> <ul style="list-style-type: none"> On review of the process surrounding submitting the VAT returns it was evident that the returns are not checked or signed off as approved. <p>Although it does not stipulate in the financial regulations that VAT returns require approval, it would be appropriate to ensure an additional check by the town clerk that the information presented appears accurate and in line with expectations.</p> <p>Due to the nature of the Councils activities, a repayment is always due and as a result can be easily checked to ensure the amount to claim from HMRC is expected.</p>
Recommendation	<p>Introduce a signature or evidence of a check as part of the VAT returns process to indicate that the Town Clerk has checked and approved the return as satisfactory.</p> <p>Checks could include:</p> <ul style="list-style-type: none"> Reviewing total inputs / outputs to agree in line with the councils activities for the quarter. The Town Clerk could review the detailed VAT reports that are printed and filed behind the return to ensure nothing looks conspicuous. Evidence of a signature and date to confirm the return and supporting documentation has been checked would be recommended.
Significance Level	Level 2
Responsibility	Town Clerk / Deputy Town Clerk
Management response	In future all VAT returns will be reviewed and signed off by the Town Clerk.

Recommendation 5: Ensure procedures are updated to reflect changes in staff and consideration is given to notice periods of staff in critical positions

<p>Observation</p>	<p>It was noted that following the recent changes in personnel post year end, procedures had not been updated to reflect new employee responsibilities.</p> <p>Without the procedures manual being updated to reflect these changes, it could mean tasks are completed by individuals not appropriately designed to deal with.</p> <p>Furthermore it was identified that those personnel whom had left post year end did not appear to have notice periods which reflected their position within the Council, and increased the potential for the Council to be unable to carry out its services in full due to the lack of handover to staff taking on these new responsibilities.</p>
<p>Recommendation</p>	<p>We would recommend that the procedures manual is updated to reflect personnel's new administrative duties, and ensure that these adhere to the Council's financial regulations.</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 position to take place.</p>
<p>Significance Level</p>	<p>Level 2</p>
<p>Responsibility</p>	<p>Town Clerk / Deputy Town Clerk</p>
<p>Management response</p>	<p>When the audit took place the key member of staff (the Town Clerk/RFO) had not left. The tasks allocated to the RFO are signing off salaries, payments and bank reconciliations. The Acting Town Clerk has completed these tasks since his departure.</p> <p>Your comments regarding the notice periods will be referred to the Personnel Committee for consideration.</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.