

Internal Audit Plan

2014/15

Bradley Stoke Town
Council

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"To deliver dynamic excellent services to our customers which provide assurance that the Council's resources and risks are properly managed."

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Background Information

Audit Staff Completing the Review:

Maria Bowes – Audit Officer

Officers Contributing to the Review:

We are grateful to the following officers for their help during this review:

Rachel Pullen - Finance Manager and RFO

Sharon Petela - Town Clerk

Pat Louca - Booking & Finance Officer

Victoria Davies - Health & Safety / Admin Officer

John Rendell - Deputy Town Clerk

Planned and Actual Time:

We planned to complete the review in 3 days, and this is how long we took to complete the work (to include year end).

Supporting Information:

The supporting information we referred to when completing the review included:

The Council's Standing Orders

Minutes of Council meetings

Payroll and Accounting Records

Bank account records

Supporting documentation including paid invoices and copies of quotations.

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Our Report has been distributed to:

Sharon Petela - Town Clerk

Rachel Pullen - Finance Manager and RFO

1 Introduction

- 1.1 A review of the financial procedures in operation at Bradley Stoke Town Council for financial year 2014/15 has been completed in accordance with the agreement signed in 2014 between the Parish Council and South Gloucestershire.
- 1.2 For the financial year, the Parish Council precept is a total of £764,877, paid in two instalments.

2 Audit approach

- 2.1 In accordance with best practice, a systems based approach has been adopted for this review which involves the structured evaluation of the internal controls operating.

3 Opinion & Conclusions

- 3.1 Our agreement with the Parish Council requires us to provide an annual assurance statement and this audit report contributes to that statement, by forming an opinion on the systems operated. We adopt three levels of opinion and these are described in Appendix 1 of this report.
- 3.2 In evaluating the Parish Council's procedures, we sought to assess them against the requirements of the Audit Commission's annual return for town and parish councils. Our assessment of the extent to which these objectives are being met, which are provided in the Control Environment table at section 5, helps form our overall opinion.

- 3.3 Our opinion is that the arrangements examined during the audit are of a **High Standard**. This means that full reliance can be placed on the arrangements operating and only minor recommendations have been made.

We identified the following strengths:

- The Council's budget and precept is set as part of a proper budgetary process involving detailed ongoing forward planning across years. Reserves are earmarked, for example, premises' repairs and maintenance and an on going programme of replacement and maintenance for the play areas;
- Controls are in place and operating well for purchasing and income and a clear separation of duties is in place, both in the office and within system controls;
- Purchases made are appropriate and Creditors are paid promptly with a full audit trail;
- Income is collected and banked promptly, clearly itemised and again a full audit trail exists.

We identified the following areas where we consider management action is appropriate:

- The payment Schedule presented to Councillors at each meeting is very lengthy and small errors have occurred due to the need to retype all these payments. Consideration should be given to presenting a report of the commitments directly from Sage to avoid duplication and the potential for error;
- Care should be taking when presenting quotation figures to Councillors; that all amounts have been calculated on the same basis. Where there is not much of a difference in the amounts this could make a difference on the selected contractor;
- It was decided during the course of the audit to remove the European Tendering figure completely to prevent the need for having to update the Standing Orders every time there is a change (usually every January). Instead reference will just be made to the fact that the levels exist and must be adhered to. This is going to be updated within the present month of January 2015 and presented for approval once other updates have been completed.

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4 Way forward

- 4.1 The matters arising have been assessed taking account of the likelihood of occurrence and the degree of impact. The resulting recommendations have been prioritised according to whether implementation is of a High, Medium or Low priority.

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5 The Control Environment

Key Control Objectives:		Achieved?
1	Appropriate accounting records have been kept properly throughout the year.	Yes
2	The body's financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT appropriately accounted for.	Yes
3	The body assessed the significant risks to achieving objectives and reviewed the adequacy of arrangements to manage these.	Yes
4	The annual taxation or levy or funding requirement resulted from an adequate budgetary process; progress against budget was regularly monitored; and reserves were appropriate.	Yes
5	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT appropriately accounted for.	Yes
6	Petty cash payments were properly supported by receipts, all expenditure was approved and VAT appropriately accounted for.	Yes
7	Salaries to employees and allowances to members were paid in accordance with body approvals, and PAYE and NI requirements were properly applied.	Yes
8	Asset and investment registers were complete and accurate and properly maintained.	Not tested this time
9	Periodic and year-end bank account reconciliations are properly carried out.	Yes
10	Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, were supported by an adequate audit trail from underlying records, and, where appropriate, debtors and creditors were properly recorded.	Yes

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No.	Matters Arising from Review	Potential Consequence	Recommendations & Management Comment (Where Applicable)	Responsible Officer and Proposed Timescale
2.	Medium Priority Recommendations			
2.1	Following the previous year's audit amounts in the Standing Orders and Financial Regulations were made consistent and the figure for European Tendering was updated. However, the level for supplies and services contracts has now changed again, and for works (construction) contracts is even higher (£4,322,012 for public sector contracting authorities in January 2014). Source: OJEC website.	If amounts are to remain the Standing Orders will need to be updated every time there is a change in amount to ensure they remain up to date.	It was decided during the course of the audit to take the figure out altogether to avoid the necessity of having to update the documentation every time the level is updated. This will be undertaken in draft as soon as possible and then brought to Council for ratification once other updates have been finalised.	Town Clerk, working in conjunction with RFO as regards the updates May 2015

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No.	Matters Arising from Review	Potential Consequence	Recommendations & Management Comment (Where Applicable)	Responsible Officer and Proposed Timescale
2.2	<p>Two payments had been incorrectly stated in the Schedule of Payments at the meeting of 19 November 2014.</p> <p>The actual amounts paid were correct however.</p>	<p>Incorrect figures have been stated.</p>	<p>As this is a busy Council, and for the meeting sampled the RFO had 61 payments to prepare and type up for the Schedule, it is recommended that: instead of typing such a lengthy list for each meeting, the commitments as entered in Sage, be presented instead, as a direct report from Sage, thereby reducing duplication and the likelihood of error.</p>	<p>RFO and Town Clerk</p> <p>April 2015</p>

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No.	Matters Arising from Review	Potential Consequence	Recommendations & Management Comment (Where Applicable)	Responsible Officer and Proposed Timescale
2.3	<p>Quotations for work may be received, for example, on an annual, quarterly, monthly or weekly basis. The Auditor identified discrepancies between the basis on which calculations had been made to reach overall annual charges for a cleaning contract, which were reported to Councillors as the Suppliers' quotations.</p> <p>It is acknowledged that these discrepancies were only identified in one contact and the Auditor reviewed quotations for several high value purchases / contracts over the course of the audit.</p> <p>It is also noted that the successful Contractor was by far the cheapest provider and this quotation was supplied and reported correctly.</p>	<p>Where quotations are very similar in value any discrepancies may affect the overall supplier selection.</p> <p>Possible non compliance with contracting regulations and the Transparency Code, including the requirement to publish the cost of an annual contract.</p>	<p>Care should be taken to ensure that all quotations have been calculated on the same basis. Where a quotation is an annual contract the Council should insist the quotation returned from the Supplier is the annual figure; not monthly, or weekly / 5 days etc to avoid the risk of error that the overall charge may be incorrectly calculated. Alternatively the weekly or monthly price may be stated but the Supplier themselves should then detail how that translates into an annual charge.</p> <p>It is especially important that it is the Contractor themselves who supply this information as some contracts will actually be for a full 12 months whereas some outdoor contracts may not be for 12 months, and therefore problems may arise if a monthly or weekly quotation is used to calculate an annual cost.</p>	<p>Town Clerk, Deputy Clerk and RFO</p> <p>Next high value purchase</p>