

# **Morecambe Town Council - Internal Audit Report 2015/16**

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Prepared by: Neil Leadbetter, Internal Auditor

### **1 Background and Scope**

The Accounts and Audit Regulations 2015 came into force on 1 April 2015 and are applicable for the annual review for the year ending 31 March 2016 onwards.

I was appointed in March 2012 and hence this is my fifth year as internal auditor.

This report sets out those areas examined during the course of my visit to the Council, which took place on 6 May 2016. I will be revisiting the office in October/November as agreed is the role of the independent internal auditor.

### **2 Internal Audit Approach**

The Accounts and Audit Regulations 2015 have resulted in changes as regards internal audit. The auditor now must take into account Public Sector Internal Auditing Standards (PSIAS). Internal audit is defined as follows:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations.

It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

My main role is to provide assurance to the Council that the internal control environment is operating soundly.

In undertaking our internal audit review for 2015/16, I have taken regard to the materiality of transactions and their susceptibility to potential misreporting or misrepresentation in the year-end Statement of Accounts.

As the Council's Internal Auditor I have a duty to complete the internal audit certificate in the Council's Annual Return, which covers the basic financial systems and requires assurances in ten separate areas. This report sets out the areas of work examined during the course my visit to the Council and will be subject to appropriate revision and update following my return visit later in the year

### **3 Overall Conclusion**

**I conclude that, in the areas examined to date this year, the Council was noted to have effective systems of financial control in place. No major issues have been identified: any minor points arising during the course of the visit were discussed with the Clerk at that time.**

**All recommendations made at the 2015 audit have been addressed.**

## **Detailed Report**

### **4 Maintenance of Accounting Records/ Bank Reconciliations / Payment Controls**

The objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers.

I therefore:

- a) Checked a random sample of the detailed cashbook transactions;
- b) Reviewed the timing and the accuracy of detail on the bank reconciliations;
- c) Are payments in the cashbook supported by invoices, authorised and minuted
- d) Verified that VAT on payments had been identified, recorded and reclaimed;
- e) Examine the level of financial reserves maintained

#### **Findings:**

- i. There were no matters arising from the sample transaction testing.**
  
- ii. I have previously reported the following and make no apology for repeating again. The Council makes significant grants to companies and voluntary bodies to undertake approved activity e.g. festivals budget, ward budgets, miscellaneous (small) grants etc. The very nature of Morecambe Town Council is an enabling authority. With this comes potential risks and therefore the Council needs to both show openness in the allocation process and demand accountability for this expenditure afterwards.**  
  
**I believe that the Council has strengthened its processes in this area in recent years but it is still something that both the staff and Members should be vigilant about.**
  
- iii. At the previous audit I suggest that the legislative power being used to give the ability to allocate grants is quoted in the Council minutes. That is now being done.**
  
- iv. From sample testing VAT on payments had been identified, recorded and reclaimed quarterly.**

### **5 Review of Corporate Governance and Risk Management**

The objective is to ensure that the Council has a robust series of corporate governance documentation in place, that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and that no actions of a potentially unlawful nature have been or are being considered for implementation.

I have therefore undertaken the following work in this area:

- a) Does a review of the minutes identify any unusual financial activity?
- b) Do minutes record the council carrying out an annual risk assessment?
- c) Is insurance cover appropriate and adequate?
- d) Are internal financial controls documented and regularly reviewed?

I reviewed of the minutes of the Full Council and Committee meetings for 2015/16 to identify whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability.

### **Findings**

- i. The standing orders and financial regulations were in order and had been formally adopted by the Council.**
  
- ii. An annual risk assessment had been reported to Council in January 2016 and is strengthened by making the responsibility for actions more specific.**

### **6 Review of Budgetary Control**

My aim here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and level of precept to be drawn down from the City Council: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

I have therefore undertaken the following work in this area:

- a) Has the Council prepared an annual budget in support of its precept?
- b) Is actual expenditure against the budget regularly reported to the Council?
- c) Are there any significant unexplained variances from budget?
- d) Has the RFO reported at least quarterly to Council Financial Statements which include budget comparisons?
- e) Has the RFO reported and explained any significant variations to Council?

### **Findings:**

**It was noted that a detail budget had been prepared and that there was regular reporting to the Council through the Finance Committee of expenditure.**

### **7 Review of Income Controls**

The aim here is to ensure that appropriate arrangements are in place for the identification of all income due to the Council, that invoices are raised (where appropriate) to recover that income and that monies are received and banked within a reasonable time frame.

However there is little income received at present by the Council other than its precept. There have been no cash transactions in the year

**Findings: No issues arising**

### **8 Asset Control**

The objective here is to ensure that appropriate arrangements are in place for the safeguarding of the Councils assets.

I have therefore undertaken the following work in this area:

- a) Does the Council maintain an appropriate Asset Register?
- b) Does an annual review of the Asset register take place annually?

**Findings: No issues arising**

### **9 Member & Officer Training and Development**

My aim here is to examine what training and development processes are in place to help both the members and the officers make the most effective decisions. Any successful organisation will have a good training and development programme. Training and development aids in organisational development i.e. organisations get more effective at decision making and problem solving. It helps in understanding and carrying out organisational policies. Training and development helps in developing leadership skills, motivation, loyalty and better attitudes.

I have therefore undertaken the following work in this area:

- a) Is a Training Strategy in place?
- b) What training has taken place?
- c) Have decisions been made which could be better informed with further training?

**Findings:**

- i. A training strategy is in place in that Members are required to attend training in finance and legal matters appropriate to each of Finance, Grants, Personnel, Festivals and Allotments committees. If no training is undertaken within three months of appointment then their membership could be rescinded. In addition the Clerk provided general finance and statutory powers training to Members during the year.**
- ii. Code of Conduct training was undertaken as required for new Members**

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