

INTERNAL AUDIT SERVICES

**BRAUNSTONE TOWN COUNCIL
2015/16**

FINAL INTERNAL AUDIT REPORT

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Mr D Tilley Executive Officer & Town Clerk	√	√
Councillor Nick Brown Leader		√

1. Executive Summary

1.1 Introduction

This audit was undertaken in accordance with the agreement to provide an Internal Audit Service to Braunstone Town Council for 2015/16.

1.2 Scope

The programme of work was undertaken to support Section 4 of the Council's Annual Return.

The following transactions/documents were sampled and examined:

- bookings agreed to invoices and receipts;
- bookings income agreed to the current schedule of charges;
- bookings income and miscellaneous income received agreed to the daily banking summaries and to the bank account statements;
- confirmation of receipt and banking of monies received from Blaby District Council, including the Precept;
- petty cash and expenditure records to ensure that payments are supported by receipts, expenditure is approved and any VAT content correctly accounted for;
- VAT returns;
- salary and timesheet records to ensure payments are in accordance with Council approvals and PAYE and NI contributions have been applied and paid over correctly;
- asset register and insurance policy to ensure compatible and accurate;
- risk register;
- Financial Accounts for year ending 31st March 2016; and
- bank reconciliations for year ending 31st March 2016.

1.3 Conclusion

The overall opinion is that systems are operating efficiently and effectively. Three recommendations have been made (see the action plan at the end of the report).

2. Detailed Findings

2.1 Bookings Diary and Income

A review of the bookings diary and income for 2015/16 was undertaken and a sample of ten bookings were selected. Tests relating to the bookings statements, receipts and daily income summaries were carried out.

Two of the bookings sampled contained incorrect treatment of VAT. The bookings included items which were subject to VAT at standard rate. The items were set out on the invoice however they were not detailed on the cash summary forms which meant the full value of the booking was allocated to a zero rated category on the applicable VAT return (sales). The total effect of the errors is £11.60 which should have been included at standard rate therefore the VAT return was £2.32 under. In order to understand and explore the frequency of this type of error I extended the testing by selecting another 5 bookings from a report which identified those bookings which included extras that could be subject to VAT. The results of the extra testing found correct VAT treatment therefore I have reasonable assurance that the original errors identified were due to the manual nature of the completion of the cash summary forms and were not systematic. Following the recent integration of the booking and finance system which took place during quarter 3 of 2015/16, I would recommend that current manual processes are reviewed to identify those which could be automated as reducing manual intervention could reduce the likelihood of errors.

One of the bookings sampled was charged at the incorrect rate – a resident rate was applied instead of a private function rate. The Resources and Facilities Manager had already identified this issue on another booking prior to the audit and had clarified the correct treatment with officers therefore no recommendation will be made in relation to this error.

2.2 Income Receipts

A sample of 10 Banking and Income Analysis sheets were reviewed and verified to the receipts, bank statements and VAT records. In addition to the VAT issue identified above, one item for £3.80 (tea/coffee relating to one booking) was correctly recorded on the Banking and Income Analysis sheet however when the transaction was created on the system a zero rate of VAT was allocated instead of a standard rate. This meant that the VAT was £0.63 under (sales).

2.3 Precept Payments

Precept payments were agreed to minutes and bank statements.

2.4 Petty Cash

A sample of four petty cash claims processed during the financial year were reviewed. All had been authorised in line with current procedures however on one claim dated 17.12.15 two items which should have been claimed at the standard VAT rate were claimed at zero rate. This totalled £8.60 under claimed on purchases.

One claim, transaction number 10687, was subsequently reversed in January 2016 as the associated cheque (109835) had not been presented. The transaction was incorrectly assumed to be a duplicate so the reversal was the incorrect treatment and meant that the expenditure was excluded from the VAT return. The cheque had not been presented as it had not been included and adjusted for in the banking for that day. Scan review of a number of other petty cash returns and banking and income analysis sheets gives me reasonable assurance that this was due to human error and is a one-off. However, this could have been identified prior to the audit had the reversal been properly reviewed and justified at the time so that correct remedial action could be taken.

2.5 Expenditure

A sample of four high value items of expenditure were selected and tested. All were found to have been appropriately authorised and accounted for correctly, including VAT.

2.6 Financial Accounts

A review of the annual accounts for the year ending 31st March 2016 was carried out and they were found to have been prepared on the correct basis and were supported by adequate audit trails to underlying records.

2.7 VAT Return

The issues identified with the VAT returns have been detailed at 2.1, 2.2 and 2.4 above.

2.8 Salaries

The Income Tax and National Insurance records for the year were examined for accuracy and to ensure that payments have been paid over correctly. All testing proved satisfactory.

A sample of employee payslips from June 2015 and September 2015 have been reviewed and compared to the employee's timesheet. Testing identified one case where an employee was paid at double time for 2 hours and time and a half for 2 hours when it should have been 4 hours for each. Details have been passed to the Executive Officer and Town Clerk.

2.9 Insurance Cover

The Asset Register was compared to the current insurance policy. This confirmed that the Council is adequately insured.

2.10 Risk Management

A review of the risk register presented annually to the Corporate Governance Sub Committee and the Policy and Resources Committee meeting minutes concluded that risk management arrangements are adequate.

2.11 Bank Reconciliations

Testing found that the bank reconciliations have been completed for the financial year in a timely manner although there were some delays in reviewing the reconciliations. Overall there has been an improvement since last year with each reconciliation being signed and dated by the preparer and reviewer.

3. Improvement Action Plan

Detailed Finding Reference	Observation	Risk	Recommendations	Priority High/Medium/Low	Officer Responsible	Action Date
2.1 & 2.2 Bookings Diary and Income and Analysis Sheets	Cash summary forms are not always completed correctly which can lead to incorrect VAT treatment for sales items.	Should a VAT inspection be carried out by HMRC it could result in fines being imposed.	Manual processes for cashing up and reconciling income to bookings should be reviewed as the recently integrated booking and finance systems may have created opportunities for automating more processes.	High	Darren Tilley	September 2016
2.4 Petty Cash	The VAT element of petty cash purchases is not always entered onto the system.	Should a VAT inspection be carried out by HMRC it could result in fines being imposed.	Staff should take care when entering petty cash records onto the system ensuring that VAT rates and amounts agree to receipts.	High	Lydia Assi	June 2016
2.4 Petty Cash	Incorrect remedial action was taken to correct an error.	Transactions are reversed without fully understanding the consequences.	Before any transactions are reversed the cause should be properly investigated to ensure the correct remedial action is being taken. The action taken and associated transaction references should be recorded to provide a satisfactory audit trail.	High	Darren Tilley	June 2016