

**REPORT BY INTERNAL AUDITOR TO  
BISHOP AUCKLAND TOWN COUNCIL  
ANNUAL AUDIT 2014/2015**

**BACKGROUND TO REPORT**

Under the provisions of the Accounts and Audit (England) Regulations 2011 Councils, such as Bishop Auckland Town Council, should arrange for an independent and suitably qualified person to carry out an internal audit who, *on the basis of an assessment of risk, should carry out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31<sup>st</sup> March.*

The internal auditor is provided with a detailed checklist ("objectives of internal control") by the external auditor (BDO Stoy Hayward for 2014/15) to which he/she is asked to state if they Agree (YES) or disagree (NO) to each entry marked A-K on the checklist. Such responses signify conclusions on whether, in all significant respects, each objective was being achieved throughout the financial year to *a standard adequate to meet the needs of the council.*

Under Section 8 of the Audit Commission Act 1998 auditors are required to report any matters which should be given formal consideration by the body or brought to the attention of the public.

**CARRYING OUT THE AUDIT**

I met with the Clerk and Chairman of the Finance Committee on 30<sup>th</sup> April 2015.

The purpose of the meeting was to examine the year end accounts for 2014/15 in accordance with the guidelines set down by the External Auditor under the checklist provided ("objectives of internal control") and the BDO Audit Briefing for Winter 2014.

Of particular importance in the areas covered were some of the procedures outlined in the Briefing note which could well have a bearing on some of the "boxes" to be completed by the Council on the annual audit return.

**KEY DATES / TIMELINE**

The BDO Audit Briefing highlights Key Dates / Timeline for Administration, Governance and Accounts & Accounts.

The main ones are as follows:-

Administration

*Approval of budget for the year ended 31<sup>st</sup> March 2016*

BDO Target date Nov – Dec 2014

BATC Actual date 20<sup>th</sup> January 2015 – Minute No TC.122/14 refers

Durham County Council deadline – 30<sup>th</sup> January 2015

Unfortunately the BDO target date is not a realistic one as the Council does not normally receive some key information from the County Council, required as part of the budgetary process, until January each year.

*Review and minute the Effectiveness of Internal Controls (including Risk Assessment)*

BDO Target date Apr – March 2014

BATC Actual date – 3<sup>rd</sup> March 2014, Minute No TC.143/14 refers

*Review the level of Fidelity Guarantee insurance cover before receipt of first precept instalment*

BDO Target date March 2015

BATC actual date – May 2015 when the Clerk contacted the Council's Insurer Zurich Municipal with a view to increasing the fidelity guarantee insurance to a more realistic level.

## **FINANCE**

### **Budget 2014/15**

It was noted that the Council received regular reports on its budget and that at the end of the financial year the out-turn figures (when adjusted for expenditure carried forward etc) were within close proximity of the original estimates. Any significant variations will be reported by the Clerk to the External Auditor when submitting the Return.

### **Precept for 2015/16**

The Precept was determined following receipt of a detailed report by the Clerk at meeting of the Council.

The Council increased the precept by 4.96% for 2015/16 and continues to ensure that it has sufficient funds available in order to:-

- a) obtain new offices bearing in mind it currently operates from somewhat inadequate second floor office accommodation for which it is currently pays a substantial charge.
- b) the impact on future income should the Council Tax Support Grant be further reduced which is already happening.
- c) the Council being restricted to increasing the council tax if a future Government should require minor Councils to hold a local referendum, for any proposed increase in their precept in excess of a stated level (currently 2%).
- d) meet the cost of the next round of Town Council elections.

### **Underspend/Carrying Forward to the new Financial Year**

I noted that the Council had underspend in some areas of its budget for 2014/15 and that these has been carried forward to a related budget or Earmarked Reserves in its accounts.

## **Balances**

The Town Council continues to have strong balances and these are within the parameters of the advice set out in the external auditor's recommendation for the level of reserves held. I understand that the Council has in mind the purchase or lease of new office accommodation which is to some extent reflected in its reserves.

## **General deposits**

I noted that that the Council has invested substantial funds with CCLA's Public Sector Deposit Fund and whilst earning a fairly low rate of interest can be accessed at reasonably short notice.

## **HMRC Real Time Payments**

I was advised that such payments are up to date and that no queries have been received from HMRC.

## **Expenditure greater than £500**

I was advised that the Town Council can easily retrieve, at short notice, details of any expenditure greater than £500.

## **Bank Deposits**

I was advised that the Council had now recovered tax that had been deducted from interest received from one of the Bonds held with the Nat West.

## **Recovery of VAT**

Whilst the council has reclaimed the vast majority of any vat paid during 2014/15 some minor payments still need to be recovered. I am advised that a claim has already been submitted to HMRC for the remaining amounts covering the period January - March 2015.

I would encourage the Council to recover as quickly as possible any vat paid within the relevant financial year.

## **Cheque Stubs**

I noted from a random check that all cheque counterfoils had been signed by 2 signatories.

## **CHAPS**

I noted that the Council incurred a bank charge of £23 when arranging a cash transfer.

I would recommend that the Council avoids such charges in future unless it is absolutely essential.

## **Tenders**

I noted that the Council had obtained competitive prices for the 3 major works carried out during 2014/15 and that in one case advice had been obtained from the County Council on all stages of the work.

## **REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT**

I noted that the Council carried out a review of the effectiveness of its own internal audit procedures on 3<sup>rd</sup> March 2015 and that the subsequent report was approved and adopted by the Council.

## **OFFICE ACCOMMODATION**

In my report for the year 2013/14 I expressed my concern at the level of “rent” charged for the Council's offices in the Four Clocks Centre.

I repeat these concerns for 2014/15 and as further evidence Appendix A sets out details of some fully serviced high specification ground offices in the Darlington area which equate to £15 per square foot (excluding telephone charges) compared with the circa £20 plus per square foot for the Council's second floor offices (excluding business rates and telephone charges).

This suggests to me that the Council is paying a substantial charge for the use of its existing second floor accommodation and needs to seek alternative, and possibly better accommodation, within its administrative area.

It could be argued that if the Council is paying over the odds for its accommodation then in effect this is tantamount to an indirect “donation” to the Landlord.

In addition the telephone charges (over £1000pa) appear high and perhaps the Council should make enquiries for a different provider.

## **INSURANCE**

### **Fidelity Cover**

The Council has maintained its cover at £250,000 which, whilst adequate for 2014/15, should be increased to £300,000 (Precept + balances at year end) for 2015/16.

The Council should review this Cover in March each year once the Precept has been set and the Council has a reasonable idea as to the level of its end of year balances. See also under Precept for 2015/16.

### **Risk Assessment**

I noted that the Council approved a schedule of identified risks at its Meeting held on 3<sup>rd</sup> March 2015.

### **Asset Register**

I was advised that the Council has not added to its assets during 2014/15 and that a schedule of assets was reported to the Council on 3<sup>rd</sup> March 2015.

### **Trees**

I was advised that following a survey of the Council's trees some work has now been carried out as part of the Council's Risk Assessment procedures.

## **Business Interruption**

Whilst the policy documents include a facility to cover business interruption the Council has not yet included any amount to cover this eventuality. It is recommended that the Clerk discusses an appropriate level of cover with its Insurers.

Whilst this might appear to be a minor issue I would strongly recommend that the Council obtains a quote for this as I would expect by the next audit some progress has been made on this matter.

## **Public Liability Cover**

I was advised that the Council has a general cover in place although it is required to advise its insurers on each event and the number of persons likely to be present.

I have asked the Clerk to check that this cover also extends to the Council's allotments. If not I would strongly recommend that it should.

## **DONATIONS / GRANTS**

It was noted that several donations had been made during 2014/15 to local groups/organisations.

Unfortunately some of the donations were made without the benefit of detailed financial statements and I would strongly advise that in future the Council insist upon any application being accompanied by a detailed financial statement and that the funds are not generally released until the items/works etc have been purchased/completed.

I am aware that one donation was made to an organisation holding over £4000 in its balances with no explanation given as to the projected costs were for the event in mind.

It might be more appropriate to highlight in a covering letter, attached to the blank application form, the following statement which I know is used by other Councils

*Please can you ensure that when you send in your completed application form you remember the supporting information:*

*(a) Current Bank Statement*

*(b) A copy of your recent accounts*

This should pick up any other accounts/assets held by the applicant.

*(c) A summary of the costings / anticipated revenue (if appropriate) of the proposed project/event*

*(c) and that the application form is signed by an authorised officer of the organisation*

## **INCOMPLETE FORMS WILL NOT BE CONSIDERED**

Where appropriate the Council should also obtain evidence that the grant has been used for the purpose intended.

## **FOOD FESTIVAL**

The Town Council once again contributed a significant amount (£10,000) to the Food Festival in 2013/14 and I was advised that whilst it was run at a significant loss the benefits to local businesses is considerable.

I was advised that the Town Council is now more involved in the Festival with more information being made available on costs and indeed has a member on the Festival Working Party.

## **ALLOTMENTS**

I understand that all rents have been collected for 2014/15, and that the rents have now been set for the next 3 years.

## **OTHER MATTERS**

### **Members Training**

I was advised that the Council has arranged for some of its Members to attend training sessions for its Members. This is to be welcomed.

## **MAIN MATTERS REQUIRING ATTENTION**

### **1) OFFICE ACCOMMODATION**

Given the substantial charge being levied for the Council's use of its existing offices seek to reduce the charge (if necessary using the services of a local estate agent) , review its telephone/broadband arrangements and continue to seek alternative office accommodation.

### **2) DONATIONS / GRANTS**

Review the Council's existing policy as per advice under **DONATIONS/GRANTS**.

### **3) FIDELITY COVER**

Review the existing cover as outlined on page 4.

## **SUMMARY OF MY REVIEW OF THE ACCOUNTS FOR 2014/15**

I am pleased to report that the Council continues to incorporate and update various systems already in place to ensure that the Council's business is conducted in accordance with current law and proper standards.

## **QUALIFICATIONS**

My report is based on a limited review of your Council's accounts and was not a full audit and should not therefore be taken as approving your Councils accounts for 2014/15.

M. G. Ackroyd  
Internal Auditor  
May 2015

## APPENDIX A

### Extract from Agents particulars

- *Close to junction 58 of the A1(M) motorway*
- *Five miles from Darlington town centre and main line railway station with frequent services to London Kings Cross*
- *Twelve miles from Durham Tees Valley Airport*
- *Frequent bus service to Darlington town centre*
- *Good cycle routes*

#### **High spec**

- *Carpeted and with suspended ceilings and vertical blinds*
- *CAT 11 lighting*
- *Perimeter wall dado and floor trunking for communications and power*
- *Shared breakout area with fitted kitchen*
- *Total eight car park spaces plus visitor and disabled parking*
- *Gas fired central heating*
- *Monitored security*

#### **Flexible space**

*The ground floor is currently divided into three units. Units A and B are available individually. Unit C is available in combination with A or B.*

*The ground floor, 195 sq m/ 2,100 sq ft net, is available for single tenancy at £1,100pm rental (plus service charge and business rates). It is currently divided into three units as shown above.*

#### **Units monthly outgoings (£) net of VAT**

<b>Unit</b>	<b>Nominal area</b>	<b>Rent</b>	<b>Serv</b>	<b>Rates</b>	<b>Total</b>	<b>Parking</b>
<i>A</i>	<i>720 sq ft</i>	<i>510</i>	<i>135</i>	<i>261</i>	<i>906</i>	<i>4</i>
<i>B</i>	<i>650 sq ft</i>	<i>460</i>	<i>120</i>	<i>243</i>	<i>823</i>	<i>3</i>
<i>C</i>	<i>280 sq ft</i>	<i>200</i>	<i>53</i>	<i>141</i>	<i>394</i>	<i>1</i>

*Service charge includes central heating and electricity, cleaning of entrance area and breakout area, building insurance, contribution to external building and site maintenance and security. Business rates quoted are based on current amounts payable, to be confirmed by the prospective tenant. All-inclusive total approximately £15 per sq ft pa.*

***Energy performance asset rating C-62***