

REPORT BY INTERNAL AUDITOR TO
BISHOP AUCKLAND TOWN COUNCIL
ANNUAL AUDIT 2016/17

BACKGROUND TO REPORT

Under the provisions of the Accounts and Audit Regulations 2015 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 31st March.*

The internal auditor is provided with a detailed checklist ("objectives of internal control") by the external auditor (BDO Stoy Hayward for 2016/17) to which he/she is asked to state if they Agree (YES) or disagree (NO) to each entry marked 1-10 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 the relevant sections of the Audit Commission Acts 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 25th and 27th April 2017.

The purpose of the meeting was to examine the year end accounts for 2016/17 in accordance with the guidelines set down by the Audit Regulations.

KEY DATES / TIMELINE

The main dates identified during the audit were as follows:-

Approval of budget for the year ending 31st March 2018

BATC actual date 17th December 2016 – Minute TC 145/16 refers

Durham County Council deadline for Precept demand – 27th January 2017 – returned by the Town Council on 17th January 2017.

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

BATC actual date – 7th March 2017

Review of Risk Assessment - Minute No TC 162/16

Review of Audit Planning – Minute No TC 163/16

Review of Effectiveness - Minute No TC 164/16

Review the level of Fidelity Guarantee insurance cover to include the precept

This remains at £500,000 which is more than adequate to cover both the end of year balances plus the annual precept paid by the County Council.

Budget/Precept for 2017/18

Alternative budgets were presented to the Full Council at a meeting held on 17th January 2017 following which it was agreed that the Precept for 2017/18 be increased by 5.1%. After taking into account the reduction in Council Tax Support Grant and an increase in Council Tax Base, the Council Tax increased by 3.65% (£1.45 for a Band D property). The Town Council continues to ensure that it has sufficient balances 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) address the impact on future income should the Council Tax Support Grant be further reduced by the County Council.
- c) deal with some major repair work on a retaining wall at the South Church allotments.
- d) meet the cost of the Town Council elections scheduled for May 2017.
- e) floodlighting in the skatepark
- f) the ongoing preparations for a Parish Plan

FINANCE

Review of the Budget for 2016/17

It was noted that the Council continues to receive regular quarterly 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 majority of the original estimates.

N.B. Total underspend for 2016/17 was £24,331, which has been transferred to the earmarked funds to support the future purchase of accommodation.

Any significant variations will be reported by the Clerk to the External Auditor when submitting the Annual Return.

Underspend/Carrying Forward to the new Financial Year

See under the Budget 2016/17 above.

Balances

The Council had a healthy balance of around £200,000 at the year end (31st March 2017) but a substantial amount of these reserves is earmarked for potentially a major project (new premises). Whilst the reserves are considerably in excess of the minimum balances normally maintained by a Council as explained above there are sound reasons

for them being unusually high.

General deposits

I noted that that the Council had now closed its account with the CCLA's Public Sector Deposit Fund (PSDF) and now holds its reserves in 6 separate accounts earning from 0.05% to 0.4% some of which can be accessed at reasonably short notice.

As the Council will be aware the Financial Services Compensation Scheme (FSCS) now covers up to the first £85,000 in appropriate cases and I was advised that the Council's deposits are held by banks etc covered by this scheme.

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 retrieve, at short notice, details of any expenditure greater than £500 and that it is now available on the Council's website.

Recovery of VAT

The current arrangements appear to enable the Council to recover the vast majority of any vat paid during the relevant financial years.

Bank Charges

I am not aware of any bank charges being incurred by the Council during 2016/17.

Cheque counterfoils

These should all be signed by those Councillors signing the accompanying cheque.

Debit card used by the Clerk

I understand that the following paragraphs are included in the Council's Financial Regulations for the Council's debit card used by the Clerk.

- 6.18 *Any Debit Card issued for use will be specifically restricted to the Clerk and will also be restricted to a single transaction maximum value of £500 unless authorised by Council or Finance Committee in writing before any order is placed.*
- 6.19 *A pre-paid debit card may be issued to employees with varying limits. These limits will be set by the Council. Transactions and purchases made will be reported to the Finance Committee and authority for topping-up shall be at the discretion of that committee.*

6.20 *The Council will not use corporate credit cards or trade cards.
Personal credit or debit cards of members or staff shall only be used under
exceptional circumstances and be reported to the next Finance Committee.*

This arrangement would appear satisfactory but worth clarifying with the Council's Insurers that it is adequate for the Fidelity Guarantee cover it has with them

TENDERS

I was advised that the Council was involved with 3 different tender scenarios:-

Printer/Photocopier

The Council decide that it wished to lease (rather than an outright purchase) a new printer/photocopier and obtained 3 quotes for 3/5 year maintenance agreement which, as it happened, resulted in a price well under the Council's threshold for estimates being obtained.

The Council's Insurance

As the Council's existing insurance arrangements were coming to an end it was decided to invite quotations for a new 3 year agreement - again the lowest received was under the Council's threshold for written quotations being obtained. The lowest tender was from the Council's existing Insurers Zurich Municipal.

The Skate Park lighting

I was advised of the somewhat complicated history behind the construction of the Skate Park and the Council's involvement in the commissioning, construction and payment of the skate park lighting.

I am aware that both Groundwork and the County Council have been actively involved in this project and that the Town Council's role has progressed from offering funding up to £7,500.

BATC has taken on responsibility for the project and future maintenance of the lights. The work is being project managed by Groundwork Trust.

I understand that whilst work has been completed the Town Council has held back a retainer until the lights have been adequately tested.

Some issues which were identified with this particular project were:-

- 1) The Council intended to turn off the lights (when operational) at 21.00 hours whereas the Planning Permission Certificate indicates an earlier time of 20.00 hours. The Council will need to adjust the timer on the lights accordingly or seek planning permission to extend the time by 1 hour.
- 2) The Council is initially sourcing the power required for the lights from npower. I would recommend that after the first season the Council's obtains quotes from other suppliers to service the skatelights.

General comment

I understand that the Council has 3 forms of tendering (where such rules apply)

- i) £1000 - £2500 (net of vat) 3 estimates obtained
- ii) £2501 - £10000 (ditto) 3 written quotations obtained
- iii) £10001 + 3 or more tenders obtained

INSURANCE

Fidelity Cover

As mentioned elsewhere in this report the Council has now increased its Fidelity cover to £500,000.

The Council should review this level of cover annually.

Risk Assessment

I was advised that the Council had included the Skate Park lighting in its schedule of identified risks.

Asset Register

I was advised that the Register had been updated with a few minor changes

Trees

I was advised that there will be a survey of the Council's trees during week commencing 30th April 2017.

Business Interruption

I was advised that despite discussions with the Council's Insurers there is still no cover in place for this risk.

Whilst the potential losses are likely to be fairly limited I would nevertheless still recommend that some cover (say £2000) is taken out for removal costs, reconnection of telephone and broadband, change of address etc) should the Council have to vacate its offices at short notice.

I agreed to check if it was possible to obtain any cover from insurance companies.

SEARCH FOR NEW TOWN COUNCIL OFFICES

I was advised that the Council is still considering its options for new offices in the town.

I stressed the importance that whenever the Council takes the initiative in buying, or renting, alternative accommodation it obtains reports from the appropriate professional advisors before committing to an agreement.

DONATIONS / GRANTS

I was advised that 11 applications had been successful and 9 paid so far.

All donations made under Power of Competence which is within Localism Act.

I have also established that the Town Council has met the relevant criteria required under the Act.

FOOD FESTIVAL

I understand that this was a success and was attended by a large number of people - generating a substantial amount to the local economy.

I was advised that whilst the Festival, organised by Durham County Council, ran at a loss (as was expected), it was considered to be a worthwhile event for the area with a large number of attendees from the Bishop Auckland area.

The Council's investment of £10,000 towards the Festival was considered value for money by the Council.

ALLOTMENTS

I was advised that some major work was required on a retaining wall on the Council's South Church allotments and that it was programmed to be undertaken during 2017/18.

There are currently several vacant allotments available and the Council is offering incentives to prospective tenants for any vacant sites which are in particularly poor condition.

I understand that the Council has resolved not to increase the allotment rents for 2017/18 and has advised tenants of this in line with existing regulations.

OTHER MATTERS

Members Training

I noted that there has been a Members Training Scheme for 2016/17.

A comprehensive training programme will be required for any new Councillors joining the Council after the forthcoming Council Elections on Thursday 4th May 2017.

Staff Pay Scales

The Council should review the staff salaries annually.

The Council's responses to the Annual Audit 2016/17

I would recommend that, if a quorate is achievable, only those Councillors who were in office during 2016/17 be allowed to consider any recommendation by the Clerk on Section 1 – Annual Governance of the Audit Return.

Statement 2016/17 to state Yes to all the relevant questions.

THE RESPONSES TO SECTION 4

Following a detailed discussion with the Clerk, and having reviewed a range of documents and other records, I came to the conclusion that I could response **YES** to each of the objectives identified by the external Auditor.

That said I would hope that by the date of next year's audit further that improvements have been made to the Council's financial affairs, as outlined in this report.

QUALIFICATIONS ON THE AUDIT

My report is based on a limited review of the Council's accounts and was not a full audit and should not be taken as approving the Council's accounts 2016/17.

The purpose of this report is to be satisfied that the Council has adequate systems in place to meet the numerous control objectives sought by the External Auditor and to recommend possible improvements to the Council's existing systems.

As usual my thanks to the Finance Committee Chairman, the Town Clerk and other members of staff for their help in carrying out this audit.

M. G. Ackroyd
Internal Auditor

April 2017