



FINAL

Annual Internal Audit Report 2016/17

SWANAGE TOWN COUNCIL

Date: 18th May 2017

Report author: R Darkin-Miller
Email: r.darkin@darkinmiller.co.uk

Contents	Page
1. Introduction.....	2
2. Audit Objectives and the Internal Control System	2
3. Audit Opinion	3
4. Summary of Activity	3
5. Audit Reports.....	3
6. Audit Recommendations	4
7. Follow-up.....	4
8. Conclusions.....	5
Appendix 1: High and Medium Level recommendations.....	7
Appendix 2: Strategic Audit Plan 2016/17 – 2019/20.....	10

1 Introduction

- 1.1 Internal audit provides Members and management with assurance that the internal controls required for the proper stewardship of public funds are being adequately maintained. This is a statutory function provided in accordance with Accounts and Audit Regulations. The level of assurance is in accordance with the agreed audit plan (Appendix A), which is designed to ensure that all of the Council's significant finance and governance systems are subject to audit on an annual basis, with less material or inherently risky systems audited periodically in accordance with a strategic audit plan, and with the depth of the audits determined by an assessment of risk and materiality.
- 1.2 The main purpose of this report is to provide an opinion on the assurance that can be placed on the internal control system.

2 Audit Objectives and the Internal Control System

- 2.1 Internal Audit's principal objective is to provide an independent appraisal function for the review of the internal control system as a service to the authority. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
- 2.2 The internal control system is not fixed but can and should evolve in response to the changing local government environment. It must, therefore, be subject to continual review and it will always be possible to improve on the overall system. The review of the internal control system is encompassed by all of the audit activities listed below.
- 2.3 The main objectives of the internal control system are to:
 - ◆ Ensure adherence to management policies and directives, in order to achieve organisational objectives.
 - ◆ Safeguard assets.
 - ◆ Secure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of the records.
 - ◆ Ensure compliance with statutory requirements.

3 Audit Opinion

Based on the internal audit reviews completed in respect of 2016/17, in accordance with the annual audit plan, Swanage Town Council's central systems and internal control arrangements appear to be effective.

4 Summary of Activity

- 4.1 A total of four audit reports have been issued in 2016/17 relating to the standard internal audit programme for local Councils (appendix 9 audits), as supplemented by additional testing specific to Swanage Town Council. There were no additional audits carried out in the year. The audits covered a variety of services and functions, resulting in a range of recommendations, which in the main related to improvements in record keeping and financial procedures. During the course of the audit, each recommendation was discussed with the relevant staff and the Town Clerk.
- 4.2 In addition to the planned audit work set out above, advice was also provided on an ad-hoc basis ranging from systems issues to potential irregularities, and Trust funds and the statements of the Community Partnership were independently examined where required.

5 Format of Audit Reports

- 5.1 Three standard formats are used for reports.
- 5.2 The in-year appendix 9 audit reports identify which systems were reviewed during the audit visits and (in a separate action plan) note the findings, implications and recommendations made in relation to areas of identified control weaknesses. Management responses, responsible officers and due dates are also captured within the action plan.
- 5.3 The end-of-year appendix 9 audit report summarises the audit opinion for the year, in addition to noting findings, implications and recommendations from the final audit visit.
- 5.4 The third audit report format is for non-appendix 9 audits. This report notes the risks being tested by the audit, the audit opinion (where the range of assurance given is full/reasonable/partial/none) and the findings from each of the tests

carried out. Recommendations made during the audit are shown within the report and are summarised in an action table at the end of the report.

- 5.5 Each audit report uses the following grading system for the significance of recommendations made:

Rating	Significance
High	Either a critical business risk is or may not be being adequately addressed or there is substantial non-conformity with regulations and accepted standards.
Medium	Either a key business risk is not being adequately addressed or there is a degree of non-conformity with regulations and accepted standards.
Low	Either minor non-conformity with procedure or opportunity to improve working practices further.

- 5.6 In addition, each audit continues to be supported by detailed working papers for each of the audit tests undertaken.

6 Audit Recommendations

- 6.1 A summary of the number and significance of appendix 9 audit recommendations, is shown below:

Rating	Number				
	Visit 1	Visit 2	Visit 3	Visit 4	TOTAL
High	1	0	0	0	1
Medium	1	0	1	0	2
Low	4	4	2	0	10
Information	0	0	0	0	0
TOTAL	6	4	3	0	13

- 6.2 In total 13 appendix 9 recommendations were made in 2016/17 (2015/16: 30 ‘appendix 9’ recommendations; 47 total). One was graded ‘high’, and 2 ‘medium’ (2015/16: 1H and 14M for appendix 9; 5H and 25M in total) .
- 6.3 The high- medium-level recommendations (and related management responses) are noted at the end of this report for information.

7 Follow-up

- 7.1 The role of the Policy, Finance and Performance Management Committee continues to be effective in supporting the implementation of audit

recommendations and follow-up issues. In addition, a responsible officer continues to be identified for each recommendation. As a result performance on implementing recommendations is very good.

8 Conclusions

- 8.1 The number of recommendations made during the 2016/17 audit is significantly lower, in part due to the fact that the 2015/16 totals included two additional audits. The number of appendix 9 recommendations has fallen for the third year in a row, mainly as a result of the prompt implementation of agreed audit recommendations which improved the control environment.
- 8.2 Following early discussions with the Town Clerk, elements of the detailed audit testing which were carried out annually have been moved to a periodic audit review over a four year strategic audit plan. The number of days spent carrying out the core appendix 9 audit was 11.5 days (2015/16: 12.5). Note that the 2016/17 testing included 0.5 of the 2015/16 audit days that had been carried forward to carry out deferred testing of the Beach Gardens Income.
- 8.3 No additional audit work was carried out in 2016/17, leaving the total number of audit days at 11.5 (2015/16: 3.5 additional days, total 16.0).
- 8.4 Whilst the Internal Audit function is unable to give absolute assurance, the results of the reviews completed during the year have resulted in an overall opinion that: in all material respects:
 - Key central systems and internal control arrangements continue to be effective;
 - Agreed policies, regulations and Standing Orders are complied with;
 - Managers are aware of the importance of maintaining internal controls and accept recommendations made by Internal Audit to improve internal controls; and
 - Adequate arrangements are in place to prevent and detect fraud.
- 8.5 The annual audit did not identify any significant control weaknesses for inclusion in the Annual Governance Statement.

I would like to thank the staff at the Town Council for their high level of co-operation during my internal audit work throughout the year.

Rosie Darkin-Miller LLB (Hons) FCA
Principal
Darkin Miller ~ Chartered Accountants

Darkin Miller ~ Chartered Accountants
2016/17 INTERNAL AUDIT OF SWANAGE TOWN COUNCIL
ANNUAL AUDIT REPORT: SUMMARY OF HIGH AND MEDIUM LEVEL RECOMMENDATIONS

Appendix 1 – Recommendations and Action Plan

Recommendation number [Report number]	Detail	Priority (Low/ Medium/ High)	Management Response	Responsible Officer	Due Date
14.4 – Disposal of issued but discarded activity receipts [1]	<p>Bowls and tennis users frequently do not take the receipts that are issued when they pay to use the facilities. This could cause problems in the event of a check by the enforcement officer. Issued but rejected receipts are kept on a shelf under the till. This increases the risk of fraud or error, as sales could be made using discarded tickets which are then not recorded in the Council's books.</p> <p>It is recommended that the Council reminds staff that receipts must be issued (in order to ensure users have proof that they have paid to play), and that any issued but discarded tickets that remain in the Council's possession at the end of the day are securely disposed of.</p>	M	Agreed.	TIC1	To be introduced as part of staff induction in spring 2017.
18.1 – Market agreement right of audit [1]	The Council has awarded the right to operate the Swanage Market to an external market operator. The fee consists of a set amount plus a percentage of turnover based on the	H	Agreed. Progress on market agreement reported to Policy, Finance & Performance Management Committee on quarterly basis.	TH1	31 st March 2017

	<p>operator's figures. The related agreement has not yet been signed.</p> <p>It is recommended that the new agreement is signed as soon as possible, and that it includes a right of audit to enable the Council to review the underlying records that go to produce the operator's figures in order to ensure that income is correctly stated.</p>				
5.4 – Debt collection [3]	<p>I reviewed the Council's aged debt reports year on year as at the end of September, to confirm that monies were being promptly collected in relation to invoices raised for services provided by the Council. I found that the overall value of debt year on year had fallen by nearly two thirds (from £115k to £44k) and that the age profile had improved, with 70% of debt being current (2015: 35%) and only 31% being over 120 days old (2015: 38%). Of the oldest debt, nearly £9k of debt relates to amounts that are being paid by instalment, or which are being repaid in accordance with a repayment plan.</p> <p>The older debt also includes a balance of £415 dating back to November 2013 relating to A-board fees, and a balance</p>	M	Agreed	TH1 & TH3	Write-off agreed at Policy, Finance & Performance Management Committee on 15 th February 2017. TH1 to contact solicitors re outstanding mast income by 31 st March 2017.

	<p>of £790 dating back to February 2016 relating to mast income. The mast income debt has since been supplemented by a further £4740 in relation to the 2016/17 financial year. The Finance Officer is due to take a report recommending the A-Board debt be written-off as the original debtor is no longer trading. The Town Clerk has written to the Council's solicitors to escalate collection of the mast income.</p> <p>It is recommended that the proposed debt management actions be taken as soon as possible.</p>				
--	--	--	--	--	--

Darkin Miller ~ Chartered Accountants
Appendix 2

SWANAGE TOWN COUNCIL: STRATEGIC AUDIT PLAN
2016/17 – 2019/20

	Days			
	2016/17	2017/18	2018/19	2019/20
	Actual	Planned		
Income				
Allotments		0.5		
Beach Gardens (c/f from 15/16))	0.5			1.0
Boat Park		0.5		
Car Parks & Markets	1.0	2.0	1.0	1.0
Cash Collection and Bank reconciliation	0.75	0.75	0.75	0.75
Cemeteries	0.7			0.8
Debtors	0.75	0.75	0.75	0.75
Market	0.2			0.2
Lease Income		0.5		
TIC Cash Income	0.2		0.5	
TIC Rent Income	1.0		1.0	
<i>Section Total</i>	5.1	5.0	4.0	4.5
Expenditure				
Bookkeeping	0.1	0.5	0.5	0.5
Creditors – payments	1.1	2.0	2.0	2.0
Depot stocks and stores			0.5	
Payroll	1.2	1.5	1.5	1.5
Petty cash and imprests	0.3	0.5	0.5	0.5
Bank reconciliation and Treasury management	0.6	0.5	0.5	0.5
Budgetary Control	0.1	0.5	0.5	0.5
Risk Management	1.2	1.0	1.0	1.0
Year end procedures	1.0	1.0	1.0	1.0
<i>Section Total</i>	5.6	7.5	8.0	7.5
Other audit areas				
Trust Funds	0.2	0.25	0.25	0.25
Community Partnership	0.1	0.25	0.25	0.25
Available audit days/contingency	0.0	4.0	4.5	4.5
<i>Section Total</i>	0.3	4.5	5.0	5.0
Management/planning/reporting	0.5	1.0	1.0	1.0
TOTAL	11.5	18.0	18.0	18.0