

Brixham Town Council

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Title:	Audit		
To:	Full Council	Date:	01.11.18
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Purpose of Report

To inform members of the decision of the 2017/18 audit.

Background

The internal auditor had completed an internal inspection prior to the Full Council approval and had signed the annual return accordingly.

The internal auditor issued a report following the inspection and a copy was emailed to members and it was noted at the F&GP meeting on 2nd May 2018.

The Annual Return was submitted to PKJ Littlejohn on 5th June following approval at Full Council on 17th May.

The annual return was completed by utilising the reports from Edge IT System. After submission of the annual return it was noted by the internal auditor that an error had occurred on the annual return. This was subsequently picked up by the external auditor.

A conversation took place between the Town Clerk and the internal auditor who advised the Town Clerk that it was a problem in Edge and he couldn't help.

The Town Clerk spoke with Edge who confirmed that all information entered into the system at the start of the financial year had been done correctly. Following a further discussion, it was clear that there was an error in the reporting of the VAT.

In conclusion, the Town Clerk had two options to resolve the problem:

1. Pay Edge an estimated £700 - £1,000 quote to correct the problem; or
2. Try and correct the problem internally, but this would require extensive training from Edge to ensure that the correct procedures were followed.

The Town Clerk approved option one. Edge has a staff member who is currently a Parish Clerk but was a Town Clerk to a Council with a budget of £1m. He worked on the issues, any reports needed were emailed to him and the result is that VAT of £12,254 was accounted for in 2017/18 instead of 2016/17.

Following all the corrections in Edge, BTC had to present a restated year end 2016/17 and 2017/18 as follows:

	Year end 2016/17	Year end 2017/18
	Restated	
1. Balances brought forward	219,424	276,114
2. (+) Precept	233,848	253,972
3. (+) Total Other receipts	116,088	117,090
4. (-) Staff Costs	78,838	89,282
5. (-) Loan	0	0
6. (-) All other payments	214,408	219,558
7. Balances carried forward	276,114	338,337
8. Total value of cash	267,736	337,866
9. Fixed Assets	452,191	

A full explanation was given to the external auditor who has advised the following:

Due to the fact some of the figures in Section 2 of the submitted AGAR are incorrect, this may have to be raised as an 'except for' matter on our report subject to review and sign off by an engagement lead.

Sage did not produce reports that reflected the layout required for the annual return. Hence why the Town Clerk proposed the need to have a system that is designed for Town and Parish Councils.

External Auditor Report

The external Auditor, PKJ Littlejohn have completed the year end and reported as follows:

Completion of the limited assurance review for the year ended 31 March 2018

We have completed our review of the Annual Governance & Accountability Return (AGAR) for Brixham Town Council for the year ended 31 March 2018. On 28 September 2018, we issued a report detailing the results to that date of our review of Brixham Town Council's AGAR for the year ended 31 March 2018. We explained the reasons that we were unable to certify completion of the review at that time. We are now in a position to certify completion of the review. The final external auditor report and certificate is included for your attention as another attachment to the email containing this letter, along with a copy of Sections 1 and 2, on which our report is based. The smaller authority must consider the final external auditor report and decide what, if any, action is required.

Action you are required to take at the conclusion of the review

The Accounts and Audit Regulations 2015 (SI 2015/234) set out what you must do at the conclusion of the review. In summary, you are required to:

- Prepare a "Notice of conclusion of audit" which details the rights of inspection, in line with the statutory requirements. We attach a pro forma notice you may use for this purpose.
- Publish the "Notice" along with the AGAR (Sections 1, 2 & 3) and our attached final report and certificate before 30 September (or as soon as possible where this date has passed), which must include publication on the smaller authority's website.

- Keep copies of the AGAR (Sections 1, 2 & 3) and the attached final report and certificate available for purchase by any person on payment of a reasonable sum.
- Ensure that Sections 1, 2 and 3 (plus the attached final report and certificate) of the published AGAR remain available for public access for a period of not less than 5 years from the date of publication.

Internal Auditor

The Finance and General Purposes Committee agreed to cancel the mid-year audit inspection and obtain a quote from another recommended internal auditor.

Quote One

Tim Light of Lighttouch. Tim is familiar with Edge, the software used by Brixham Town Council and his CV is attached to this report in Appendix A.

STANDARD INTERNAL AUDIT:

The following review of compliance and internal controls will normally be included in the standard internal audit:

- test checks on reconciliation of bank accounts and investments
- test checks of income recording on bank paying in books and debit/credit cards to the financial ledger
- test check on VAT reimbursement claims
- a review of budgetary control arrangements
- a review of Financial Regulations, Standing Orders and other policy documentation
- test check of expenditure vouchers to the financial ledger
- a review of staffing and payroll documentation
- a review of the risk assessment arrangements
- an annual review of the assets register
- a review of end of year procedures
- a review of insurance cover arrangements
- a review of Committee and Council minutes to ensure decisions are properly approved
- an internal audit report prepared and sent to the Town Clerk after each internal audit visit.

In consultation with the Town Clerk the internal audit will be performed with a minimum of two visits during each year to meet the needs of the Council, including site visits by arrangement.

Quotation Period – one year (2018/19)

Total Fee: £1,400

****Any project work which may be required by Brixham Town Council will be quoted at a separate fee per each project.***

Lightatouch provide a free advice service on standard financial matters and do not charge VAT

Quote Two

Kevin Rose of IAC Audit and Consultancy Ltd. Kevin has advised that he is familiar with Edge.

His quote states:

Based on the size and activities of your council I can advise that our fees would be **£760.00** plus VAT per annum. We have estimated a requirement for 2 audit days per year on site at the Council's offices. This will include a visit carried out after the year-end specifically to conclude the arrangements in respect of the Annual Return. Fees quoted include attendance at your premises and all out of pocket expenses.

If additional work is identified or should there be a requirement for additional audit time, for example due to work associated with significant adverse audit findings or additional reporting requirements, then these would be charged pro rata based on a daily rate of £380.00 plus VAT per day, or £280.00 for a half-day, again inclusive of all costs. Whenever possible we will endeavour to advise the council if there is the potential for additional time and costs and obtain the council's prior authorisation before undertaking additional work.

If the Council should find our quotation acceptable we will set out the full scope of our work and audit responsibilities in a formal Letter of Engagement that would be agreed prior to the commencement of work. We would also provide you with a schedule of the records that we will require to be made available at the time of our visit.

The current Auditor, charges £630 plus vat for 1.5 days attendance in the Town Council offices plus all out of pocket expenses.

Client References can be obtained from Dartmouth Town Council and Tavistock Town Council both of who are well known to the Town Clerk.

Edge Finance Package

Edge now have the option for the Town Council to purchase a license for the internal auditor to be able to access our accounts remotely on a reports only basis to help speed up the sometimes lengthy process of internal audit.

The extra licence will cost £54 per year (subject to the greater of 3% or CPI) + VAT and this will allow the internal auditor to access accounts whenever they need to, but without them being able to make any changes to the accounts in any way.

The cost can be paid by the internal auditor themselves if they choose to do it that way as they may have a number of councils who use Edge, or it can be paid for by the council if they would like to grant the internal auditor access in this way going forward.

Recommendations

It is recommended that the Town Council

- employs Kevin Rose of IAC Audit and Consultancy Ltd
- purchases the extra licence from Edge only if the auditor does not purchase it direct