



# Crewe Town Council

Internal Audit 2019/20

Second Interim Report

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JDH BUSINESS SERVICES LTD

*Registered to carry on audit work by the Institute of Chartered Accountants in England and Wales*

The internal audit of Crewe Town Council is carried out by undertaking the following tests as specified on the Annual Return for Local Councils in England:

- Checking that books of account have been properly kept throughout the year
- Checking a sample of payments to ensure that the Council's financial regulations have been met, payments are supported by invoices, expenditure is approved, and VAT is correctly accounted for
- Reviewing the Council's risk assessment and ensuring that adequate arrangements are in place to manage all identified risks
- Verifying that the annual precept request is the result of a proper budgetary process; that budget progress has been regularly monitored and that the council's reserves are appropriate
- Checking income records to ensure that the correct price has been charged, income has been received, recorded and promptly banked and VAT is correctly accounted for
- Reviewing petty cash records to ensure payments are supported by receipts, expenditure is approved and VAT is correctly accounted for
- Checking that salaries to employees have been paid in accordance with Council approvals and that PAYE and NI requirements have been properly applied
- Checking the accuracy of the asset and investments registers
- Testing the accuracy and timeliness of periodic and year-end bank account reconciliation(s)
- Year-end testing on the accuracy and completeness of the financial statements
- The council has met its responsibilities as a sole trustee

The interim internal audit provides evidence to support the annual internal audit conclusion on the Annual Return for larger councils.

### **Conclusion**

On the basis of the internal audit work carried out, which was limited to testing above, in our view the council's system of internal controls **is not** in place, adequate for the purpose intended and effective. The recommendations reported in the action plan overleaf should be implemented.

**J D H Business Services Ltd**

	ISSUE	RECOMMENDATION	FOLLOW UP
<b>2019/20 Year End Audit</b>			
1	<p>The accounts closedown for 2019/20 evidenced that general reserves had reduced to £60,983. This was due to significant overspending due to inadequate budgetary control and budget setting. This level of general reserves is materially below the minimum levels recommended by sector guidance of 25% of the precept which equates £219,350 for 2019/20. Earmarked reserves at the closedown were £311,025, giving total reserves of £372,008.</p> <p>We recommended to the RFO that a fundamental review of earmarked reserves should be carried out urgently to release any earmarked reserves that were not required to replenish the general reserves of the council before finalising the accounts for the financial year. This exercise is now complete and combined with the material increases in overall reserves that resulted from adjustment of the errors in the year end accounts in 2.) below, has resulted in a final level of general reserves of £251,990 which is above minimum recommended levels of general reserves.</p>	<p><i>A general and earmarked reserves policy allied to robust budgetary control should be implemented.</i></p> <p><i>Each financial year the earmarked reserves of the council should be reviewed to ensure they represent realistic and achievable community schemes and projects</i></p>	<ul style="list-style-type: none"> <li>▪ A thorough review of the Earmarked Reserves was carried out by the Interim RFO and Acting Town Clerk</li> <li>▪ Review was presented to Finance and Governance Committee on 30<sup>th</sup> June 2020 before the final accounts were prepared</li> <li>▪ Recommendation to Council from Finance and Governance Committee to release Earmarked Reserves to replenish the General Reserves was minuted</li> <li>▪ Recommendation will be go to Council on 4<sup>th</sup> August 2020 for resolution</li> <li>▪ General and Earmarked Reserves will be reviewed on a regular basis by both Finance and Governance Committee and Council</li> </ul>
2	<p>Accruals were disclosed as £47,110 in the year-end Balance Sheet. Testing of the detailed list of accruals identified that £41,119 of the total did not relate to goods and services received by the council in 2019/20. Further investigation of these items identified that they were either earmarked reserves of errors. Therefore, the accounts have been adjusted to remove these invalid accruals which have now reduced to £5,991 in the revised balance sheet and as a result total council reserves have increased significantly in the final accounts.</p>	<p><i>Errors in year-end accruals is a recurring issue at the council and year end procedures should be improved so that it is not left to the internal auditor annually to identify the multiple errors and corrections to accruals. Training in year-end procedures should be provided to finance staff.</i></p>	<ul style="list-style-type: none"> <li>▪ John Greenall and Co will be appointed in September 2020 who will carry out the regular accounts checks, monthly reconciliations and will also carry out year-end and accounts closedown</li> <li>▪ Two Officers will be trained by Rialtas on both purchase ledger and year-end</li> </ul>

	ISSUE	RECOMMENDATION	FOLLOW UP
3	<p>Debtors in the Balance Sheet totalled £1,180. However, further investigation of the constituents identified that either the income had already been received or was not chargeable:</p> <ul style="list-style-type: none"> <li>- £240 of the total related to a charity booking which was not actually chargeable so an invoice should not have been raised.</li> <li>- The remaining £940 of debtors had already been received. In fact, for one organisation £4,000 of income had been received for 6 separate square bookings but only one invoice for £700 had been raised on the sales ledger system.</li> </ul>	<p><i>The £1,180 of debtors in the year-end Balance Sheet have already been received or should not have been invoiced as noted. Therefore, the amount should be cleared from the sales/debtors ledger and Balance Sheet.</i></p> <p><i>The administration of the sales/debtors ledger must be improved as follows:-</i></p> <ul style="list-style-type: none"> <li>- <i>Invoices should be raised for all sales</i></li> <li>- <i>Cash received should be matched against invoices in the ledger</i></li> </ul> <p><i>Invoices should not be raised for non-chargeable bookings</i></p>	<ul style="list-style-type: none"> <li>▪ A review of the debtors was carried out by the Interim RFO and Acting Town Clerk</li> <li>▪ Findings were presented to Finance and Governance Committee on 30<sup>th</sup> June 2020</li> <li>▪ Recommendation to Council from Finance and Governance Committee to clear the Debtors was minuted</li> <li>▪ Recommendation will be go to Council on 4<sup>th</sup> August 2020</li> <li>▪ John Greenall and Co will be appointed in September 2020 who will raise invoices and match these against the ledger when income is received</li> <li>▪ Standard Operating Procedures have been implemented</li> </ul>
4	<p>RECURRING ISSUE - duplicate payments</p> <p>The March 2020 superannuation was paid twice resulting in a £2,263 debtor at the year-end (incorrectly classified within Creditors in the Balance Sheet).</p>	<p><i>RECURRING RECOMMENDATION</i></p> <p><i>The council should identify the reason why duplicate payments have been made and implement controls to prevent this occurring again.</i></p> <p><i>Debtors should be included in Current Assets in the Balance Sheet, and not as a negative item in Current Liabilities.</i></p>	<ul style="list-style-type: none"> <li>▪ Standard Operating Procedures have been implemented</li> <li>▪ John Greenall and Co will be appointed in September 2020 who will record information as advised</li> </ul>
5	<p>Review of council feedback regarding the issues raised previously below confirmed that substantial progress had been made in the final three months of the year to improve internal financial controls. In order to ensure these changes are embedded we will follow up all previous issues in the first interim internal audit of 2020/21.</p>		

	ISSUE	RECOMMENDATION	FOLLOW UP
<b>2019/20 Second Interim Report – October 2019</b>			
1	<p>Payment authorisation testing identified the following:</p> <ul style="list-style-type: none"> <li>- The payment on 19/07/2019 for £1,625 to Ibis Styles for the overnight costs of support/performers and crew delivering the Traction event was not included on a payments schedule for councillor authorisation</li> <li>- The payment schedule covering the period from 01/4/2019 to 09/04/2019 was only supported by one councillor emailed authorisation. Financial Regulations require two councillor authorisations for payments</li> </ul>	<p><i>Recurring Issue - All payments should be authorised by two councillors as required by the Financial Regulations</i></p>	<ul style="list-style-type: none"> <li>▪ Administration error on authorisations</li> <li>▪ New Financial Regulations adopted in January 2020 to strengthen the process</li> <li>▪ Audit Sub-Committee established in January 2020 and Internal Member Audit Plan has been created which will increase checks</li> <li>▪ New Standard Operating Procedures drafted. Audit Sub-Committee recommendation to adopt on 18.02.2020 and on Finance and Governance Agenda 24.02.2020</li> <li>▪ This process is detailed in CTCOPFIN06 Paragraph 10</li> </ul> <p>A list of unpaid invoices is compiled by the contract accountants and passed on to the Interim RFO. This is then emailed to those Members who are authorised registered signatories on the bank account which are the Mayor, Deputy Mayor and Committee Chairs. When at least two email approvals, these are filed in Dropbox. Payments are then added to the bank account by one Officer and then crosschecked by a further Officer who then authorises the bank transfer. The Contract Accountant then cross-references the payments on bank statements when they reconcile the account after each payment run – one on 15<sup>th</sup> and the other at the end of each month</p>
2	<p>The Financial Regulations stipulate a maximum payment card balance of £2k. We reviewed payment card statements and identified that this limit is regularly exceeded and the balance on the payment card at November 30<sup>th</sup> 2019 was £5,473.42.</p> <p>There is no review carried out as to whether assets purchased on the payment card are owned by the council or donated assets to third parties e.g. £696.76 was paid for a microwave which appeared to be currently located in the YMCA community café.</p> <p>Although payment card expenditure is put to council for approval there is limited member scrutiny of the actual payments, supporting vouchers, and the justification for the payments.</p>	<p><i>The limits set in the Financial Regulations for the payment card should be complied with.</i></p> <p><i>A review of all purchases on the payment card should be carried out to identify assets that are owned by the council and to be included in the fixed assets register.</i></p> <p><i>Councillors should carry out quarterly sample checks of payment card transactions as part of the ongoing internal councillor checks on payments previously recommended.</i></p>	<ul style="list-style-type: none"> <li>▪ Limit exceeded due to anticipated level of expenditure due to large events and activities related to projects; this was then not required as suppliers and goods were able to be purchased on account</li> <li>▪ New Financial Regulations adopted in January 2020 to strengthen the process</li> <li>▪ Audit Sub-Committee established in January 2020 and Internal Member Audit Plan has been created which will increase checks</li> <li>▪ New Standard Operating Procedures drafted. Audit Sub-Committee recommendation to adopt on 18.02.2020 and on Finance and Governance Agenda 24.02.2020</li> <li>▪ Fixed Asset Register has been updated following an audit of all Council assets</li> </ul> <p>Officers are running down the balance on the payment card to get it back to the correct level. Council will explore an alternative card once the new Clerk is in post as this card expires in August 2020</p>

	ISSUE	RECOMMENDATION	FOLLOW UP
			<p>The Fixed Asset Register has been updated and now lists Council assets held by Staff and in the Office. However, a full check of historic items kept in storage with Eardleys was due to take place at the end of March 2020 but was unable to be completed due to COVID. This will be carried out when possible to do so</p> <p>An emergency Audit Sub-Committee Internal Members check was carried out 19<sup>th</sup> March 2020 as the Office closed for COVID. A more thorough check will be carried out as soon as it is possible to do so</p>
3	<p>The procurement regulations of the Financial Regulations require that all payments in excess of £1,000 are subject to three quotations and formal tendering where the contract is in excess of £50,000. The £1,000 quotation limit is relatively low compared to other town councils.</p> <ul style="list-style-type: none"> <li>- A contract was awarded for self-watering planters which was in excess of the £1,000 quotation threshold. Staff confirmed there are only two suppliers of these items in the UK but the minutes do not record the information to support the procurement decision and exemptions in the FRS that were relied upon.</li> <li>- The payment on 05/06/2019 of £2,574.24 to Crime Watch was for a door entry and security system. Three quotations were not secured as the supplier already provides security services to the council but minutes do not record this decision and the exemption in the FRs that was relied upon.</li> <li>- The contract with the events provider to provide cover due to staff absence has been in place for approximately two months and is in excess of £1,000, however, three quotations were not sought. We were informed a supplier was required urgently due to imminent events that required management but the minutes do not record the exemption(s) relied upon in the FRs.</li> </ul>	<p><i>When exemptions are relied upon in the Financial Regulations for not securing three quotations for a supply in excess of £1,000, the decision and the exemption relied upon should be clearly recorded in the minutes.</i></p> <p><i>The council should adopt the latest NALC Financial Regulations aligned to council scope and activity and consider reviewing the current £1,000 quotation threshold.</i></p> <p><b>NB The scoring matrix used to assess quotations provides a clear audit trail for the procurement process and is good practice. This should be applied to all contracts subject to quotation.</b></p>	<ul style="list-style-type: none"> <li>▪ New Financial Regulations adopted in January 2020 to strengthen the process</li> <li>▪ New Procurement Policy adopted in January 2020</li> <li>▪ New Standing Orders for Contracts adopted in January 2020</li> <li>▪ Audit Sub-Committee established in January 2020 and Internal Member Audit Plan has been created which will increase checks</li> <li>▪ New Standard Operating Procedures drafted. Audit Sub-Committee recommendation to adopt on 18.02.2020 and on Finance and Governance Agenda 24.02.2020 which includes a new Invitation to Tender Procedure for quotes and tenders</li> <li>▪ Items in excess of £10,000 are now approved by Council</li> <li>▪ Items ranging from £3,000 and £10,000 are put to Committee for approval</li> <li>▪ Items up to £3,000 can be actioned by the Town Clerk and / or the RFO</li> <li>▪ All Officers have been made aware of their responsibilities in accordance with the new Policies and Procedures once they are adopted</li> </ul> <p>Officers have now begun to implement the new procedures since they were adopted by Council during the set of Council Meetings in Spring 2020</p>

	ISSUE	RECOMMENDATION	FOLLOW UP
4	<p>The risk assessment is presented to council annually and approved. However, the risk assessment should be updated for the latest risk issues. For instance there is a separate privacy impact assessment identifying privacy risks for the Streetscene Improvement Officer services but this is not linked to the corporate risk assessment.</p> <p>There is no evidence of councillor challenge and scrutiny to ensure all risks and appropriate mitigation actions are identified. We have previously identified issues with the adequacy of insurance cover for cash and a review of the adequacy of insurance cover would be expected to form part of the annual risk assessment process. The Mayors ball generates significant cash receipts but this has not been considered as part of risk assessment with respect to the Money insurance cover.</p>	<p><i>We understand a risk assessment sub-committee is being established. This sub-committee would be well placed to manage the annual, and ongoing, risk assessment process, including reviewing the adequacy of insurance cover.</i></p> <p><i>The council should ensure that the Mayors ball cash receipts are adequately insured under the Money cover insurance in the annual policy</i></p>	<ul style="list-style-type: none"> <li>▪ Audit Sub-Committee established in January 2020 and Internal Member Audit Plan has been created which will increase checks</li> <li>▪ New Standard Operating Procedures drafted. Audit Sub-Committee recommendation to adopt on 18.02.2020 and on Finance and Governance Agenda 24.02.2020 which includes an Audit Procedure</li> <li>▪ Risk Register is currently being reviewed and updated which will be put to Council for adoption in the new Financial Year</li> <li>▪ Audit Sub-Committee will regularly review ongoing risk management and report to Finance and Governance Committee</li> </ul> <p>A new Risk Assessment has been created and was approved at the emergency Council Meeting held on 31<sup>st</sup> March 2020</p> <p>The Councils Insurance is being reviewed as it is due for renewal in April 2020</p> <p>The new Audit Sub-Committee will be carrying out its checks against the Risk Assessment once it meets following COVID</p>
5	<p>Expenditure voucher testing identified that the payment on 19/08/2019 for £1,456 to Richard Moss solicitors was supported by an email only. VAT cannot be reclaimed on supplies where there is no supporting invoice.</p>	<p><i>Vat invoices should be secured for all supplies</i></p>	<ul style="list-style-type: none"> <li>▪ New Standard Operating Procedures drafted. Audit Sub-Committee recommendation to adopt on 18.02.2020 and on Finance and Governance Agenda 24.02.2020</li> <li>▪ VAT invoice from Richard Moss Solicitors has now been obtained and the VAT has been reclaimed</li> </ul> <p>New procedures in place have been cascaded to all Officers for implementation with an emphasis being made to obtain VAT receipts and invoices as much as possible</p> <p>The Interim RFO has chased suppliers who have outstanding VAT invoices and we have now reclaimed as much VAT as possible</p>
<b>2019/20 First Interim Report</b>			
1	<p>We understand the current RFO will be leaving the council before the end of the financial year. Although there is a strategic review and recruitment process planned we have not yet seen the evidence to ensure that an RFO will continue to be in place at the council in accordance with the Local Government Act 1982 (s151) from the date the current RFO leaves the council.</p>	<p><i>The council should ensure they comply with the requirements of the Local Government Act 1982 (s151) with respect to having a continual RFO function in place.</i></p>	<ul style="list-style-type: none"> <li>▪ The Community Engagement Officer was appointed the Interim Responsible Financial Officer in January 2020</li> <li>▪ This will be reviewed by Council upon appointment of the new Town Clerk</li> </ul>

	ISSUE	RECOMMENDATION	FOLLOW UP
2	<p>A fire at a retirement complex in August 2019 has resulted in substantial donations from the local community and organisations. These monies have been received over the ensuing months by the town council and comprise both cash and cheques as we understand that council has agreed to be the responsible financial body to receive the donations.</p> <p>We understand the total donations currently held by the council are approximately £55K and there is a need for the monies to be distributed to claimants, however, there is no agreement in place with any suitable qualified organisation to transfer the monies so they can accurately assess need to distribute the payments appropriately</p>	<p><i>The council should identify a suitable local organisation that is qualified to assess housing and other needs to enable a fair and equitable distribution of the donations to applicants. There should be a formal agreement in place before any funds are transferred from the council.</i></p>	<ul style="list-style-type: none"> <li>▪ Council identified Your Housing Group as a suitable organisation to distribute the funds</li> <li>▪ This was approved and formally minuted at Council on 19<sup>th</sup> November 2019</li> <li>▪ The Community Engagement Officer negotiated a legal agreement between both parties which was checked by a local solicitor on behalf of Council before it was signed by the Mayor and Your Housing Group</li> <li>▪ Funds of £71,282.00 have been transferred to Your Housing in two tranches – 12<sup>th</sup> December 2019 and 3<sup>rd</sup> February 2020</li> </ul> <p>Your Housing Group advised that the funds have now been distributed by cheque as per the legal agreement</p>
3	<p>We have reviewed the internal controls applied to the donations received from the local community and organisations and identified the following:</p> <ul style="list-style-type: none"> <li>- There were no available internal records relating to the initial donations banked from 12 August to 21 August. In addition, the clerk was unable to locate the paying in book relating to these donations on the day of the internal audit visit. The eleven bankings during this period totalled £3,140.06</li> <li>- There were no formal cash procedures introduced to ensure two staff were always present when cashing up donations ready for banking</li> <li>- We reviewed bankings to estimate the maximum cash that may have been held at any one time. The Elvis donation (£1,800) and Barnies Bingo donation (£1,781.90) appear to be the largest cash donations. We understand the cash was kept in a draw rather than in a safe or strongroom and it is not clear whether it was locked overnight. The insurance policy only covers cash at the premises in a locked receptacle rather than a safe or strongroom up to £500 and it is possible the policy provides no money cover if the cash was not locked in a receptacle overnight.</li> </ul>	<p><i>The council need to adopt cash management procedures including ensuring:</i></p> <ul style="list-style-type: none"> <li>- <i>Clear records are maintained of all bankings including the source of the donations</i></li> <li>- <i>Two staff should always be present when cashing up donations for banking</i></li> <li>- <i>The cash received should be stored in a safe or strongroom in accordance with the security requirements in the insurance policy for cash up to £5000</i></li> </ul>	<ul style="list-style-type: none"> <li>▪ New Financial Regulations adopted in January 2020 to strengthen the process</li> <li>▪ Audit Sub-Committee established in January 2020 and Internal Member Audit Plan has been created which will increase checks</li> <li>▪ New Standard Operating Procedures drafted. Audit Sub-Committee recommendation to adopt on 18.02.2020 and on Finance and Governance Agenda 24.02.2020 which includes a Treasury Management Procedure</li> <li>▪ All cash, paying in books, cheque books and the payment card are kept in the safe whilst not in use</li> <li>▪ Insurance Policy is being reviewed before its renewal in April 2020</li> </ul> <p>New procedures has been implemented when cash and cheques are received</p> <p>The paying in book was unable to be located at last audit as it was in use</p>

	ISSUE	RECOMMENDATION	FOLLOW UP
4	<p>The John McBride Trust</p> <p>The council has taken over administration of The John McBride Trust from Cheshire East Council as the sole trustee of the charity. However, no accounts are being maintained for the charity on an ongoing basis. The clerk noted that a firm in Sandbach had been asked to produce accounts and submissions to the Charity Commission, but this has not been authorised by the Council as the sole trustee. The financial management of the sole trustee charity should normally reside with the council RFO,</p> <p>Review of the bank account, the M&amp;G fund manager documentation and discussion with staff identified only the clerk can access the two Coop bank accounts. In addition, the charity investments have not been transferred correctly to the town council such that they are now in the name of the clerk, the town centre project manager and the council, but the two signatories are the clerk and town centre project manager.</p> <p>The council is not currently complying with the trust deed as no process has yet been agreed whereby income funds are distributed annually in accordance with the deed aims and objectives. As at the date of the internal audit visit, the clerk had not programmed any meetings for the council as sole trustee to make decisions about the governance and accountability of the Trust.</p>	<p><i>The council should ensure the following:</i></p> <ul style="list-style-type: none"> <li>- <i>Meetings are programmed for the council as sole trustee to determine the governance and accountability arrangements for the charity, including how and when income funds will be distributed</i></li> <li>- <i>The council should allocate the responsibility for the Trust financial management, accounting and year end returns process to the new clerk/RFO when appointed</i></li> <li>- <i>The Coop bank accounts for the charity need to be transferred to the name of the Trust or the council as the sole trustee, as they currently appear to be in the name of the clerk. Appropriate signatories need to be established for the Trust bank accounts</i></li> <li>- <i>The council need to act promptly to ensure the Trust investments with M&amp;G are in the Trust name or the council as sole trustee, with appropriate signatories established</i></li> <li>- <i>We previously recommended that the council needs to determine whether any of the brought forward Trust funds are Permanent Endowment funds, i.e. funds which cannot be expended due to restriction on the charity governing documents. This recommendation is still outstanding</i></li> </ul>	<ul style="list-style-type: none"> <li>▪ Signatories have been changed to three Officers in February 2020: <ul style="list-style-type: none"> <li>○ Acting Town Clerk</li> <li>○ CEO / Interim RFO</li> <li>○ Town Centre Projects Officer</li> </ul> </li> <li>▪ The former Town Clerk has now been removed as signatory</li> <li>▪ CVS Cheshire East is supporting the Council to hold the AGM in March 2020 and recommended actions will be covered in that meeting</li> <li>▪ Following the AGM, the signatories will be amended to reflect the new Trustees with an aim that this will mirror the Councils current banking procedures and policies</li> <li>▪ New Financial Regulations adopted in January 2020 to strengthen the process</li> <li>▪ Audit Sub-Committee established in January 2020 and Internal Member Audit Plan has been created which will increase checks</li> <li>▪ New Standard Operating Procedures drafted. Audit Sub-Committee recommendation to adopt on 18.02.2020 and on Finance and Governance Agenda 24.02.2020 which includes a Treasury Management Procedure, Budget and Financial Management and Audit Process</li> </ul> <p>The John McBride Trust AGM was held on 12<sup>th</sup> March 2020. New signatories were agreed at the meeting however CTC has been unable to process the change of details forms for the Coop Bank and M&amp;G Investments due to the Council Office closing for COVID shortly after the meeting. This will be picked up once we are able to do so</p> <p>The Trustees delegated responsibility of the financial management, accounting and year end returns of the Trust to the Responsible Financial Officer and this has now been implemented</p> <p>The Interim Responsible Financial Officer submitted the year end return to the Charity Commission website on 5<sup>th</sup> April 2020 and also the Trusts details at the same time</p> <p>The Interim Responsible Financial Officer/Community Engagement Officer and CVS Cheshire East discussed options for distribution with Trustees. Trustees requested that a report be prepared following their feedback and that this be presented to the next Trustee meeting which is aimed to be</p>

	ISSUE	RECOMMENDATION	FOLLOW UP
			held in Summer 2020. The Trusts Governing Documents are also being reviewed by the Responsible Financial Officer/Community Engagement Officer and CVS Cheshire and this will also be presented at the next meeting
5	<p>We previously noted that members do not carry out detailed payroll checks and recommended appropriate checks are put in place. No detailed payroll checks have been carried out by members for the year to date. Notwithstanding the fact there is a scheme of delegation in place to the clerk for aspects of staff payroll we would still expect council to carry out checks on payroll costs.</p> <p>For instance, the clerk emails the payroll agent annually with salary details including payroll increments. This email could be sent to the Chair and the increments checked and agreed with contracts of employment. Scale point increases and annual % increases could be approved in the council minutes.</p> <p>The scheme of delegation relating to payroll specifies the clerks responsibilities regarding staff but the council should still authorise the details of the Clerks salary and check the clerk payroll scales to the contract of employment. For instance, the current contract of employment states that the clerk can secure a scale point increase per annum from the original starting scale point up to a maximum of four scale points. However, the clerk has now moved beyond the four scale point range noted in the contract of employment. We also noted from a review of one other staff contract of employment that the current scale point paid is now higher than the scale point in the original contract.</p>	<p><i>As part of the current review of the council being carried out with external support, the council should review the Scheme of Delegation with a view to members assuming direct responsibility for authorising all payroll, including scale point changes and annual % increments. Scale point changes should be approved in the minutes and the payroll agent should be informed of changes to staff pay by the Chair. During the financial year a members should carry out periodic checks of payroll payments to supporting documentation including overtime schedules.</i></p> <p><i>The council should review current contracts of employment to ensure they reflect current employment arrangements.</i></p>	<ul style="list-style-type: none"> <li>▪ New Financial Regulations adopted in January 2020 to strengthen the process</li> <li>▪ Personnel Committee established</li> <li>▪ Audit Sub-Committee established in January 2020 and Internal Member Audit Plan has been created which will increase checks</li> <li>▪ New Standard Operating Procedures drafted. Audit Sub-Committee recommendation to adopt on 18.02.2020 and is on Finance and Governance Agenda 24.02.2020 which includes a Payroll Procedure</li> <li>▪ Pay scales will be reviewed as part of the staffing review incorporated in the strategic review</li> </ul> <p>A review and check of payroll has been carried out by Contract Accountants as part of their review of the financial system in December 2019</p> <p>As per the new financial procedures, Personnel Committee formally considered and resolved salary increments. This was then passed on to the payroll agent for action in April 2020</p> <p>Where Honoria or additional duties have been required, this has also been formally considered and resolved by the Personnel Committee</p> <p>Contracts of employment are being evaluated as part of the staffing and Council strategic review process being undertaken by ChALC</p> <p>Audit Sub-Committee will also carry out internal checks throughout the year as part of its rolling audit programme</p>
6	<p>The council minutes indicate a suite of GDPR compliant policies were adopted earlier in 2019. However, these updated policies have not been published on the council website where the previous out of date policies remain.</p>	<p><i>When key policies are adopted by the council they should be published promptly to replace outdated policies on the website.</i></p>	<ul style="list-style-type: none"> <li>▪ All policies are being reviewed</li> <li>▪ Once adopted by Council these will be uploaded to the Councils website</li> <li>▪ Once adopted the policies will be cascaded to Officers and Councillors</li> </ul> <p>A suite of Policies have been adopted throughout 2020 and are uploaded to the Council website as soon as possible</p>

	ISSUE	RECOMMENDATION	FOLLOW UP
<b>2018/19 year-end audit</b>			
1	<p>A £663.83 duplicate payment was incorrectly recorded in the year end bank reconciliation as a negative unrepresented cheque. Further review of the aged purchase ledger balances identified a further duplicate payment for £782.40.</p> <p>The bank reconciliation was corrected during the year end internal audit and the £663.83 duplicate payment posted to the purchase ledger.</p>	<p><i>The council should identify the reason why duplicate payments have been made and implement controls to prevent this occurring again.</i></p>	<p>To be followed up at 2019/20 year end internal audit</p> <ul style="list-style-type: none"> <li>▪ New Interim RFO has been appointed and also Contract Accountants who assist each other with all payments and review the purchase ledger balances twice a month. Any actions required are immediately flagged up with the Interim Responsible Financial Officer and are dealt with as quickly as possible</li> <li>▪ Audit Sub-Committee has been established to carry out regular internal checks who will also be able to flag issues up should they find them</li> <li>▪ New Standard Operating Procedures have been drafted and will be adopted by the Finance and Governance Committee</li> </ul> <p>New Standard Operating Procedures were adopted on 24<sup>th</sup> February 2020</p> <p>More thorough checks and reviews have taken place since the Interim RFO and Contract Accountants have been appointed</p>
2	<p>The year-end creditors/accruals contained a number of errors as a significant number of grants and donations that had been agreed but not paid were included as creditors. Donations should not be accrued. The total of the errors identified was £10,396.70 and the required corrections required were made during the year end internal audit</p>	<p><i>Donations and grants that have been approved should not be accrued as creditors. Instead these should be carried over as earmarked reserves which are drawn down if and when the grants and donations are paid.</i></p>	<p>To be followed up at 2019/20 year end internal audit</p> <ul style="list-style-type: none"> <li>▪ New Financial Regulations have been adopted in January 2020</li> <li>▪ New Standard Operating Procedures have been drafted and will be adopted by the Finance and Governance Committee</li> <li>▪ Contract Accountants will be supporting the Council with year-end and are responsible for inputting all financial information on the RBS system</li> </ul> <p>Year-end for the financial year 2019-2020 is being carried out by the Contract Accountants in liaison the Interim RFO</p>
<b>2018/19 interim audit</b>			
1	<p>The payment to Double Take Projections on 08/11/2018 for £13,797.00 was only supported by one email member authorisation. All other sample testing of payments identified that two member authorisation emails were received before the payment was made.</p>	<p><i>Authorisation of all payments should be carried out in accordance with the Financial Regulations</i></p>	<p>Action covered in response to Point 1 to 2<sup>nd</sup> Audit in October 2019</p>
2	<p>Crewe Town Council has taken over administration of The John McBride Trust from Cheshire East Council as the sole trustee of the charity.</p>	<p><i>The council will need to identify what element of the charity reserves (if any) are Permanent Endowment funds.</i></p>	<p>Action covered in response to Point 4 to 2<sup>nd</sup> Audit in October 2019</p>

	ISSUE	RECOMMENDATION	FOLLOW UP
3	There was no confirmation of receipt for the £10,000 payment to Crewe YMCA on 25/07/2018.	<i>Confirmation of receipt should be secured for all significant grants and donations</i>	<ul style="list-style-type: none"> <li>▪ Recommendation to include in Financial Regulations made the Finance and Governance Committee on 24.02.2020</li> <li>▪ Advice sort from contract accountant on significant amount and set at £2,000 which has been included in the recommendation</li> <li>▪ Included in draft Standard Operating Procedures for adoption by Finance and Governance Committee on 24.02.2020</li> </ul> <p>Finance and Governance Committee on 24.02.2020 requested that the significant amount limit was set at £1,000 for grants and donations requiring a receipt</p> <p>Request of payment receipts for grants and donations was implemented in April 2020. These are kept on file in project file and copies are also kept in the accounts folder as evidence</p> <p>The new procedure will be written into the Grants and Donations Policy which is re-adopted annually as a general course of business. The Grants Scheme for 2020/2021 is being reworked by CVS Cheshire East in conjunction with the Community Engagement Officer with the aim that this be adopted in May / June 2020 at the next meeting of the Community Plan Committee</p>
4	The Credit Card payment on 24/10/2018 for £283.00 for hotel accommodation was not supported by a VAT invoice	<p><i>A VAT invoice should be secured for this payment to enable the VAT to be reclaimed.</i></p> <p><i>VAT invoices should be secured for all standard rated supplies</i></p>	<p>See 2019/20 payment card issues</p> <ul style="list-style-type: none"> <li>▪ New draft Standard Operating Procedures set for adoption by Finance and Governance Committee on 24.02.2020 with a specific procedure relating to reclaiming VAT</li> <li>▪ Officers have been strongly advised to obtain the necessary receipts and invoices which include VAT</li> </ul> <p>The Interim RFO and Contract Accountants have reviewed all card purchases over the last three financial years and have claimed back as much VAT as possible. The Year-End VAT Claim will be submitted in April 2020</p>

	ISSUE	RECOMMENDATION	FOLLOW UP												
<b>2017/18 year-end audit</b>															
1	<p>The year-end bank reconciliation contained the following errors:</p> <ul style="list-style-type: none"> <li>- Grant commitments of £5,622 for payments to be made in 2018/19 were included as payments in the 2017/18 unrepresented cheque listing</li> <li>- £3,040 of 'payments' included in the unrepresented cheque listing were actually creditors at the year end</li> </ul>	<p><i>The RBS ledger should be corrected as follows:-</i></p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: right;">£</th> <th style="text-align: right;">£</th> </tr> </thead> <tbody> <tr> <td><i>Dr Cash and bank</i></td> <td style="text-align: right;">8,662</td> <td></td> </tr> <tr> <td><i>Cr Creditors</i></td> <td></td> <td style="text-align: right;">3,040</td> </tr> <tr> <td><i>Grants expenditure</i></td> <td></td> <td style="text-align: right;">5,622</td> </tr> </tbody> </table> <p><i>As the amount committed to these specified grants is £5,622 for 2018/19 there could then be a transfer from general reserves to earmarked reserves of £5,622</i></p>		£	£	<i>Dr Cash and bank</i>	8,662		<i>Cr Creditors</i>		3,040	<i>Grants expenditure</i>		5,622	<p>Recurring issue re grant commitments included in creditors – see 2018/19 internal audit issues</p> <p>Action covered in response to Point 2 – 2018/19 year-end</p>
	£	£													
<i>Dr Cash and bank</i>	8,662														
<i>Cr Creditors</i>		3,040													
<i>Grants expenditure</i>		5,622													
2	<p>A review of the detailed budgets identified a contingency of £20k for the events budget, and a £50k contingency budget is included in Finance and resources budgets for 2018/19. Local councils should not include contingency revenue budgets in the annual budget as the general reserves represent the contingency reserves.</p>	<p><i>The council should review the budget for 2018/19 and ensure all revenue expenditure budgets relate to specified planned expenditure</i></p>	<p>Implemented</p> <ul style="list-style-type: none"> <li>▪ New Financial Regulations have been adopted in January 2020</li> <li>▪ New Standard Operating Procedures drafted and a point has been included to implement this action</li> </ul> <p>The Council Budget for 2020/2021 was set in conjunction with the Contract Accountants and therefore has been set as per these recommendations</p>												
3	<p>Training and travel subsistence is included in staff costs in the annual return, however, these are not actual staff costs as specified by the Practitioners Guide</p>	<p><i>Only actual payroll expenditure should be included in staff costs in the annual return</i></p>	<p>Implemented</p> <ul style="list-style-type: none"> <li>▪ To be reviewed by the Contract Accountant who will also be completing the Annual Return</li> </ul>												
4	<p><b>Payroll</b></p> <p>Members do not carry out detailed payroll checks as part of the in-year checks of finance</p> <p>The monthly payroll analysis provided by the payroll is not reconciled to the payroll per the RBS ledger</p>	<p><i>As part of the in-year checks of finance, members should check the monthly analysis from the payroll agent to source documents including timesheets</i></p> <p><i>The monthly payroll analysis provided by the payroll agent should be reconciled in total to the payroll posted to the RBS ledger</i></p>	<p>Follow Up - Recommendation Outstanding</p> <p>Covered in response to Point 5 2019/20 First Interim Report</p>												

	ISSUE	RECOMMENDATION	FOLLOW UP
<b>2017/18 interim audit</b>			
1	<p>Crewe Town Council have been approached about the possibility of taking over administration of The John McBride Trust. This charitable trust has been dormant since Cheshire East Council took over the administration from Crewe and Nantwich Borough Council.</p>	<p><i>We have reviewed documentation relating to the charity. The Trust Deed aim is 'charitable purposes within the borough of Crewe'. The Trust Deed assigns as a Trustee only a local authority (and therefore the members of that authority) which indicates that if the council were to take over the administration of the charity it would do so as Sole Trustee rather than Custodian Trustee of the charity.</i></p> <ul style="list-style-type: none"> <li>- <i>The council should ascertain from the Principal Council legal department whether in fact they would be taking over the charity on a Sole Trustee basis (i.e. only members of the council can be trustees of the charity).</i></li> <li>- <i>The council will need to ensure the correct disclosures are made in the year end Annual Return for external audit reading the charity, and that all transactions are excluded from the year end council accounts</i></li> <li>- <i>The council should contact RBS, the accounting system provider, to identify whether the current ledger system can be utilised to maintain the record of charity transactions and balance sheet of whilst also allowing the charity transactions to be excluded from the year end accounts and Annual Return for external audit</i></li> <li>- <i>Charity Commission annual returns will need to be submitted for the new charity, and a check should be carried out of the Charity Commission website to ensure all required submissions are up to date</i></li> </ul>	<p>The charitable trust is now a sole trustee charity of the town council from April 1<sup>st</sup> 2018</p> <p>Covered in response to Point 4 in 2019/20 First Interim Report</p>

	ISSUE	RECOMMENDATION	FOLLOW UP
2	<p>There is limited evidence of member checks on financial information such as bank reconciliations and online payments</p>	<p><i>The council should apply member checks on key reconciliations and online banking internal controls during the year to satisfy themselves that internal controls are operating effectively, and all transactions are completely and accurately recorded in the accounting ledger including:</i></p> <ul style="list-style-type: none"> <li>- <i>The Chair of Finance should verify monthly bank reconciliations by ensuring they are balanced and agreed to bank statements</i></li> <li>- <i>To provide assurance that the correct suppliers have actually been paid the amounts the council has approved, each month the Chair of Finance should select a small sample of payments from the actioned online payments and agree the online payment bank details to the bank account details of the supplier on the invoice</i></li> <li>- <i>Supplier fraud prevention controls - The Chair of Finance should check bank details for the first payment to a supplier to a signed confirmation letter from the supplier. The same procedure should apply where a supplier has purported to have changed bank accounts (particularly if the request is via email).</i></li> </ul> <p><i>All the above member checks should be evidenced by a signature.</i></p>	<p>Follow Up - Recommendation outstanding</p> <p>Covered to response in Response to Point 1 in 2019/20 Second Interim Report</p>
3	<p>Due to the 2016/17 accounts closedown being in late May 2017 it was not possible to post income invoices to the nominal ledger until after that date. Therefore, invoices had to be manually maintained on WORD with a list of income received until it was possible to post transactions into the 2017/18 nominal ledger</p>	<p><i>The council should ask RBS, the accounting system provider, to carry out the year end closedown procedures in early April</i></p>	<p>Noted</p> <ul style="list-style-type: none"> <li>▪ <i>Contract accountant will be facilitating year-end and accounts closedown in conjunction with the Interim RFP so this should not happen again</i></li> </ul>

	ISSUE	RECOMMENDATION	FOLLOW UP
4	Data Protection Law will change significantly on May 25 <sup>th</sup> 2018 due to the 2016 EU Directive General Data Protection Regulation (GDPR) taking effect. GDPR replaces the 1998 Data Protection Act and it will impose new obligations on Data Controllers and Data Processors and provides enhanced rights for individuals. Compliance with GDPR could have resource implications for local councils.	<i>The impact of GDPR on the council should be identified through review of ICO and NALC guidance and the Data Protection policy, risk assessment and internal controls should be updated accordingly.</i>	Implemented – see GDPR action plan <ul style="list-style-type: none"> <li>GDPR Action Plan is being reviewed</li> <li>New GDPR Policy will be adopted at next Council</li> </ul>
<b>2016/17 audit</b>			
1	The bank reconciliation contains a large value of unpresented payments and one uncleared receipt which are actually creditors as they did not clear the bank account until the 11 <sup>th</sup> April 2017. The uncleared receipt is actually a transfer between accounts.	<i>An adjustment is required to include £43,278.14 as creditors rather than payments that are unpresented. This would change the bank balance on the annual return to £340,901.</i>	The annual return has been amended to show total cash and investments as £340,901. <ul style="list-style-type: none"> <li>Contract accountant will be facilitating year-end and accounts closedown</li> </ul>
2	Whilst the financial regulations allow for the use of a payment card, they do not state any financial limits for use of the card.	<i>The financial regulations should state limits for the use of the card.</i>	£1,000 transaction limit set in Financial Regulations for Debit Card <ul style="list-style-type: none"> <li>New Financial Regulations have been adopted in January 2020</li> <li>New Standard Operating Procedures drafted for adoption</li> <li>Audit Sub-Committee in place to carry out checks</li> </ul> Payment card will cease to be used in August 2020
<b>2016/17 Interim audit recommendations</b>			
1	As part of our compliance testing of payments, we reviewed a sample grant payments.  The following grants were not supported by grant application forms (as made outside of the grant scheme) and were not supported by confirmation letters of receipt:  28/7/16 Creative Crewe £2,185.60 15/11/16 Crewe CAN £3,000.00  The Crewe CAN grant relates to the community plan (underpinned by the Community Plan Committee)	<i>Confirmation letters of receipt should be requested for grant payments.</i>  <i>The system for making payments of grants outside the grant scheme is not specified.</i>	Implemented  Action covered in response to Point 3 in 2018/19 Interim Audit

	ISSUE	RECOMMENDATION	FOLLOW UP
2	<p>There are no procedures in place to address the risk of adding and amending supplier bank account details (the bank account name is not used by banks when processing online payments). The Clerk currently takes bank details from the invoices or telephones the supplier if they are not available.</p> <p>The NALC model Financial Regulations state the following:</p> <p><i>Changes to account details for suppliers, which are used for internet banking may only be changed on written hard copy notification by the supplier and supported by hard copy authority for change signed by [two of] the Clerk [the RFO][a member]. A programme of regular checks of standing data with suppliers will be followed.</i></p>	<p><i>The Council should review current procedures for addressing the increased risk of supplier fraud or error inherent in online banking and should consider amending their Financial Regulations to include the section on supplier details from the NALC model Financial Regulations.</i></p>	<p>Implemented, however, see 2017/18 recommendations regarding member checks of data</p> <ul style="list-style-type: none"> <li>▪ New Financial Regulations adopted in January 2020</li> <li>▪ Standard Operating Procedures drafted for adoption</li> <li>▪ Audit Sub-Committee established for regular checks</li> </ul> <p>Since the Interim RFO has been appointed, bank details on unpaid invoices are checked against those stored previously</p> <p>Where suppliers have amended their details and informed the Town Council or they differ from those already stored, they are amended by one Officer and approved by another Officer once they have been cross referenced against the details provided. The same process is used for new suppliers</p>
3	<p>The Financial Regulations state that for contracts over £1,000, the Clerk shall obtain three quotations. Our testing found the following contract for which three quotations had not been obtained:</p> <p>Caroline Dodd (Crewe life website) £3,000</p>	<p><i>Contracts should be tendered as stipulated in the adopted Financial Regulations</i></p> <p><i>The Council should regularly review the de-minimis levels for contracts and ensure they remain appropriate to the size and scope of activity of the Council</i></p>	<p>No issues identified in 2017/18 procurement testing</p> <ul style="list-style-type: none"> <li>▪ Action covered in response to Point 3 in 2019/20 Second Interim Audit</li> </ul>