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The Councillors
Ledbury Town Council
Town Council Offices
Church Street
Ledbury
HR8 1DH

20th April 2016

Dear Councillors,

Internal audit year ended 31st March 2016

We have now completed our second visit on the internal audit for the year ended 31st March 2016, with a visit on 13th April 2016. I will next visit the council offices in May to complete the review of the accounts and controls in preparation for the completion of the Annual Return.

Criteria and Scope

We have followed the audit programme as recommended by NALC in their publication "Governance and Accountability for Local Councils — A Practitioners Guide (England) March 2014". The responsibility for internal controls remains with councillors.

The audit programme covered the following areas:

- A. Proper book-keeping
- B. Financial Regulations, Standing Orders and Payment Controls
- C. Risk Management
- D. Budgetary Controls
- E. Income Controls
- F. Petty cash procedures
- G. Payroll controls
- H. Asset control
- I. Bank reconciliation
- J. Year-end procedures

We have examined the accounting records and the documentation supporting these. I have reviewed the minutes of meetings and supporting papers to meetings and I have held discussions with Mrs Karen Mitchell, the Town Clerk and Responsible Financial Officer for the Council.

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Registered to carry on audit work in the UK and Ireland and regulated for a range of investment business activities
by the Institute of Chartered Accountants in England and Wales.



Use of the report

This report is made solely for the use of the Councillors of Ledbury Town Council, as a body, and solely for reporting on the internal controls of Ledbury Town Council, in accordance with our letter of engagement dated 14th August 2015.

Our work has been undertaken so that we might report to the Councillors those matters that we have agreed to state to them in this report and for no other purpose. Our report must not be recited or referred to in whole or part in any other document nor made available, copied or recited to any other party, in any circumstances without our express prior written permission.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Councillors of Ledbury Town Council as a body for our work, for this report or the opinions we have formed.

Work Performed

On my visit today I carried out the following work:

1. Reviewed progress on all matters outstanding from the previous visit, being work to review and update the Council's Financial Regulations and Standing Orders; to renew and update the Risk Register; and to review and update the Asset Register.
2. Reviewed minutes of Finance and General Purposes and the Full Council from December 2015 to March 2016.
3. Reviewed a sample of purchase payments for the 4 months ended 31st March 2016 to check that the correct procedures and controls have been followed, to include obtaining estimates and quotes where relevant; ensuring purchase authority has been given by the council, committee or officers under delegated powers, checking that the payment is supported by a fully approved and authorised invoice; and that any VAT is correctly dealt with.
4. Reviewed the bank reconciliations for the period for all accounts held, to ensure that the reconciliations have been performed each month, and that they have been reviewed by the appropriate council member.
5. Discussed the payroll procedures and controls.

Results and Matters Arising

My results and comments from the above are as follows:

1. The Revised Standing Orders and Financial Regulations were approved and adopted on 28th January 2016.

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This review has been on-going since April 2015 however, and has been a point for action in my predecessor's reports since then.

It is important that the Council takes on board, and responds to internal audit recommendations, and follows this up with action where it is called for, in a more timely manner, to improve the effectiveness of the system of internal audit – as indeed was identified at the F & GP committee meeting of 18th February 2016.

2. In connection with the review of the Financial Regulations, the previous internal auditor recommended that the management of the Neighbourhood Plan be improved, "with responsibilities being clearly identified for the management of the contract with the consultant, and to ensure that there are clear responsibilities for delivery of the other tasks".

I can see from the minutes of the Full Council on 28th January 2016, that a working group has been set up to deal with this, and the Terms of Reference, Working Together documents, and Agreement Form were adopted; an extension to the Foxley Tagg Planning Ltd contract to 2018 was agreed; and additional fees and budgets were agreed.

At a Full Council meeting on 25th February 2016, a report of the working group, and a communication and consultation budget/resource breakdown was received by them. It appears to me therefore that the previous auditors recommendations in respect of the Neighbourhood Plan have been responded to.

3. The review and update of the risk register has been on-going since January 2015, and has been a point for action in the previous internal auditors reports since May 2015. The requirement to review risk management at least once every year in accordance with NALC guidelines was highlighted by the previous auditor in May 2015. He also pointed out that because it had not been dealt with he would have to report on the matter to the external auditors in his Internal Audit report. The update risk register was approved in February 2016, with a further review planned June 2016.

As per Matters Arising -1 above, it is important that the Council responds to internal audit's recommendations in a more timely manner.

4. The Asset Register should be reviewed following Full Council elections, and the previous auditor advised on improvements to the register in his report of 7th May 2015.

On 18th February 2016 the F&GP committee recommended to Full Council that the F&GP Committee be given delegated authority to approve the Asset Register, and this was approved on 25th February 2016.

The revised Asset Register was adopted on 17th March 2016, with a note for the Clerk to discuss the values to be used when cost not available.

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20th April 2016

At my visit on 13th April 2016, the Clerk discussed with me various queries regarding the Fixed Asset Register, including the values to use and insurance values.

I advised on the use of actual cost or where this is not available, the use of 'proxy' cost per the Accounting Guidance for Local Councils (pages 75-78), where proxy cost is a valuation or insurance value or nominal £1.00 where assets are transferred under a community asset transfer or gifted.

The valuation figure is likely to be the best figure for property rather than the insurance value, as you are trying to arrive at a substitute for cost, and insurance values are based on more current values and re-build costs.

Once a value has been arrived at for the asset register it does not then change.

We also discussed which items should be included on the register, and it would be usual to include all items with a useful life of more than 1 year, with a cost above a threshold amount (£500 or £1,000 for example) to be agreed by the council

Once the Clerk has updated the register we will review the total value and compare to that on the previous Annual Return, as variances of more than 15% must be explained.

The insurance values were also discussed relation to buildings – these usually being the re-build costs – and the Clerk was to clarify these with the insurance companies given the unique nature and special interest of some of the Council's buildings.

5. The bank reconciliations were seen for each month, and the Clerk advised that Councillor N Morris had reviewed these and had added the date of his review.

The bank reconciliations had not been signed or initialled by him as evidence of this however, and this should be added to future reviews.

I have discussed these points with Councillor Harrison in his position of Chair of the F&GP committee, and as noted at the F&GP committee meeting of 18th February 2016, and have expanded the detail in my report as a consequence of that.

The additional time and costs for this, and for future requested work have been provided to the Clerk in a separate letter.

Yours faithfully

Hale Jackson Knight

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