

Internal Audit Report

Didcot Town Council 2018/2019

Interim report issued: 15 November 2018

Draft of concluding report issued: 14 June 2019

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AUDIT SUMMARY

1. INTRODUCTION

- 1.1 This report details the internal audit review of procedures, controls and the management of risk in operation at Didcot Town Council. The audit has been performed in accordance with the engagement letter agreed with Didcot Town Council on 17 May 2018 and any subsequent relevant legislation. The letter of engagement covers the audit of financial years 2016/2017, 2017/2018 and 2018/2019. The audit approach is provided in the audit framework in Appendix 1.
- 1.2 The following areas were covered during the course of the interim review in November 2018:
- governance arrangements (standing orders);
 - anti-fraud and corruption arrangements;
 - follow up of previous year internal audit recommendations;
 - financial regulations (excluding loans);
 - risk management;
 - petty cash;
 - payroll;
 - assets and investments (excluding asset maintenance); and
 - trust funds.
- 1.3 The following areas have been covered during the concluding audit review in June 2019:
- appropriate books of account;
 - financial regulations (loans);
 - budgetary control;
 - income and banking;
 - assets and investments (asset maintenance);
 - bank reconciliations;
 - accounting statements; and
 - follow up of interim internal audit recommendations.

2. BACKGROUND

- 2.1 Didcot Town Council has its office at Didcot Civic Hall and, in addition to the full council, there are four main standing committees and appointments to supplementary working groups. Didcot is split into six wards with a total of 21 councillors representing the wards. The services provided by the council include:
- allotments;
 - cemeteries;
 - Willowbrook Leisure Centre (managed by SOLL Leisure);
 - information centre;
 - parks, gardens and lakes;
 - grants; and
 - annual events.

3. PREVIOUS AUDIT REPORTS

- 3.1 Didcot Town Council was last subject to an internal audit review in May 2018. One high risk, eight medium risk and 11 low risk recommendations were raised. All 20 recommendations were agreed and a limited assurance opinion was issued.
- 3.2 12 recommendations have been implemented and eight recommendations have not been implemented so are restated (Recs 7 - 14).

4. 2018/2019 CONCLUDING REVIEW AUDIT ASSURANCE

- 4.1 **Satisfactory assurance:** There is basically a sound system of internal control although there are some minor weaknesses and/or there is evidence that the level of non-compliance may put some minor system objectives at risk.
- 4.2 In total, there have been 14 recommendations raised comprising of five medium risk and nine low risk ratings.

5. MAIN FINDINGS - INTERIM REVIEW

5.1 Governance arrangements (standing orders)

- 5.1.1 Standing orders are published on the council's website and were last updated and adopted by the council in March 2018. Prior to this, they were last amended in March 2017 and are stated as to be reviewed at least every two years. However, standing orders and financial regulations do not incorporate all the statutory requirements per the National Association of Local Councils (NALC) model standing orders.
- 5.1.2 Councillors are provided with a copy of the standing orders upon delivery of their acceptance of appointment; however, no councillors were appointed in 2018/2019.
- 5.1.3 Terms of reference for the six working groups are published on the council's website under the committees and working groups page. However, terms of reference for committees are not published on the website, only the scheme of delegation to committees. It is best practice to have terms of reference for each committee, which are agreed annually.
- 5.1.4 Area assurance: Substantial
One recommendation has been made as a result of our work in this area (Rec 1) and one previous recommendation has been restated (Rec 7).

5.2 Anti-fraud and corruption arrangements

- 5.2.1 The council has an anti-fraud and corruption policy, which was adopted by the finance and general purpose committee in August 2018. The policy includes guidance on reporting procedures, prevention, roles and responsibilities, and training.
- 5.2.2 The council has a code of conduct; however, it only applies to members and co-opted members of the council, not officers. There is no code of conduct for officers; however, the council has introduced a Didcot Town Council Behaviours document which acts as a code of conduct for officers and forms a part of the employee handbook. The council is also considering adoption of an officer protocol document.
- 5.2.3 A gifts and hospitality policy was adopted by the finance and general purpose committee in August 2018, which applies to councillors and officers of the council. The policy provides guidance on acceptance and disclosure of gifts and hospitality with a value over £25. Gifts and hospitalities are registered using an electronic register. No entries were recorded by officers; however, one councillor entry was recorded in 2018/2019.
- 5.2.4 Area assurance: Substantial
One previous recommendation has been restated (Rec 14).

5.3 Financial regulations (excluding loans)

- 5.3.1 Financial regulations were last reviewed and updated in September 2016. The regulations refer to processes, such as cash handling and asset disposal. In addition to the financial regulations, eight new policies and

procedures were adopted in 2018/2019, which are comprehensive.

5.3.2 Training logs are not in place for councillors and officers; however, there is no statutory requirement for councillors to conduct training.

5.3.3 Part 2 of the Local Government Transparency Code 2015 sets out minimum requirements for local authorities to publish open data. The act defines a local authority as including a parish council having gross annual income or expenditure exceeding £200,000. The council website does not comply with all the disclosure requirements set out by the transparency code; however, the requirement to publish data is good practice rather than mandatory.

5.3.4 A register of contracts was last updated in November 2018 and supporting documentation for each contract is retained within folders kept in a strongbox which is fireproof. Three contracts were taken out during 2018/2019, of which only one is over £25,000 and therefore requiring compliance with the Public Contract Regulation 2015. Based on our review of the contracts register, there is missing or inaccurate information, e.g. contract start date, contract value. Signed contracts and supporting documentation for contract values are not in place for all contracts.

5.3.5 Area assurance: Substantial
Two recommendations have been made as a result of our work in this area (Recs 3 and 4), and three previous recommendations have been restated (Recs 7, 8 and 9).

5.4 Risk management

5.4.1 An overarching risk management policy or strategy setting out the council's approach to risk management is not in place. The council uses the Local Council Risk System (LCRS) software to record risks. From our review of the 2017/2018 LCRS risk report, which was last updated in February 2018, it is not clear if the recorded review timings have been met and there are no dates recorded of when the risks were last reviewed. The risk register does not include risks for key areas such as strategic, reputational, and partnership/contractual risk. See paragraph 6.4.1 for concluding review.

5.4.2 Area assurance: Substantial
Two previous recommendations have been restated (Recs 10 and 11).

5.5 Petty cash

5.5.1 A petty cash imprest float of £150 is maintained with vouchers completed for each request for payment that are to be supported by receipts. A register is used to record transactions and during 2018/2019 there were six transactions totalling £128.83. Based on our review of the six transactions, all were suitably detailed, signed by the officer issuing and receiving monies, and supported by receipts. No concerns were identified from the checks undertaken.

5.5.2 Area assurance: Full
No recommendations have been made as a result of our work in this area.

5.6 Payroll

- 5.6.1 Internal audit reviewed personnel files for the officers listed on the October 2018 payment run and established that a signed contract for one of the 14 council employees was not on file.
- 5.6.2 Payroll transactions are managed through the SAGE payroll system and entered by the finance officer. A print of payslips is independently checked against input documents, usually by the deputy town clerk. Once checked, a draft BACS payment listing is produced which is also checked prior to final submission for payment. There is no evidence of a check once payments are submitted that the agreed amount has been processed. Based on our review of the October 2018 payroll documentation no issues were identified.
- 5.6.3 Area assurance: Substantial
One previous recommendation has been restated (Rec 13).

5.7 **Assets and investments (excluding asset maintenance)**

- 5.7.1 The council opened a CCLA public sector deposit fund in July 2018, which was approved by the finance and general purpose committee in May 2018. Full council approved in June 2018 to transfer £1m to the deposit fund from an existing Barclays deposit account; however, funds had not been transferred at the time of our interim audit. Based on our review the deposit complies with the council's investment strategy. The council holds no other investments.

Based on our review of the fixed asset register we noted that assets are not uniquely referenced, multiple assets are grouped together, and asset locations are not recorded. A sample of asset additions and disposals during 2018/2019 were reviewed and no issues were noted. A review of asset valuations and insurance documentation will be performed during the year end audit.

- 5.7.2 Area assurance: Substantial
One previous recommendation has been restated (Rec 12).

5.8 **Trust funds**

- 5.8.1 The council does not manage any trust funds but does hold a piece of land, in the form of a grass verge, in trust. The land is currently listed as 'charity assets held by the authority as trustee', with nil cost, which is in accordance with the 'Governance and Accountability for Smaller Authorities in England 2017' guidance.
- 5.8.2 Area assurance: Full
No recommendations have been made as a result of our work in this area.

6. MAIN FINDINGS - CONCLUDING REVIEW JUNE 2019

6.1 Governance arrangements

6.1.1 From review of hardcopy minutes during 2018/2019, minutes for 14 meetings across five committees were not signed as agreed.

6.1.2 Area assurance: Full
One recommendation has been made as a result of our work in this area (Rec 2).

6.2 Appropriate books of account

6.2.1 The council uses RBS (Rural Business Systems) accounting software. Card folders hold copies of purchase invoices and these are retained within suspension folders in a filing cabinet in alphabetical order. A separate folder is kept for BACS run documentation, including signed off copies. From review of a sample of ten expenditure items, all were found to be supported by a suppliers' invoice, correctly coded, detailed and paid. All items checked could be traced back to an expenditure list that is signed off in accordance with financial regulations.

6.2.2 A grants budget is made available and applications are presented to the next available Finance & General Purposes Committee for review. Councillors assess the benefits to Didcot for the application and consider the outcome from any previous awards. If grants are awarded there is a requirement to provide a report on how the income was spent and the benefit to the community with four months of the award. A register is maintained of grant applications which shows 21 applications received for consideration during 2018/2019. Of these, one had been refused and one recent application was in progress at the time of review. Review of a sample of awarded grant aid applications confirmed that grant aid applications were appropriately approved.

6.2.3 Area assurance: Full
No recommendations have been made as a result of our work in this area.

6.3 Financial regulations (contracts, tenders and loans)

6.3.1 Financial regulation 25 states a schedule of payments required as a part of the agenda for the council and presented for authorisation. This suggests council authorisation ahead of payments being made. The existing payment process does not present payments due to council ahead of them being paid, however there is sign off by two councillors as per the payment of accounts rules.

6.3.2 The council has loan commitments through the Public Works Loan Board. These are paid back through direct debit payments every six months as per a statement sent through the UK Debt Management Office. Payments were found to have been made in accordance with the required schedules.

6.3.3 Area assurance: Substantial
One previous recommendation has been restated (Rec 9).

6.4 Risk management

6.4.1 During our concluding audit review in June 2019, it was noted that a strategic risk assessment has been drafted and is due to be presented to the Finance and General Purpose Committee (FGPC) on 24 June 2019.

6.4.2 Area assurance: Full
Two previous recommendations have been restated (Recs 10 and 11).

6.5 Budgetary control

6.5.1 The 2019/2020 budget states, by each income and expenditure account, the draft 2019/2020 budget compared to projected 2018/2019 outturn and actual 2017/2018 and 2016/2017 figures. The budget was presented as an agenda item to the full council meeting 14 January 2019 having been discussed at the FGPC meeting on 17 December 2018.

6.5.2 The 2018/2019 budget is monitored through management accounts which are presented at each FGPC. The management accounts include income and expenditure by budget area, current month actuals, year to date actuals and annual budget. Variances are stated against the annual budget and a column records funds available as a value and as a percentage of annual budget.

6.5.3 The precept for 2019/2020 has been set at £106.53 per band D property which, with a tax base of £9,393, works out at £1,000,636. The precept being collected for 2018/2019 was covered in the previous audit review.

6.5.4 The Good Councillor's Guide to Finance and Transparency, produced by the Department for Communities and Local Government includes the following advice regarding reserves:

- A council should typically hold between 3 and 12 months of expenditure as a general reserve.
- If the general reserve is too high, then local electors have paid a tax which is not being used for the benefit of the local community.
- The year-end general reserve should not be significantly higher than the annual precept.
- If reserves at year end are above a certain level in relation to the annual precept, then the council must advise the external auditor of why this level of reserves is required.

6.5.5 From review of the unaudited draft financial statements, the general reserve balance as at 31 March 2019 is £473,272 which is less than two times the 2019/2020 annual precept of £1,000,636 and approximately four months of 2018/19 gross expenditure (£1,465,533) and five months of net expenditure (£1,059,300), hence the reserves appear to be reasonable. A further £551,020 is held as earmarked reserves as at 31 March 2019.

6.5.6 Area assurance: Full
No recommendations have been made as a result of our work in this area.

6.6 Income and banking

6.6.1 Income for Didcot Town Council is from various sources including precept, cemetery fees, pitch charges, fishing permits, park event commercial hires

and allotment rents. The majority, as far as volume, is allotments and, as far as value, is cemetery fees. Based on our review of a sample of income transactions, no concerns were noted.

6.6.2 The allotments modules within the RBS system is used to record allotment income by customer. Based on our review, it was found that RBS does not hold historic transactional data, therefore we were unable to test a sample of allotment income transactions.

6.6.3 From review of outstanding balances of allotments and burial, there were no bad debt write offs in 2018/19 and no aged debt.

6.6.4 Area assurance: Substantial
One recommendation has been made as a result of our work in this area (Rec 5).

6.7 **Assets and investments (asset maintenance)**

6.7.1 The council has nine play areas within the parks the council manages and four of these are within Edmonds Park. ROSPA carry out an annual safety assessment of the playgrounds and equipment each July and, from review of the report from July 2018, there is an individual report for each area covering facilities, boulders and rocks and individual equipment. The reports are comprehensive and include photographs for each item. In addition, the council's outdoor services team undertake weekly and quarterly checks on the equipment with any necessary repairs are made by the team where possible, or if not, by external service providers.

6.7.2 A copy of the fixed asset register is normally updated at the end of each financial year with any additions and disposals within the year. However, during our concluding review in June 2019, the fixed asset register required updating. In the main, the additions and disposals are related to ongoing projects for refurbishment of playground and parks equipment. These form part of earmarked reserve projects which often span more than one financial year and which are approved as part of the budget setting process.

6.7.3 An annual asset valuation is required to ensure that adequate insurance cover is in place. Based on our review, the latest asset valuation was performed in November 2017; however, the insurance renewal took place in November 2018.

6.7.4 Area assurance: Substantial
One recommendation has been made as a result of our work in this area (Rec 6) and one previous recommendation has been restated (Rec 12).

6.8 **Bank reconciliations**

6.8.1 The council has four bank accounts, two of which are in daily use. Funds are regularly swept from the current account into reserves to benefit from better interest rates. Bank reconciliations are undertaken by the finance officer and independently reviewed by the interim town clerk who is the responsible finance officer. The reconciliation is not signed to record the independent review but is presented to the finance committee by the town clerk as part of management accounts. The reconciliations for each account were reviewed

in detail for the months of January 2019, February 2019 and March 2019 and no areas of concern were identified.

6.8.2 Area assurance: Full
No recommendations have been made as a result of our work in this area.

6.9 Accounting statements

6.9.1 The council's accounting system is managed on an income and expenditure basis with some accruals at year end, as opposed to receipts and payments basis. From review of accounting statements, internal audit was able to match figures on the balance sheet with detail records from the accounting system. The trial balance can be supported by detailed reports of transactions that make up the stated figures, as can the income and expenditure transactions. Furthermore, an analytical review is undertaken by the accountant comparing the current year income and expenditure account with the previous year. Variances are analysed for external audit purposes and, from review, no areas of concern were noted.

6.9.2 Area assurance: Full
No recommendations have been made as a result of our work in this area.

7. ACKNOWLEDGEMENTS

7.1 Internal audit would like to take this opportunity to thank Didcot Town Council for their assistance with the audit.

8. CATEGORISATION OF RECOMMENDATIONS

8.1 To assist Didcot Town Council in using our reports, we have categorised our recommendations according to their level of priority as follows:

High risk	Fundamental control weakness for senior management action	
Medium risk	Other control weakness for local management action	4-6, 10-11
Low risk	Recommended best practice to improve overall control	1-3, 7-9, 12-14

OBSERVATIONS AND RECOMMENDATIONS

Governance arrangements

1. Standing orders

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Standing orders include all statutory requirements per the model standing orders published by the National Association of Local Councils (NALC).</p> <p><u>Findings</u> Didcot Town Council standing orders are published on the council's website and were last updated in March 2018. The NALC publish model standing orders, and information in bold are statutory requirements, which councils are recommended to adopt without altering.</p> <p>We reviewed the statutory requirements on the NALC website and checked whether they were included in the council's standing orders or financial regulations. Based on our review, several statutory requirements in the following areas were not included in either document:</p> <ul style="list-style-type: none"> • Meetings generally • Committees and sub-committees • Ordinary council meetings • Extraordinary meetings • Code of conduct complaints • Financial controls and procurements • Execution and sealing of legal deeds <p><u>Risk</u> Standing orders do not comply to statutory requirements published by the NALC, resulting in lack of appropriate guidance to officers and councillors, which may lead to adverse legal implications.</p>	Review standing orders and financial regulations to incorporate all statutory requirements per the model standing orders.	Staff Officer
Town Council Response		Implementation Date
<p>Recommendation is Agreed/Agreed in Principle/Not Agreed Comments by management included here between draft and final stage</p> <p>Management response: [Job title of officer completing response]</p>		Management to enter implementation date between draft and final stage

2. Hardcopy minutes

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Committee minutes are all agreed at subsequent meetings, signed, amended where appropriate and available on the council's website.</p> <p><u>Findings</u> Issues were noted with hardcopies of committee minutes during this review. At the</p>	<p>a) Review hardcopy committee meeting minutes held during 2018/2019 to date and ensure that they are signed.</p> <p>b) Remind officers and members of the</p>	Staff Officer

<p>time of the concluding review (June 2019) the following 2018/19 hardcopy minutes were not signed:</p> <ul style="list-style-type: none"> • Full Council: 14 May, 21 May, and 4 March; • Planning & Development: 10 October, 12 December; • Personnel & Administration: 16 April, 10 September, 12 November, 4 February; • Finance & General Purpose: 24 September, 22 October, 26 November, 17 December; and • Property Review: 24 May. <p><u>Risk</u> If committee minutes are not recorded as agreed at subsequent meetings, or signed as the agreed version, then it would be difficult to prove that decisions taken are those discussed at the meetings should queries arise.</p>	<p>requirement to sign hardcopy committee minutes at subsequent meetings.</p>	
Town Council Response		Implementation Date
<p>Recommendation is Agreed/Agreed in Principle/Not Agreed Comments by management included here between draft and final stage</p> <p>Management response: [Job title of officer completing response]</p>		<p>Management to enter implementation date between draft and final stage</p>

Financial regulations

3. Staff officer training log

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Training logs are in place to formally record training activities performed by each officer. Individual training and development needs are regularly assessed.</p> <p><u>Findings</u> There is no training log in place for officers and there is no evidence of a formal assessment of officer training needs. Furthermore, there is no training log for councillors; however, there is no statutory requirement for councillors to conduct training.</p> <p><u>Risk</u> Lack of adequate training and development of officers, which may increase the risk of non-compliance to statutory requirements.</p>	<p>Establish a process to regularly assess officer training needs, and formally document attendance at training in a training log.</p>	<p>Staff Officer</p>
Town Council Response		Implementation Date
<p>Recommendation is Agreed/Agreed in Principle/Not Agreed Comments by management included here between draft and final stage</p> <p>Management response: [Job title of officer completing response]</p>		<p>Management to enter implementation date between draft and final stage</p>

4. Contracts register

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Expenditure is formally supported by adequate documentation, in accordance with financial regulations.</p> <p><u>Findings</u> The contracts register was last updated in November 2018. At the time of our interim audit, three contracts were taken out during 2018/2019. Based on our review of the three contracts, we noted the following:</p> <ul style="list-style-type: none"> For one contract, totalling £10,000, a fee proposal letter is documented. Per the financial regulations, three quotations should be obtained. For one contract, totalling £40,640, the contract is not signed by the council. For all three contracts, the contract value on the contracts register does not agree to the supporting contracts or documentation. <p>In addition, from our review of the contracts register, we noted that contract start dates are missing for six contracts. Where start dates are recorded, only the start month is specified, not the exact date.</p> <p><u>Risk</u> Lack of formal evidence to support contract arrangements, which may lead to non-compliance to financial regulations, unauthorised expenditure, and acceptance of unfavourable contract terms.</p>	<p>a) Review the contracts register to ensure all information is completely and accurately recorded (e.g. start dates, contract value).</p> <p>b) Establish a process to ensure that all new contracts are adequately supported, in accordance with the financial regulations.</p>	Staff Officer
Town Council Response		Implementation Date
<p>Recommendation is Agreed/Agreed in Principle/Not Agreed Comments by management included here between draft and final stage</p> <p>Management response: [Job title of officer completing response]</p>		Management to enter implementation date between draft and final stage

Income and banking

5. RBS system functionality

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The financial system records historical transactional data.</p> <p><u>Findings</u> During our income testing it was found that a report of allotments income transactions for 2018/19 could not be extracted from RBS, as the system does not retain historical data (i.e. from previous financial years).</p> <p><u>Risk</u> Lack of formal audit trail to reconcile income transactions to receipts.</p>	<p>a) Through liaison with RBS system support, explore the system functionality to determine whether historical allotment transactions can be recorded after the start of the subsequent financial year.</p> <p>b) Consider extracting a report of allotment transactions at the end of the financial year, to ensure a manual record</p>	Staff Officer

	is held.	
Town Council Response		Implementation Date
Recommendation is Agreed/Agreed in Principle/Not Agreed Comments by management included here between draft and final stage Management response: [Job title of officer completing response]		Management to enter implementation date between draft and final stage

Assets and investments

6. Asset valuations

(Medium Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> Asset valuations are regularly performed for insurance purposes. <u>Findings</u> The latest asset valuation was performed in November 2017; however, the insurance cover was renewed in November 2018 for the period Nov 2018 to Nov 2019. <u>Risk</u> Lack of a recent asset valuation report may result in inappropriate insurance cover, which may lead to financial loss to the council.	Ensure that asset valuations are performed at least annually and formally record the results.	Staff Officer
Town Council Response		Implementation Date
Recommendation is Agreed/Agreed in Principle/Not Agreed Comments by management included here between draft and final stage Management response: [Job title of officer completing response]		Management to enter implementation date between draft and final stage

PREVIOUS RECOMMENDATIONS RESTATED

Financial regulations

7. Committee terms of reference

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All committees established by the council have terms of reference that are agreed and regularly reviewed by the council. This is in accordance with standing orders and as a good practice reminder to appointees as to the scope of the committees.</p> <p><u>Findings</u> The council's website includes details of matters delegated to each committee. The standing orders require the council to determine terms of reference (TOR) for committees and these are embedded within the standing orders. Whilst the standing orders are reviewed regularly, this does not evidence specific review of the TOR.</p> <p><u>Risk</u> If the council does not have agreed terms of reference that are regularly reviewed and updated, then any changes required may remain unidentified and uncorrected. This could result in the committee making decisions outside the authorised scope or the committee being unable to legally meet its intended purpose.</p>	<p>The council should review and agree terms of reference for each committee when appointments are made to those committees.</p>	<p>Staff Officer</p>
Town Council Response		Implementation Date
<p>Recommendation is Agreed/Agreed in Principle/Not Agreed Comments by management included here between draft and final stage</p> <p>Management response: [Job title of officer completing response]</p>		<p>Management to enter implementation date between draft and final stage</p>

8. Transparency code

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The council publishes at least the mandatory information set out in the Local Government Transparency Code 2015 in accordance with required timescales.</p> <p><u>Findings</u> Part 2 of the Local Government Transparency Code 2015 sets out minimum requirements for local authorities to publish open data. The act defines a local authority as including a parish council having gross annual income or expenditure exceeding £200,000. Although this is not a statutory requirement, it is best practice.</p>	<p>Consideration should be given to either continuing to publish information in the data transparency section of the councils' webpage, or updating the page to refer to explain the information is not mandatory.</p>	<p>Staff Officer</p>

<p>Didcot Town Council has a section on its website for data transparency. Based on our review of the website, the following information, which is required to be published annually is not disclosed:</p> <ul style="list-style-type: none"> • pay multiple (ratio between the highest taxable earnings and the median earnings figure of the whole authority). • Fraud, i.e. counter fraud work performed by the council • Local authority land – a register of land assets is published; however, there is no evidence of the review date. The Transparency Code requires an annual review. <p><u>Risk</u> If the council does not comply with the Local Government Transparency Code 2015, then it will be failing to meet all of its legislative requirements which could result in an adverse reputational or financial impact.</p>		
Town Council Response		Implementation Date
<p>Recommendation is Agreed/Agreed in Principle/Not Agreed Comments by management included here between draft and final stage</p> <p>Management response: [Job title of officer completing response]</p>		<p>Management to enter implementation date between draft and final stage</p>

9. Financial procedure rule 25

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Financial regulations and current practices are in accordance with each other.</p> <p><u>Findings</u> Financial regulation item 25 states a schedule of payments required is to be a part of the agenda for the council and presented for authorisation. The existing process does not present payments due ahead of them being paid on an agenda to council, however there is sign off by two councillors as per the payment of accounts rules.</p> <p><u>Risk</u> If current practices differ to financial regulations then the council may not be seen to be following agreed procedures.</p>	<p>It is recommended that financial procedure rule 25 is reviewed and clarified as current practice differs in that reports are made to council after payments are made, having been authorised by two councillors prior to payment.</p>	<p>Staff Officer</p>
Town Council Response		Implementation Due Date
<p>Recommendation is Agreed/Agreed in Principle/Not Agreed Comments by management included here between draft and final stage</p> <p>Management response: [Job title of officer completing response]</p>		<p>Management to enter implementation date between draft and final stage</p>

Risk management

10. Risk management policy and procedure

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> An overarching risk management policy and procedure is in place setting out the council's approach to risk management.</p> <p><u>Findings</u> Item 77 of the council's financial regulations refer to a risk management policy. However, there is no overarching policy or strategy setting out the council's approach to risk management.</p> <p><u>Risk</u> If a risk management policy is not in place, then the councils approach to managing risk is not formally documented and agreed. This could result in an incorrect treatment of the risks to which the council is exposed that could result in an adverse impact to the council's reputation.</p>	An overarching risk management policy should be implemented.	Staff Officer
Town Council Response		Implementation Date
<p>Recommendation is Agreed/Agreed in Principle/Not Agreed Comments by management included here between draft and final stage</p> <p>Management response: [Job title of officer completing response]</p>		Management to enter implementation date between draft and final stage

11. Risk register

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The councils risk register is regularly reviewed by officers and councillors, covers all risks and assessments/reviews are dated and evidenced.</p> <p><u>Findings</u> The council uses the Local Council Risk System (LCRS) software to record risks. This includes default items that were shipped with the system hence risks not relevant to the council are included in listings.</p> <p>From review of the records listed for 2017/2018, it is not clear whether the stated review timings are adhered to and there is no date of when each risk was last reviewed. Risks with a score above 3 are flagged in the LCRS system for action but there is no evidence that these have been addressed or when.</p> <p>There do not appear to be any risks recorded which are strategic, reputational, customer or contractual.</p>	<p>The council's risk register should be reviewed to:</p> <ol style="list-style-type: none"> remove items that do not relate to the council. ensure that dates of last reviews are captured and records evidence that reviews are up to date and all risks scoring over 3 are addressed in a timely manner. include risks that are strategic, reputational, customer and contractual. For example, failure to meet objectives, clarity of roles in contracts/partnerships, confidence and trust in the council. Ensure all aspects of the individual risk areas are fully covered. Ensure that there is councillor review of the risk register at least annually. 	Staff Officer

<p>Some of the areas listed would benefit from review to strengthen them. For example, 'council property and documents' only refers to liability cover, loss of assets and damage to civic regalia. There is nothing listed regarding documents, such as the duty to disclose documents and to adopt publication scheme. Furthermore, data protection is listed with one low risk regarding registration under the Act.</p> <p>Whilst an action plan was reviewed in February 2017 by the Finance and General Purposes Committee this does not evidence review by councillors of the risk register itself. The practitioners guide in governance and accountability for smaller authorities in England recommends review by councillors no less than annually.</p> <p><u>Risk</u> If the risk register does not cover all risks then the council may not be taking all required actions to mitigate the risk it is exposed to which could leave the council vulnerable in key areas.</p>		
Town Council Response	Implementation Date	
<p>Recommendation is Agreed/Agreed in Principle/Not Agreed Comments by management included here between draft and final stage</p> <p>Management response: [Job title of officer completing response]</p>	<p>Management to enter implementation date between draft and final stage</p>	

Assets and investments

12. Asset register

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The asset register is fully detailed and can be readily matched with insurance schedules.</p> <p><u>Findings</u> An insurance valuation is not recorded against each asset that is insured. Where an insurance value is recorded, these do not match the November 2016 insurance renewal values.</p> <p>Buildings listed in the asset register do not state their whereabouts and titles do not match those listed in insurance schedules.</p> <p>The fixed asset register is inconsistent in the level of detail recorded. For example, some but not all equipment has a model number. No serial numbers were evident.</p>	<p>It is recommended that a review of the asset register is undertaken to:</p> <ol style="list-style-type: none"> cross reference with insurance details to ensure completeness and accuracy, such as descriptions. record additional details for assets including: <ul style="list-style-type: none"> A unique asset identifier or the UPRN for land Model and serial numbers of equipment Date, value and method of last valuation Notes for additions, deletions and changes, e.g. minutes agreeing. 	<p>Staff Officer</p>

<p>A unique identifier is not used for the individual assets and land does not have the unique property reference number (UPRN) assigned. Financial regulation item 70 requires recording of details such location and extent plan which are not currently recorded.</p> <p><u>Risk</u> If the fixed asset register does not contain sufficient detail it may prove difficult to match with insurance records to ensure full and accurate cover is in place. Furthermore, full details and descriptions would facilitate regular stock checks and reviews of assets.</p>		
Town Council Response		Implementation Date
<p>Recommendation is Agreed/Agreed in Principle/Not Agreed Comments by management included here between draft and final stage</p> <p>Management response: [Job title of officer completing response]</p>		<p>Management to enter implementation date between draft and final stage</p>

Payroll

13. Contracts of employment

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All staff members should sign a contract of employment.</p> <p><u>Findings</u> A signed contract of employment was not held in personnel files for one of the 14 employees reviewed. Whilst this is not a legal requirement it is recommended as good practice.</p> <p><u>Risk</u> If a signed copy of the contract of employment is not retained it may be difficult to prove that the employee had been made aware of the terms of employment should disputes occur.</p>	<p>A signed contract of employment should be in place for all staff members.</p>	<p>Staff Officer</p>
Town Council Response		Implementation Date
<p>Recommendation is Agreed/Agreed in Principle/Not Agreed Comments by management included here between draft and final stage</p> <p>Management response: [Job title of officer completing response]</p>		<p>Management to enter implementation date between draft and final stage</p>

Anti-fraud and corruption arrangements

14. Code of conduct

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The code of conduct is reviewed and adopted by council employees and becomes part of terms and conditions of</p>	<p>The code of conduct should be reviewed and wording updated in line with the Nolan principles as set out in the good</p>	<p>Staff Officer</p>

<p>employment.</p> <p><u>Findings</u> The current code of conduct could be enhanced with wording from the seven Nolan principles as set out in the good councillor's guide. This includes reference to transparency and challenging poor behaviour.</p> <p><u>Risk</u> If the council does not have an adopted code of conduct for council employees then it may not be evidencing the expectation of the highest standards of conduct for those who work for local government.</p>	councillor's guide.	
Town Council Response		Implementation Due Date
<p>Recommendation is Agreed/Agreed in Principle/Not Agreed Comments by management included here between draft and final stage</p> <p>Management response: [Job title of officer completing response]</p>		<p>Management to enter implementation date between draft and final stage</p>

APPENDIX 1 - AUDIT FRAMEWORK

1. AUDIT APPROACH AND METHODOLOGY

- 1.1 The audit was designed to ensure that Didcot Town Council have implemented adequate and effective internal controls.
- 1.2 The audit approach was developed with reference to the parish council's reporting requirements and by an assessment of risk and management controls operating within each area of the scope.
- 1.3 The aim of the audit was to establish if:
- there are adequate internal controls in effective and efficient operation;
 - the processes are meeting the requirements of internal policy and procedural standards; and
 - the processes are meeting external codes of practice, professional and statutory regulations.
- 1.4 The following procedures were adopted:
- identification of the role and objectives of each area;
 - identification of risks within the systems and controls in existence to allow the control objectives to be achieved; and
 - evaluation and testing of controls within the systems.
- From these procedures we have identified weaknesses in the systems of control, produced specific proposals to improve the control environment and have drawn an overall conclusion on the design and operation of the system.
- 1.5 In undertaking this review, internal audit have taken into account Public Sector Internal Auditing Standards (PSIAS) and relevant legislation.

APPENDIX 2 - OFFICERS INTERVIEWED AND REPORT DISTRIBUTION

1. OFFICERS INTERVIEWED

- 1.1
- Janet Wheeler, Clerk to Didcot Town Council (in post from 3 June 2019)
 - Tom Hudson, Deputy Town Clerk
 - Sharon Hickman, Finance Officer
 - Tony Rudge, Outdoor Services Manager

2. REPORT DISTRIBUTION

- 2.1 A copy of this final report has been distributed to the following officers:
- Janet Wheeler, Clerk to Didcot Town Council (in post from 3 June 2019)
 - Tom Hudson, Deputy Town Clerk

STATEMENT OF RESPONSIBILITY

Internal audit takes responsibility for this report, which is prepared on the basis of the limitations set out below.

INTERNAL AUDIT JUNE 2019

Contact Persons:

Victoria Hughes Internal Audit Manager
Tel: 01235 422430

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work should not be taken as a substitute for town and parish council responsibilities for the application of sound practices. We emphasise that the responsibility for a sound system of internal control rests with town and parish councils and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Nor should internal audit work be relied upon to identify all circumstances of fraud or irregularity should there be any, although our audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud. Effective implementation of our recommendations by town and parish councils is important for the maintenance of a reliable internal control system.

This report has been prepared solely for Didcot Town Council use. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose.