

INTERNAL AUDITOR'S REPORT TO SELSEY TOWN COUNCIL 2016/17

INTRODUCTION

The Council has responsibility for implementing effective governance arrangements including those to:

- manage risk;
- secure compliance with applicable laws and regulations;
- achieve effective financial management and accurate financial reporting;
- prevent and detect fraud and corruption; and
- maintain effective internal audit.

The conduct of the Council's financial affairs is prescribed by its Standing Orders and Financial Regulations. Both are subject to regular scrutiny by Council members and give a clear framework for day-to-day operations. The Clerk is the Responsible Finance Officer (RFO) and is helped by the Operations Manager who administers the finances on a day-to-day basis.

An annual review of governance arrangements and the reported accounts is undertaken by the Council's external auditors who issue a report and audit certificate.

INTERNAL AUDIT APPROACH

The 2016/17 risk assessment is 'medium' and is unchanged from last year. This rating is based on the previous audit findings and the continuing inherent risk arising from organisations with a small number of key staff.

UPDATE ON 2015/16 AUDIT FINDINGS

The 2015/16 internal and external audits reported no significant issues. The issues raised at the internal audit are shown below with a commentary on progress:

FINDING	PROGRESS MADE
Develop a Council-wide risk management policy and maintain a risk register. Formal member engagement is required at least annually. Significant new risks should be assessed formally as they emerge.	A risk assessment document was approved by the Council on 15 June 2016 and sets out the processes used in assessing and managing risks. The risks are rated low, medium or high and are split into two groups, "Financial and Management" and "Physical and Areas". Review dates are June 2017. The Risk Management Policy was adopted on 15 March 2017 following development by officers and the Finance & Administration Advisory Group. All staff have been briefed and senior staff undertake a risk assessment when making proposals to the Council.

FINDING	PROGRESS MADE
Develop a Council-approved medium-term business plan which is updated at least annually. This plan should recognise the Council's aims and strategic objectives and evaluate them against the available finances.	The business plan for the period 2016-2019 was subject to public consultation. Key objectives were prioritised following analysis of the feedback obtained and the plan was adopted in January 2017. The plan does not cost key priorities but informed budget planning in the second-half of 2016. An evaluation of these objectives against spend was included in a budget report to Council in December 2016.
Implement the requirements of the Local Government Transparency Code 2015.	The Council expects to make the 2016/17 information available in late May 2017.
Publish all payments made by the Council on the Council's website.	As above.
Take legal advice as part of the renegotiation of the Selsey Centre letting.	Legal advice was taken and the Council's solicitor is working on a Deed of Concession relating to the nursery's reduced rent. The nursery continues to make prompt payments and has employed a Business Manager. Also, a Councillor has been appointed to the nursery board as a non-voting member. The Clerk has reported improved financial stability and maintains an ongoing review.

Based on the follow-up of the recommendations, there are no other matters to highlight.

INTERNAL AUDIT FINDINGS 2016/17

These are listed below:

- the Council continues to have a reasonable level of separation of duties in administering its financial affairs;
- Standing Orders and Financial Regulations remains appropriate to the Council's needs;
- the Clerk and Operations Manager attended update training on the RIALTAS accounting system and their knowledge of the package continues to improve. The use of capital spending codes was discussed and the Operations Manager plans to develop these further in 2017/18;
- sample testing of invoices including the VAT elements to the accounting system found no issues;
- no issues need to be reported in relation to section 137 of the Local Government Act 1972; and
- sample checking of 2016/17 transactions in-year by nominated councillors is prescribed by the Council but is not formalised sufficiently. This was discussed with the Clerk and Operations Manager who undertook to formalise arrangements in 2017/18.

FINANCIAL HEALTH

As part of its budgeting processes, the Council considers its financial position with the aim of keeping enough funds to deliver its plans and a contingency for unplanned expenditure. No matters need reporting.

AUDIT 2016/17 RECOMMENDATION

One recommendation is made following the work undertaken:

FINDING	RECOMMENDATION
The expected member scrutiny of transactions in-year was not formalised in terms of sample sizes or coverage across the whole financial year.	The member scrutiny function should be formalised to ensure it is random in basis and is undertaken across the whole of the financial year.



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