

## Padiham Town Council Report

### REPORT TO AUDIT AND STANDARDS COMMITTEE



DATE	19/07/2018
PORTFOLIO	Resources & Performance Management
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#### PURPOSE

1. To report to members on enquires made with Padiham Town Council

#### RECOMMENDATION

2. The Committee considers the report.

#### REASONS FOR RECOMMENDATION

3. Members consider the standards applicable to Parish and Town Councils.

#### SUMMARY OF KEY POINTS

##### **Report in the Public Interest**

4. The Town Council's external Auditor had published a report in the public interest and closed its audit involvement for the financial year 2016/17 after the Council had not supplied its annual return for 2016/17. This effectively means that the Council has no external auditor opinion for the year. Padiham Town Council had had a previous report in the public interest from their external auditor after a fraud.
5. The Town Council has published their 2016/17 financial accounts on their website.

##### **Governance and Reporting Framework**

6. Padiham Town Council was required to produce an annual statement of governance for 2016/17, the return and key documents should have been provided to the external auditor for a review. The external auditor will have requested these documents and they had not been provided.
7. The documents have four principle elements. Part 1 is an annual governance statement which consist of the a list of questions which the council is expected to provide responses. These are about the internal control and accountability at the Council. These should be approved at a full council meeting.
8. Part 2 is an accounting statement, which is supported by a bank reconciliation. This is about the balances and income and expenditure by the organisation. Variations over a limit should be explained. This should be signed by the Councils Responsible Financial

- Officer and the person presiding at the committee meeting at which these were approved. This approval should be within 3 months of the end of the financial year (30 June 2017).
9. Part 3 is completed by the external auditor after they have completed their examination.
  10. Part 4 is the Internal Auditors annual report. This can take the form the internal auditor responses to a series of questions or a copy of their report to the authority. The requirement is to have a competent and independent internal audit of the financial and other controls. This should be signed off by the internal auditor.

### **Issues identified.**

11. The Town Council did complete a return for 2015/16 but failed to supply an annual return to their external auditor for 2016/17. The Council has supplied a Annual Statement of Accounts for 2016/17, but not a copy of their annual return.
12. The activities of the Council including access to offices were impacted by the flood at Padiham Town Hall in December 2015 and the actions to clean and reinstate the property by Burnley Borough Council as the owners of the property working with its insurers. Despite this the Council did submit a return for 2015/16.
13. The return for 2015/16 identified a governance issue – there had been no risk assessment.
14. In addition the internal auditor had identified this as a weakness and other issues in;
  - The budgetary process for setting the precept.
  - Petty cash payments.
  - Bank reconciliations.
15. This would have resulted in an action plan to address the issues that the internal auditor had identified.
16. In their report to the Council dated 30<sup>th</sup> September 2016 the external auditor has qualified the annual return. This was on the basis of not carrying out a risk assessment. They further reported on;
  - a. No review of effectiveness of the internal control
  - b. VAT not reclaimed by smaller authority.
  - c. Not fully completing the trust funds disclosure note.
  - d. Financial Regulations and Standing Orders need updating
  - e. Internal Auditors Recommendations
  - f. Budgetary process
  - g. Bank Reconcillations
  - h. Internal Control System
  - i. S137 Payment reporting
  - j. Changes in the comparative figures from 2014/15 in the 2015/16 return.

### **2017/18 Arrangments.**

17. The Town Council have appointed a new member of staff, Padiham's First Officer. They have produced the accounts for 2017/18 and these are published on the Town Council's website. A new internal auditor has been appointed. The external audit regime has changed for 2017/18.

<b>FINANCIAL IMPLICATIONS AND BUDGET PROVISION</b>
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18. The Borough Council collects precepts on behalf of the Town Council and also pays a Council grant. Payments of the Council Grant are listed in the table below.

Year	Amount
2018/19	£6,107 (Budget)
2017/18	£7,783
2016/17	£10,474
2015/16	£10,474

#### **POLICY IMPLICATIONS**

19. None

#### **DETAILS OF CONSULTATION**

20. None

#### **BACKGROUND PAPERS**

21. None

#### **FURTHER INFORMATION**

**PLEASE CONTACT:**

**Ian Evenett - Internal Audit Manager**

**ALSO:**