

**MAGHULL  
TOWN  
COUNCIL**

## **Maghull Town Hall**

Hall Lane, Maghull,  
Merseyside L31 7BB

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**NOTICE IS HEREBY GIVEN that a MEETING**  
of the **AUDIT & GOVERNANCE COMMITTEE** will be held  
in the **COUNCIL CHAMBER** at **MAGHULL TOWN HALL**  
on **WEDNESDAY 17<sup>TH</sup> FEBRUARY 2016**  
**the meeting will commence at 6.30 pm**

**Dated this 10<sup>th</sup> Day of February 2016**

**To: The Chairman and Members of the Audit & Governance Committee of Maghull Town Council**

***Membership of Committee: Cllrs: Sayers (Chair), Deegan, Desmond, Leggett and Roughley (Vacancy)***

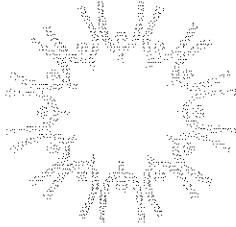
***Note: DECLARATIONS OF INTEREST – If A Member requires advice on any item involving a possible declaration of interest which could affect his/her ability to speak and/or vote, he/she is advised to contact the Town Clerk at least 24 hours in advance of the meeting.***

### **AGENDA**

1. Apologies for Absence
2. Public Participation
3. Declaration of Interests
4. **Internal Audit Report Quarter 2** – Members are asked to consider the Internal Audit Report for Quarter 2 (**Pages 1-4**)
5. **Smaller Authorities External Audit Provision** – Members are asked to consider the future arrangements for the provision of external auditors for the Council. (**Pages 5-12**)
6. Chair's Report – This item is for noting only

**MISS A. McINTYRE**  
**TOWN CLERK & TREASURER**





# Sefton CVS

Supporting Local Communities

Private & Confidential  
Town Clerk  
Maghull Town Council  
The Town Hall  
Maghull  
Merseyside  
L31 7BB

30 November 2015

Dear Town Clerk,

We have completed our fourth quarterly visit in accordance with the agreed internal audit plan. I thank you and your staff for the help that we have received in carrying out the procedures.

As requested, I am reporting to you our findings so that any action which may be required by the council can be undertaken.

Our tests are performed on a sample basis and are designed to highlight potential problem areas that need addressing. They are not designed to identify all errors or instances of fraud that may occur.

## Scope of work

This quarter we have performed work on your systems, concentrating on the following:

- Budget reviews and analysis of variances
- General purchases system testing
- Nominal activity review
- Projects audit – all projects with budgeted cost over £5,000
- Review general purchases system
- Review IT security and website
- Review of Council reports
- Review of external auditors reports
- Review of minutes
- Review proper legal power used on expenditure
- Value Added Tax review, testing and partial exemption review

### Budget reviews and analysis of variances

Actual results are compared to budget and variances explained on a monthly basis.

### General purchases system testing

A sequence of 20 purchase invoices were checked and found to be correctly posted to the nominal ledger.

### Nominal activity review

Nominal ledger activity for the three months ended 30 September 2015 was reviewed. Town Hall Nominal Ledger account 2114 Suspense Credits has a credit balance of £483.15. This relates to a Function Suite Transfer for Pam Radokov on 19 June 2014. The item should be posted to appropriate account before the year end.

### Projects audit – all projects with budgeted cost over £5,000

The expenditure charged to projects with budgeted cost over £5,000 appeared to be appropriate. The modern apprenticeship scheme expenditure of £9,816.87 at 30 September 2015 was close to the budget of £10,000.

### Review general purchases system

The Town Clerk authorises expenditure up to £2,000.

Invoices to be paid have a stamp which is initialled by officers and councillors as appropriate.

Invoices for payment by cheque require the approval of one officer and two councillors. The Responsible Finance Officer produces cheques, matches with invoice, countersigned by two councillors and one officer. Supplier cheques require three signatures, two Councillors and one Officer.

BACS are authorised by Town Clerk and retrospectively certified by one councillor.

Direct Debits are certified by the Responsible Finance Officer and one councillor.

The full list of payments are presented to the Council Meeting for their approval.

All purchase invoices with reference numbers from 42200 to 42420 were checked. The only exceptions found to the above procedures were:  
16 June 2015 direct debit of £521.38 to npower was approved by RFO. The direct debit should have been approved by RFO and one councillor  
6 August 2015 direct debit of £35.00 to Information Commissioner's Office was approved by RFO. The direct debit should have been approved by RFO and one councillor.

31 July 2015 cheque payment of £109.80 to G4S was certified for payment by RFO and one councillor. The cheque payment should have been certified for payment by RFO and two councillors.

#### Review IT security and website

Passwords are required to log on to the computers and access the accounting systems. Passwords to log on to the computers are changed regularly. Passwords to access the accounting system are changed annually. Levels of authorisation for staff are to be reviewed.

Accounting records are backed up by the computer provider BEC Systems Ltd.

Wages records are backed up on a USB stick held by the Responsible Finance Officer. Consideration should be given to a more secure method of backup.

The Local Government Transparency Code 2014 requires the following information to be published on the website:

- Expenditure exceeding £500, to be published quarterly – expenditure from 1 April 2015 to 30 September 2015 should be shown
- Government Procurement Card transactions to be published quarterly – not used by council.
- Procurement information, to be published quarterly – no contracts over £5,000 so not applicable.
- Local authority land, to be published quarterly – done.
- Grants to voluntary, community and social enterprise organisations, to be published annually- done
- Organisation chart, to be published annually - done.
- Trade union facility time, to be published annually – done.
- Parking account – done.
- Parking spaces – done.
- Senior salaries – not applicable as none paid over £50,000.
- Constitution, to be published annually – Standing Orders are on website.
- Pay multiple, to be published annually - done.
- Fraud – done.
- Waste contracts – done.

#### Review of Council Reports

Monthly finance reports are presented to the Council, showing income, expenditure and variances from budget.

#### Review of external auditor's reports

The external auditor raised one point, which was that the council has received an s106 grant which is repayable if not spent by a set deadline. The council is accounting on the income and expenditure basis, but has included the amount within its reserves at 31 March 2015. The annual return was amended to remove the grant from the council's carried forward reserves

The s106 money should be treated as deferred income at 31 March 2016 to the extent that the money has not been spent.

#### Review of minutes

A working party has been formed to ascertain the costs and benefits of pension schemes. The Council is required to offer a pension scheme to employees under auto-enrolment.

#### Review proper legal power used on expenditure

Town Clerk is authorised to incur expenditure up to a maximum of £2,000 on any item for which provision is made in the appropriate revenue budget (Scheme of Delegation 2015 section 9.3.1).

Expenditure was within budgets at 30 September 2015. The proper legal powers are being used on expenditure.

#### Value Added Tax review, testing and partial exemption review

All income is zero rated or standard rated except for the following exempt items:

- FS 4900 Miscellaneous income – paid to Function Suite lessee
- TH 4107 Postage charges – postage is exempt so input VAT not claimed
- TH 4355 Activities Room – income is paid to Function Suite lessee
- TH 4396 Solar panel income – no related input VAT
- TH 4399 Miscellaneous Amenities – rental of building so no related input VAT

20 purchase invoices and 20 sales invoices were checked to ensure that VAT is correctly accounted for.

Output VAT is correctly charge on standard rated outputs. Input VAT is all recovered because there is no input VAT relating to exempt outputs.

Would you please write to me with any comments you may have regarding the points raised above.

Kind regards.

Yours sincerely,

Steven Hughes  
Community Accountant

Sefton Council for Voluntary Service, 3<sup>rd</sup> Floor, Suite 3b,  
North Wing, Burlington House,  
Crosby Road North, Waterloo, Liverpool, L22 0LG.  
Tel: (0151) 920 0726 ext 235 email: [steve.hughes@seftoncvsvs.org.uk](mailto:steve.hughes@seftoncvsvs.org.uk)  
Registered Charity No. 1024546 Company Limited by Guarantee No. 2832920

## **REPORT OF THE TOWN CLERK**

To the Chair and Members  
of the Audit & Governance Committee  
*Meeting held Wednesday 17<sup>th</sup> February 2016*

### **5. Smaller Authorities External Audit Provision**

Members will be aware of that the Town Council has both internal and external auditors. The internal auditors are appointed by the Council and work to the agreed framework auditing purposes. The external auditors for the Council were appointed by the Audit Commission on behalf of the Council and were appointed for a five year period.

The Audit Commission has ceased to be an executive agency of the Government and as the five year period for the external auditor has finished new arrangements need to be made.

There are essentially two options before the Council. The professional bodies for local councils have provided a sector led body (SLB) for the provision of external auditors. This removes the work and concern in appointing an auditor panel and ensuring that value for money is achieved. The Town Council can decide to remain with the SLB. This requires the Council to do nothing as it needs to opt out of the process. Or the Council can opt out of the SLB and decide to appoint its own auditor panel who will recommend the auditors following a full tendering process. All costs for the panel and tendering process would be paid by the Council as well as the external auditor costs.

#### **Recommendations:**

1. That the Audit & Governance Committee decide which option to follow;
2. That the report be noted.

Smaller Authorities' Audit Appointments Limited

Dear Colleague

**The future of External Audit for Smaller Authorities – Update one**

As you will be aware, the Audit Commission ceased to exist on the 1 April 2015 and a new company – Smaller Authorities' Audit Appointments Ltd - has been created this week to take over the appointment of **external** auditors and the setting of audit fees for smaller authorities from 2017.

This Company was set up on behalf of the Department for Communities and Local Government by the National Association of Local Councils (NALC), the Society of Local Council Clerks (SLCC) and the Association of Drainage Authorities (ADA).

The Company's three independent Directors are: Mike Attenborough-Cox (Chairman), Elizabeth Peers and Martin McNeill

Mike is a qualified accountant and internal auditor, and was a partner at Mazars LLP for 13 years. He has extensive experience of working with public sector organisations, having been appointed UK national public services partner at Mazars in 2001. He is also Chair of the Joint Audit Committee of the Police and Crime Commissioner and Chief Constable for Hampshire; and a member of the Audit and Risk Committee of the Foreign and Commonwealth Office.

Lizzie Peers is a qualified chartered public finance accountant, with over 20 years' experience as a senior public sector external auditor, having worked for the Audit Commission and more recently for Ernst & Young LLP. She currently sits on the board of two NHS trusts as a non-executive director and lectures at the University of Portsmouth on corporate governance

Martin McNeill is currently Clerk to the Governors and Company Secretary at Morley College London, having previously held a similar position at Bicton College in Devon. Prior to that he worked with the Audit Commission for 20 years, including four years as the Commission's Director of Management Services.

The Board also includes three Member Directors, who currently are: Peter Bateson, Company Secretary, ADA; Steve Alison, Head of Finance, SLCC; and Jonathan Owen, Chief Executive of NALC.

This company will formally appoint external auditors on your behalf, very much as the Audit Commission did previously, for a five year period from the financial year 2017/18. This will happen automatically unless your Council/Board decides to opt out and set up an independent Audit Panel to procure external audit itself. Guidance on setting up an auditor panel can be found here <http://www.cipfa.org/policy-and-guidance/publications/g/guide-to-auditor-panels-pdf>

## Smaller Authorities' Audit Appointments Limited

Owing to the way the legislation has been drafted, all Councils/Boards with an annual turnover of less than £6.5 million are automatically part of the scheme unless they decide to opt out and appoint their own external auditors.

**The deadline for those wishing to take a decision to opt out is 31 March 2016.**

Following the inaugural board meeting on 16 December 2015 the board made some decisions on fee structures.

For authorities requiring an annual assurance review (those with an annual turnover over £25,000) the intention is that fee rates will not exceed those applicable to reviews of accounts for the 2014/15 financial year, which are as follows.

<b>Income &amp; Expenditure band £</b>	<b>Fee per smaller body £</b>
25,001 - 50,000	200
50,001 - 100,000	300
100,001 - 200,000	400
200,001 - 300,000	600
300,001 - 400,000	800
400,001 - 500,000	1,000
500,001 - 750,000	1,300
750,001 - 1,000,000	1,600
1,000,001 - 2,000,000	2,000
2,000,001 - 3,000,000	2,400
3,000,001 - 4,000,000	2,800
4,000,001 - 5,000,000	3,200
5,000,001 - 6,500,000	3,600

The legislation regarding authorities with annual turnover of below £25,000 is not clear. Board members have met with DCLG who are now seeking legal advice to clarify the situation. Once the board knows the outcome of this legal advice they will issue a further communication.

A link to the appropriate legislation is attached for your information.

[http://www.legislation.gov.uk/ukdsi/2015/9780111126103/pdfs/ukdsi\\_9780111126103\\_en.pdf%20](http://www.legislation.gov.uk/ukdsi/2015/9780111126103/pdfs/ukdsi_9780111126103_en.pdf%20)

We recognise that this is a complicated piece of legislation and will be providing more detailed information and FAQs over the coming months on the web.

Finally, we would like to wish you a very happy Christmas and a peaceful New Year.

Mike Attenborough-Cox

**Chairman – Smaller Authorities' Audit Appointments Limited**



## **FACTSHEET - PROCUREMENT OF AUDIT FOR SMALLER AUTHORITIES**

Auditing procedures for smaller authorities continue as before, but the procurement process will change from 2017.

From the start of the 2017/18 financial year smaller authorities, including parish and town councils and internal drainage boards, can choose to have an auditor appointed to them by a new 'sector-led body' or they can decide to procure their own. We intend to call this procurement body the Smaller Authority Audit Appointments Limited.

This letter sets out how the new arrangements will work, what the new body will do, what it will offer to smaller authorities, and how you can opt out of having an auditor appointed to you and what you will then need to do.

Smaller authorities with a turnover of less than £25,000 will be exempt from having to submit an annual financial return, but will still need to have an auditor appointed in case there are questions from electors to be resolved. The SLB will be the first point of contact in such a case.

### **Background**

The National Association of Local Councils (NALC) is working with the Department of Communities and Local Government (DCLG), Society of Local Council Clerks (SLCC) and Association of Drainage Authorities (ADA) on the establishment of a 'sector led body' to procure audit for smaller authorities for the 2017/18 financial year.

The new body will be responsible for procuring audit services for smaller authorities – this is all parish and town councils and internal drainage boards with an income of less than £6.5m – and for the management of these audit contracts for a period of five years.

The Local Audit and Accountability Act 2014 requires that from 2017, smaller authorities will appoint auditors through a 'sector led body' or opt out of such arrangements and appoint auditors locally.

The Smaller Authority Regulations<sup>1</sup> enabled the establishment of a sector-led, collective procurement body to appoint auditors and manage audit contracts. This approach acknowledges both the benefits of collective procurement and the important fact that smaller authorities may not have resources or capacity to individually appoint auditors locally.

Audit of smaller authorities remains mandatory and the creation of the body is aimed at easing the administrative burden, reducing costs and ensuring quality, while maintaining the opportunity for a local approach to auditor appointment.

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<sup>1</sup> The Local Audit (Smaller Authorities) Regulations 2015 <http://www.legislation.gov.uk/ukdsi/2015/9780111126103>

National Association of Local Councils, Society of Local Council Clerks and the Association of Drainage Authorities.

The audit regime remains unchanged with limited assurance engagements being required from all authorities except those smaller authorities with zero expenditure, who will continue to confirm this annually in response to auditor requests.

One important change is that from 2017 those smaller authorities with a turnover below £25,000 will still be required to complete and publish an Annual Return, but will no longer be required to submit it for audit.

### **About the Sector-Led Body (SLB)**

As previously stated, NALC, SLCC and ADA are currently working together to set up a 'sector led body' to procure audit for smaller authorities for the start of the 2017/18 financial year. This process is being supported and funded by DCLG.

As was the case with the former Audit Commission, the running costs of the new body will be funded from the audit fees charged to smaller authorities.

The board of the new body will comprise an independent chair, two independent members, and representation from NALC, SLCC and ADA. Secretariat support will be provided by NALC. The new body will have a Memorandum of Understanding with DCLG, who will have optional observer status, and who will also review and monitor progress and quality of SLB work.

The SLB will appoint auditors for **all those smaller authorities 'opted in' to the new arrangements**.

A tender process (compliant with European rules and regulations) will be completed by the end of September 2016.

The SLB will procure, deliver and manage the audit contracts; this will include specification of contract requirements, management of auditors, recording of all authorities opting in or out, communications and quality management of audit contracts.

Quality assurance of audits/limited assurance engagements will be conducted by a process to be managed through DCLG.

The SLB will be charged with monitoring those smaller authorities who decide to 'opt out' and reporting those bodies to DCLG, confirming when they have appointed auditors locally.

National Association of Local Councils, Society of Local Council Clerks and the Association of Drainage Authorities.

## What you need to do

Those smaller authorities who wish to participate in the SLB do not need to do anything as all smaller authorities are automatically opted in to the new body and will have an auditor procured for them.

This is aimed at helping the transition to new arrangements in 2017 to be as seamless as possible and with no disruption to your audit arrangements.

### How to opt out of the new arrangements

However your council is entitled to opt out of the new arrangements. The decision to opt out must be through a formal meeting of the council, and as such every council who is eligible to opt-out needs to actually formally consider if they are going to.

If you wish to opt out of the Sector Led Body Audit procurement you must email [siboptout@nalc.gov.uk](mailto:siboptout@nalc.gov.uk) or write to:

Audit Opt Out  
Sector Led Body  
National Association of Local Councils  
109 Great Russell Street  
London  
WC1B 3LD

by 31 January 2016 (if you do not do so by that date the next chance to opt out will be in five years time)

All authorities who wish to opt out must make their own arrangements with auditors, which will include but is not limited to the following:

- establishing an Auditor Panel;
- following a statutory appointment process set out in regulations;
- appointing an auditor by 31 December 2016;
- providing the SLB with the contact details of your auditor.

Smaller authorities who 'opt out' but fail to appoint an auditor by the deadline will have an auditor appointed for them, as the appointment of an auditor is a legal requirement. Such an appointment may be at a considerably higher cost as the savings from the bulk procurement of auditors may not be available and there will be additional administrative charges.

A small fee will be charged for this to cover the whole five year period and will be payable before the start of the new audit arrangements in April 2017. These authorities may 'opt out' but will still have to appoint auditors and meet the requirements set out above and it is highly likely this will be a far more expensive option.

National Association of Local Councils, Society of Local Council Clerks and the Association of Drainage Authorities.

It would be prudent of you to consider in your budget discussion funding to meet either the costs of audit if you are a council above £25,000 turnover, or the fee to access a an auditor from the Sector Led Body if you are a smaller council. The previous audit costs were negotiated several years ago and included some cross subsidy from larger councils so your costs in future years may increase. The one-off SLB fee is estimated to be less than £100, however this may be subject to change as the SLB is set up.

### Timetable

SLB Chair and Board (Independent) roles advertised	Oct 2015
SLB set up as a corporate entity	Nov 2015
SLB Board in place	Nov 2015
Specification of Auditor procurement requirements start	Nov 2015
Local Authorities written to and informed of options	Nov 2015
Smaller authorities opt out of arrangements deadline.	End Jan 2015
Specification of auditor requirements	End 2015
Procurement of auditor services starts	Start 2016
Auditors appointed by SLB	End Oct 2016
Opted out authorities to advise SLB of auditor appointments	Oct 2016
Auditors in place	Start 2017
Auditors start work	Start 2017/18 financial year
Auditors first reports	2 <sup>nd</sup> quarter 2018

### Summary of Key points

- **New Audit arrangements come into force on 1 April 2017 requiring the set up a SLB**
- **NALC will be working in partnership with SLCC and ADA to set-up of the SLB**
- **The SLB will procure, deliver and manage the audit contracts to start 1 April 2017**
- **The SLB will appoint auditors for all those authorities opted in**
- **Authorities who opt out of the SLB arrangements will need to inform the SLB and will have to have appointed auditors by 31 December 2016**
- **The audit regime from 1 April 2017 remains unchanged using limited assurance engagements**

**If you wish to opt out of the Sector Led Body Audit procurement you must let us know by 31 January 2016 by emailing [slboptout@nalc.gov.uk](mailto:slboptout@nalc.gov.uk) or write to:**

Audit Opt Out  
Sector Led Body  
National Association of Local Councils  
109 Great Russell Street  
London  
WC1B 3LD

Further information.

The Local Audit (Smaller Authorities) Regulations 2015

[http://www.legislation.gov.uk/ukdsi/2015/9780111126103/pdfs/ukdsi\\_9780111126103\\_en.pdf](http://www.legislation.gov.uk/ukdsi/2015/9780111126103/pdfs/ukdsi_9780111126103_en.pdf)

Local Audit and Accountability Act 2014

[http://www.legislation.gov.uk/ukpga/2014/2/pdfs/ukpga\\_20140002\\_en.pdf](http://www.legislation.gov.uk/ukpga/2014/2/pdfs/ukpga_20140002_en.pdf)

Transparency code for smaller authorities

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/388541/Transparency Code for Smaller Authorities.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/388541/Transparency_Code_for_Smaller_Authorities.pdf)