
Westbury Town Council

Internal Audit Report 2012-13 (Second Interim)

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Background and Scope

The Accounts and Audit Arrangements introduced from 1st April 2001 require all Town and Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually. The Council complied with the requirements in terms of independence from the Council decision making process appointing Auditing Solutions Ltd to provide the function to the Council: this report sets out those areas examined during the course of our interim visits to the Council for 2012-13 on 20th September 2012 and 11th February 2013.

Internal Audit Approach

In continuing our programme of review work for 2012-13, we have had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts.

As the Council's Internal Auditor and under the current audit arrangements, we have a duty to complete the Internal Audit Certificate in the Council's Annual Return, which covers the basic financial systems and requires assurances in ten separate areas. Our programme of work for the year, as previously advised to the Council, sets out detail of the work to be undertaken and our approach to ensuring that the Council's financial systems continue to operate effectively and without any material errors in data entry.

Overall Conclusion

We are pleased to again conclude that, in the areas examined to date, the Council continues to operate effective systems that ensure that transactions will be reported accurately in the Statement of Accounts and Annual Return for the financial year. We are also pleased to note that the Council has responded positively to our previous reports, although some issues are still in the process of being implemented: we shall continue to monitor progress at future visits.

We are also pleased to report that no significant issues have been identified at this visit, although we have identified one or two minor areas that require attention to ensure full compliance with legislative requirements and best practice. Where previous recommendations remain to be actioned, they are restated herein as an aide memoire to the Council and officers.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. The Council uses the Omega accounting software to maintain its accounting records, which also provide the basis for preparation of the year-end Statement of Accounts and Annual Return.

We have undertaken the following checks in order ensure compliance with the above objective: -

- Agreed the opening balance detail with that in the 2011-12 Statement of Accounts and certified Annual Return ;
- Ensured that the financial ledger remains in balance at the present date.
- Ensured that an appropriate coding structure is in place to provide suitable analysis to assist in the preparation of the annual detailed Statement of Accounts and summarised Annual Return;
- Checked and verified detail of transactions recorded in the Lloyds TSB and HSBC cashbooks for April to June 2012 and January 2013, agreeing detail to the relevant bank statements;
- Similarly, checked and agreed detail of the full year to date for all other accounts; and
- Checked and agreed detail on the bank reconciliations as at 30th June 2012 and 31st January 2013 for each account.

Conclusions

We suggested at our last visit that one or more councillors be nominated to undertake periodic checks on the cashbooks and bank reconciliation statements to ensure that no anomalous or long-standing uncleared entries exist and that, should any exist, that they are being addressed appropriately. Similarly, we suggested that the nominated member(s) examine and “sign-off” any journals raised during the year for appropriateness. We understand that this recommendation has been agreed by the Finance Committee with the new Mayor charged with this responsibility: and we shall continue to monitor the position at future visits.

We shall, at our final visit, examine transactions in March 2013 also ensuring the accurate disclosure of year-end balances in the Statement of Accounts and Annual Return.

Review of Corporate Governance

Our objective is to ensure that the Council has a robust regulatory framework in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We have: -

- Read minutes of the full Council and various standing committee meetings for the year to date to ensure that no issues affecting the Council's financial stability either in the short, medium or long term exist, also that no legal issues are in existence whereby the Council may either be considering or have taken decisions that might result in ultra vires expenditure being incurred; and
- Noted that the Council has further reviewed and re-adopted its extant Standing Orders and Financial Regulations in May 2012.

The development of documentation for all financial procedures is still in progress: to this end, we noted the establishment of a new Committee in November 2011. Positive progress has been made with the preparation and adoption of Disciplinary, Grievance, Complaints, Car usage, Member & Employee Protocols; together with Disability Discrimination procedures and understand that action will continue in this area to ensure that sound succession management arrangements are in place.

Conclusions

We shall continue to review minutes and monitor the Council's approach to governance issues at future visits.

Review of Expenditure

Our aim here is to ensure that, in addition to confirming that a sound financial control procedure is in place: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Appropriate procedures are in place to ensure compliance with the Council's Standing Orders and Financial Regulations with regard to tendering and quotation action;
- Payments are supported by appropriate documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and/or an acknowledgement of receipt, where no other form of invoice is available;
- Where applicable, appropriate contracting arrangements are in place and that they comply with the Council's extant Standing Orders and Financial Regulations;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have selected a sample of 64 payments processed in the financial year to date for scrutiny to ensure compliance with the above criteria. Our test sample provides a broad cross section of expenditure and traders' invoices totalling £152,000 (50% of non-pay related invoices) paid in the year to date.

Conclusions

We are pleased to report that no significant issues have been identified in this area at present: we shall extend testing in this respect to cover the remainder of the financial year at our final visit, also ensuring the accurate disclosure of the year-end VAT debtor balance in the Statement of Accounts and Annual Return.

Assessment and Management of Risk

Our aim here is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks in order to minimise the opportunity for their coming to fruition.

We have examined the Council's current year insurance policy schedule, now with Zurich since 2011-12 and are pleased to record that cover in all areas remains appropriate for the Council's needs, with 3% inflation added to asset values, together with additions in respect of a new PA system and other electrical items.

We have noted previously that the LCRS software was proving incompatible with the new PCs installed in the Council's offices: this issue has now been resolved and staff intend to move this forward, but have been unable to do so to date, because of other priorities and the absence of key staff in recent months. We shall review the outcome of this work in due course at our final visit.

Conclusions

We are pleased to record that no issues arise in this area, but remind the Clerk and members that financial risk assessments, together with the Council's Asset Register, once finalised, should be subject to annual review, update and formal re-adoption by the Council.

Budgetary Control & Reserves

We aim in this area of our work to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the amount to be precepted on the Unitary Council, that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans. To meet this objective, we have:

- Noted that the determination of budgets and precept for 2013-14 has led to a precept of £307,092, supplemented by a grant of £49,225 from Wiltshire Council, as approved and adopted by the Council in January 2013; and
- Noted that the Clerk continues to provide members with regular management accounting / budget monitoring information reports based on the appropriate software facility.

Conclusions and recommendation

We shall review the current year's budget outturn at our final visit following up and seeking explanations for any significant variances that might have arisen: we shall also examine the level of retained reserves, which, as noted last year were below the recognised CiPFA level of between three and six months' net revenue spending. We acknowledge the improvements made to date and note the intention to further improve the position as opportunities allow.

We note that no formal reserves policy is in place currently and would commend the development of such as part of the Council's raft of approved policies and procedures.

R1. Consideration should be given to the development of a formal Reserves Strategy and Policy.

Review of Income

In addition to the precept, the Council's income comprises bank interest, various grants and donations, income from fairs (e.g. the Street Fayre), limited hall hire and recoverable VAT. Additionally this year, income has arisen from events organised to celebrate the Queen's Diamond Jubilee.

We have reviewed the receipts transactions for the current year to date to ensure that no significant anomalies exist in the posting of transactions and that all anticipated income has, as far as we are able to discern, been received and accounted for appropriately.

Conclusions

We are pleased to record that no issues arise in this area: we shall update our year-on-year analysis of income across the various budget headings at our final visit in order to add focus to our future year review programme.

Petty Cash Account

We are required, as part of the annual Internal Audit Certification process on the Annual Return, to indicate the soundness of controls in this area of the Council's financial activities. We note that an imprest style petty cash scheme is in place with a reduced balance of £100.

Conclusions

We shall examine the controls in place over petty cash spending at our final visit, although, based on prior year experience, we do not anticipate any issues as being likely to. We also understand that the Clerk is reviewing the records following the recent retirement of the staff member previously administering the system.

Review of Salaries

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed with adherence to the requirements of HM Revenue and Customs (HMRC) legislation and the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme, as further amended with effect from 1st April 2012 relating to employee contribution bandings. To meet that objective, we have:

- Noted that the Council has again approved the annual salaries for its staff members for the financial year in accordance with the NJC pay scales;
- Noted that the Council continues to use the Sage payroll software to prepare its monthly payroll;
- Agreed a sample month's payments (May 2012) processed for each employee to the Council approved salary scales;
- Agreed income tax and NIC deductions from those employees' salaries to the current year's HMRC tax tables, also ensuring that the appropriate PAYE codes have been applied in the current financial year;
- Agreed superannuation contributions for the two employees contributing to the Wiltshire pension fund, ensuring that the appropriate percentage deductions and Council contributions are being applied;
- Checked any enhanced hours paid with the May 2012 salary payment to supporting timesheets, ensuring that the latter are duly signed by the employees and approved for payment by a counter-signing.

Conclusions

No issues have been identified in this area this year: we shall verify the timely completion and submission of the P14/ P35 Annual PAYE Returns at our final visit.

Investments and Loans

The Council holds no long-term investments: surplus funds are placed in treasury term deposits arranged through Lloyds TSB. One PWLB loan is in place: we have checked and verified the latest half-yearly repayment made in the year to the supporting independent PWLB advice.

Conclusions

No issues arise in this area at present.