
Westbury Town Council

Internal Audit Report 2015-16 (Interim update)

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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 2015-16 which took place initially over the course of two part days on 7th & 23rd October 2015 and subsequently for a further part day on 15th March 2016. The report will be further updated following our final visit, which is currently scheduled for 22nd June 2016 when we shall complete our year's programme of cover, including verifying the accuracy of the 2015-16 Annual Return detail and signing off the Internal Audit Report / Certificate contained therein.

Internal Audit Approach

In conducting our review programme for 2015-16, we have again paid due 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 conclude that, in the areas examined to date this year, the Council continues to operate generally effective systems that should help ensure that transactions are reported accurately in the Statement of Accounts and Annual Return for the financial year. Whilst we are pleased to report that no significant issues have been identified from work completed to date, we identified a few issues at our first visit that required the attention of the clerk and officers, primarily in relation to management of the Laverton Hall bookings and invoicing, detail of which is set out in the body of the following detailed report with recommendations further summarised in the appended Action Plan. We are pleased to acknowledge the improvements made to cross-referencing in this respect subsequent to that visit and have only identified one or two other matters where we consider more effective controls could be put in place: detail is again set out in the body of the report with recommendations arising further summarised in the appended Action Plan.

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 provides the basis for preparation of the year-end Statement of Accounts and Annual Return. We have:-

- Agreed the opening balance detail with that in the 2014-15 Statement of Accounts and certified Annual Return;
- Ensured that the ledger remains in balance at 31st January 2016;
- Ensured that an appropriate coding structure remains in place;
- Checked and verified detail of transactions recorded in the Lloyds TSB Current and Imprest a/c cashbooks for April and August 2015, plus January 2016 agreeing detail to the relevant bank statements; and
- Checked and agreed detail on the bank reconciliations as at 30th April; 31st July and August 2015 and January 2016 for both accounts.

Conclusions

Whilst no significant issues arise in this area at present, we noted at our first visit that one cheque drawn in March 2015 in favour of Stationery Plus (£171.06) remained unpaid: we are pleased to note the action taken to write the cheque back in the cashbook as a negative payment.

We also noted that two cheques drawn in August 2015 (Nos. 2992 & 2993 totalling £70.00) had not cleared through the bank by 31st August, but did not appear as “unpaid” on the printed month-end bank reconciliation. Consequently, the cashbook balance on the bank reconciliation (£11,472.83) did not agree with the closing balance recorded in the August cashbook (£11,402.83) by the value of these two cheques.

We shall examine the March 2016 cashbook transactions and year-end reconciliations at our final visit, also ensuring the accurate disclosure of the combined year-end cash and bank balances in the detailed Accounts and Annual Return.

- R1. *Appropriate action should be taken to ensure that any long-standing uncleared cheques are pursued, written back and replacements issued, if required. **The one long-standing uncleared payment cheque has been written back accordingly.***
- R2. *Care should be taken to ensure that the cashbook and bank reconciliation detail is printed at the same time and that the cashbook balance on both is identical. **Noted for future reference.***

Review of Corporate Governance

Our objective here 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: -

- Continued our review of minutes for 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;
- Noted that the Council reviewed and re-adopted its extant Standing Orders and Financial Regulations in May 2015 taking account of revisions to section 150(5) of the LG Act 1972.

We are also pleased to note the Council continues to review financial procedures ensuring that they are approved by the Finance Committee periodically and also note that, following our previous recommendation, members have approved a reduced financial value of £25,000 for formal tender action: whilst we note the above action, we draw officers and members attention to the need to ensure that the documents posted on the Council's website are updated accordingly, as the Financial Regulations posted currently still refer to a value of £60,000 for formal tender action.

Conclusions and recommendation

No significant matters arise in this area, although, as above, we suggest that the web site posted version of the Financial Regulations requires amendment to record the amended value for formal tender action.

During the course of this visit, we have also drawn the existing Clerk's attention to a more recent (January 2016) further update to the FRs and have provided an electronic copy of the document, which should be adopted as and when the Council is next due to review its own documentation.

We shall continue to monitor the Council's approach to governance at future visits reporting our conclusions accordingly.

R3. *The Council should ensure that appropriate arrangements are put in place to comply with the change in EU legislation with regard to tenders and contracting where the cost exceeds £25,000.*

R4. *The Financial Regulations posted on the Council's web site should be amended to reflect the revised and approved value for formal tender action.*

Review of Expenditure

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

- Council resources are released in accordance with the Council's approved procedures and budgets;
- 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;
- 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 extended our examination of a test sample of expenditure for compliance with the above criteria reviewing a sample of 45 individual payments plus the annual NNDR paid by direct debit in 10 monthly instalments: our sample currently totals to £116,550 and equates to 47% of non-pay related invoices in the year to 31st January 2016.

We have been unable to trace the whereabouts of documentation supporting the following six payments and ask that it be traced and provided at the time of our final visit in June 2016. Our review was hampered by the unexpected sickness absence of the officer responsible for maintaining the records on the day of our visit

Payment date	Cheque / ref no.	Payee	£p
April '15	101184	BT Redcare	18,129.17
Nov	101324	Express Lifts	65.05
	101325	Heron Press	4,393.80
Dec	101357	Peter Johnson Entertainments	450.00
	101366	Warminster TC	3,147.93
	Jan	English Landscapes	3,467.92

We have made previous verbal comment to the clerk on the manner in which paid invoices are filed – they are filed alphabetically in paper wallets in a 4-drawer filing cabinet: the individual files hold papers going back three or four years, which further hampers identification: a further lever-arch file is maintained month-by-month of direct debit and credit card payments. Whilst several of our clients also file invoices alphabetically, each year's records are maintained separately with invoices also held in lever arch files, which makes for easier identification of supporting documentation.

We are again pleased to note the timely and accurate preparation and submission of VAT reclaims each quarter to HMRC for 2015-16, checking and agreeing detail to the Omega accounting control account for the year to date.

Conclusions and recommendation

We are pleased to report that no significant areas of concern have been identified in this area other than the need to trace the missing documentation supporting the above payments and to, ideally maintain records of paid invoices more efficiently.

- R5. *The missing invoices should be traced and presented for our future examination.*
- R6. *Consideration should be given to establishing a more effective way of invoice filing on a year-by-year basis.*

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 / 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 insurance schedule with Zurich and are pleased to record that cover in all areas remains appropriate for the Council's needs, with Employer's and Public Liability cover in place at £10 million and £12 million respectively, together with Fidelity Guarantee cover set at £0.5 million.

We are pleased to note that the LCRS software has been further reviewed and updated with revised assessments completed, presented to the Council and formally adopted at the meeting on 5th May 2015. We have examined the resultant documentation with no issues arising.

Conclusions

We are pleased to record that no issues arise in this area warranting formal comment or recommendation: we shall continue to monitor the Council's approach to risk management at future visits.

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.

We were previously pleased to note that the Council's had considered the future implications and uncertainty relating to the level of Council Tax Support Grant received from Wiltshire Council and provided for its effect on future projections by creating an appropriate Reserve. We now note that, following due deliberation, the Council has determined its budget and precept requirements for 2016-17, formally adopting the latter as £486,217, excluding Council Tax Support Grant of £4,204 at its January '16 meeting.

We have examined the latest available budget performance information (i.e. as at 31st January 2016) with no unexplained or un-anticipated significant variances warranting further enquiry or officer / member action identified.

Conclusions

No issues arise in this area at present warranting formal comment or recommendation: we shall undertake further work in this area at our final visit, including re-examining the year-end performance outturn for 2015-16 and considering the ongoing appropriateness of retained reserves to meet the Council's ongoing revenue spending plans and any future development aspirations.

Review of Income

In addition to the precept, the Council's income comprises bank interest, various grants and donations, income from Roundabout sponsorship, Laverton hall hire fees and bar sales and recoverable VAT. At our first visit, we focused attention on the controls in place over the identification and recovery of income in relation to Laverton Hall hire and roundabout sponsorship.

We noted that the Council had previously acquired the RBS Rialtas hall bookings software and implemented it accordingly. The software generates a number of reports and also embodies a Sales Ledger: from discussion with the responsible officer, it appears that the software is not being used to its full potential, primarily being used as a bookings diary and for raising debtor accounts: we also understand that the Council has recently approved the acquisition of the Omega Sales Ledger.

We selected for examination one month's bookings (July 2015), as identified on the Booking system, seeking to ensure that an appropriate invoice was raised for all bookings and that income had been recovered appropriately within a reasonable time scale. We were unable to ensure that appropriate invoices had been raised for all hires in the month, even though the booking software invoices are filed in the month of booking with booking forms and the diary detail: specifically, invoices for Integrated Youth Services, Sheila Whitehead; Natalie Burgess; Michael Vaughan and the Labour Party were not on file.

Whilst we noted that, where identified or identifiable, settlement of the invoices held on file was recorded thereon and the corners "clipped" to help identify receipt of fees due, no composite record was being maintained identifying all invoices raised and consequently it was not a straightforward task to identify any unpaid invoices.

In order to strengthen controls and provide a clear and comprehensive audit trail, also providing the Council with a robust means of controlling outstanding debt and ensuring that all income due is received accordingly, we again suggested that appropriate action be taken with either the booking software Sales Ledger used to its full potential with detail of payments received input in order that detail of unpaid accounts may be readily identified or the Omega Sales Ledger be implemented as soon as practicable with all invoices raised on that rather than the bookings system.

Whilst we acknowledged that filing of copy invoices within the hall booking file remained good practice, we considered that the maintenance of a control file of invoices raised (in sequential number order) would provide a more appropriate control, with the date of settlement and receipt reference duly recorded thereon: again the corner should be "clipped" to enable easy identification of outstanding payments due to the Council.

We are pleased to acknowledge that, following issue of our first report, positive action has been taken to improve the controls in place over outstanding debt and cross-referencing to the settlement of invoices. Even so, we noted that one invoice raised in October 2015 (ref AL 2223 - Wiltshire Youth Offending Team) appears to remain unpaid at the date of this update review. Action is required to confirm whether or this account has been settled.

We have also, at this update visit, examined two months' spreadsheet records of income received following detail back to the originating invoices and also through to the bank account via the paying in slips and are pleased to acknowledge the clarity of the audit trail in this respect.

We have also examined the file of general sales invoices raised noting that a spreadsheet control record is maintained. We note that five invoices (Nos. 151601; 151605; 151608; 151610 & 151618) raised prior to 30th November 2015 remain unpaid, four of which relate to roundabout sponsorship and date from April 2015. We understand that the Clerk has been pursuing recovery of these with a degree of success in two cases (Nos. 151601 & 151605) with partial settlement now received. The newly appointed Clerk will need to keep a close eye on these outstanding accounts and ensure that payment is received as soon as practicable.

Finally, in this area, we have again examined the detailed Omega income transaction reports for the year to date with no apparent anomalous postings arising.

Conclusions and recommendations

We are satisfied that, as far as we are able to ascertain, income due to the Council is being recovered and banked in a timely manner and accounted for appropriately in the Omega software.

We previously suggested that consideration be given to using the bookings software sales ledger package to its full potential including updating detail to record the settlement of debtor accounts and note members approval for acquisition and implementation of the software, which we consider will greatly simplify the task of managing outstanding debt.

We shall examine other income streams, including the controls over bar sales and stock, together with that over the sale of advertising space on roundabouts at our final visit.

R7. Action should be taken to implement an effective control mechanism over the raising of debtor accounts in relation to Hall hires, as well as providing a clear audit trail identifying the settlement of debtor accounts raised effectively cross referenced to the bookings diary. This should be achieved through more effective use of the Booking software Sales Ledger or, once implemented, by use of the Omega Sales Ledger to raise and control all debtor accounts. Appropriate action has been taken to improve both the audit trail. Council has also now agreed to purchase of the Sales Ledger module for Omega, which will be implemented in the near future.

- R8. *Ongoing action should be taken to pursue the outstanding general invoiced income and also establish whether or not the October 2015 Wiltshire Youth Offending Team invoice has been settled.*

Petty Cash Account

We are required, as part of the annual Internal Audit Report process on the Annual Return, to indicate the soundness of controls in this area of the Council's financial activities. We have noted previously that an imprest style petty cash scheme is in place with a balance of £200, as stipulated in the Financial Regulations.

We examined a sample of three months' transactions (May, June and September 2015) during our first interim visit to ensure that each payment is supported by an appropriate till receipt, invoice or signed acknowledgement of receipt. We have also ensured that, where applicable, any VAT expended has been identified and coded appropriately for recovery in the accounting software. No issues arose, although, as advised by the officer controlling the account, dockets supporting payments in July and August appear to have been "mislaidd".

We noted one or two instances among our test sample where vatable goods had been purchased, although no VAT had been identified for recovery: we remind officers that, provided the till receipt identifies the trader's VAT Registration Number, any VAT on the purchase may be recovered. We have revisited this issue at this update visit noting that, whilst the monthly spread sheet record of petty cash expenditure now bears manuscript amendments identifying any recoverable VAT, when data has been posted to the accounting software, no account has been taken of the recoverable VAT.

Finally, we have verified the physical cash held at the time of this first visit, which, together with un-reimbursed expense vouchers, totals the imprest holding of £200.

Conclusions and recommendation

No significant issues arise in this review area although further efforts should be made to trace the missing supporting documentation.

- R9. *Care should be taken to ensure that all identified vatable expenditure is not only recorded on the petty cash spread sheet monthly expenditure summary, but is also posted appropriately to the accounting software in order to facilitate its routine recovery.*

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 2015 in relation to employee contribution bandings. To meet that objective, we have:

- Noted previously that the Council adopted and implemented the national pay award for 2014-16:
- Agreed income tax and NIC deductions for September 2015 to the current year's HMRC tax and NI tables;`
- Agreed superannuation contributions for September 2015 for employees contributing to the pension fund, ensuring that the appropriate percentage deductions and Council contributions are being applied; and
- Checked the enhanced (overtime, bar duty, etc) hours paid with the September 2015 salaries to supporting timesheets, ensuring that the latter are duly signed by the employees and approved for payment accordingly.

Conclusions

No issues have been identified warranting comment or recommendation in this area this year.

Investments and Loans

The Council holds surplus funds in periodic Treasury term deposits arranged through Lloyds Bank. We have verified detail of these for the year to date by reference to the bank's third party advice notes, also ensuring the accurate recording of the repayment of funds on maturity and accrued gross interest into the Council's current bank account.

One PWLB loan is in place. We have checked and verified both half-yearly repayments for the year to the supporting independent PWLB demand notices.

Conclusions

No issues arise currently: we shall ensure accurate disclosure of the year-end residual loan liability and value of term deposits in the Annual Return at our final visit. We also noted that the incorrect residual liability was recorded in the prior year (i.e. 2014-15) Annual Return: when preparing the current year's Return, the 2014-15 value should be recorded with the correct outstanding value and the column header be annotated to reflect restatement of the value.

Action Plan

Rec. No.	Recommendation	Response
Review of Accounting Records and Bank Reconciliations		
R1	Appropriate action should be taken to ensure that any long-standing uncleared cheques are pursued, written back and replacements issued, if required.	<i>The one long-standing uncleared payment cheque has been written back accordingly.</i>
R2	Care should be taken to ensure that the cashbook and bank reconciliation detail is printed at the same time and that the cashbook balance on both is identical.	<i>Noted for future reference.</i>
Review of Corporate Governance		
R3	The Council should ensure that appropriate arrangements are put in place to comply with the change in EU legislation with regard to tenders and contracting where the cost exceeds £25,000.	<i>FRs & SOs have been updated to record a tender limit of £25,000.</i>
R4	The Financial Regulations posted on the Council's web site should be amended to reflect the revised and approved value for formal tender action.	
Review of Expenditure and VAT		
R5	The missing invoices should be traced and presented for our future examination.	
R6	Consideration should be given to establishing a more effective way of invoice filing on a year-by-year basis.	
Review of Income		
R7	Action should be taken to implement an effective control mechanism over the raising of debtor accounts in relation to Hall hires, as well as providing a clear audit trail identifying the settlement of debtor accounts raised effectively cross referenced to the bookings diary. This should be achieved through more effective use of the Booking software Sales Ledger or, once implemented, by use of the Omega Sales Ledger to raise and control all debtor accounts.	<i>Appropriate action has been taken to improve both the audit trail. Council has also now agreed to purchase of the Sales Ledger module for Omega, which will be implemented in the near future.</i>

Rec. No.	Recommendation	Response
Review of Income (Continued)		
R8	Ongoing action should be taken to pursue the outstanding general invoiced income and also establish whether or not the October 2015 Wiltshire Youth Offending Team invoice has been settled.	
Petty Cash Account		
R9	Care should be taken to ensure that all identified vatable expenditure is not only recorded on the petty cash spread sheet monthly expenditure summary, but is also posted appropriately to the accounting software in order to facilitate its routine recovery.	