
Westbury Town Council

Internal Audit Report 2014-15 (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 first interim visit to the Council for 2014-15 which took place on 28th October 2014.

Internal Audit Approach

In conducting our review programme for 2014-15, 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 effective systems that should help ensure that transactions are 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 and taken appropriate action to address most of the recommendations arising.

We have, during the course of this year's review process to date, identified a few areas where we consider the control and reporting of income from the various sources could be improved as detailed in the relevant section of the detailed report with resultant recommendations 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 2013-14 Statement of Accounts and certified Annual Return;
- Ensured that the ledger remains in balance at the end of September 2014;
- Ensured that an appropriate coding structure remains in place;
- Checked and verified detail of transactions recorded in the Lloyds TSB cashbooks for June & September 2014 agreeing detail to the relevant bank statements;
- Similarly, checked and agreed detail for the full financial year to September 2014 on the Imprest account;
- Checked and agreed detail on the bank reconciliations as at 30th June and September 2014 for each account;
- Checked the effectiveness of the Council's back-up and restore procedures in relation to its IT systems.

Conclusions and recommendations

We have suggested previously that one or more councillors be nominated to undertake periodic checks on the accounting records including cashbooks, bank reconciliations and journals raised during the year. We note that appropriate action has been taken as regards the monthly bank reconciliations, detail now being signed off each month, although action is still outstanding on journals.

R1. All journals should be subjected to independent review, ideally by the Town Clerk, and be signed off accordingly authenticating them.

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: -

- Read minutes of the full Council and various standing committee meetings for the financial 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 further reviewed and re-adopted its extant Standing Orders and Financial Regulations in May 2014.

We are pleased to note the Council continues to review financial procedures ensuring that they are approved by the Finance Committee periodically.

Conclusions

No matters arise in this area at present warranting formal comment or recommendation. We shall continue to monitor the Council's approach to governance issues and any changes to working practice following the legislative changes affecting banking arrangements brought to the council's attention at our last visit.

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;
- 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 commenced testing in this area examining a sample of 33 payments in the year to date for compliance with the above criteria. Our test sample provides a broad cross section of expenditure and traders' invoices totalling £77,900 and equating to 63% of non-pay related invoices paid in the year to date.

We have also ensured the timely and accurate preparation and submission of VAT reclaims to HMRC, checking and agreeing detail of the June 2014 quarter return

Conclusions

We are pleased to report that no areas of significant concern have been identified in this area noting that the lower daily transaction limit on the two Lloyds debit cards, as recommended in our earlier report, was approved by full Council in January 2014.

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 both in place at £10 million and Fidelity Guarantee cover set at £0.5 million

We are also pleased to note that the LCRS software has now been reviewed and updated with revised assessments presented to the Council and formally adopted at the meeting on 6th May 2014.

Conclusions

We are pleased to record that no issues arise in this area: we will continue to monitor the Council's arrangements in relation 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 pleased to note in our final report for 2013-14 that the Council had considered its future financial requirements and ongoing uncertainty regarding Council Tax Support Grant being passed on to the Council by Wiltshire Council. We also note that the Council will be considering its requirements for 2015-16 later in the financial year.

Conclusions

No issues arise in this area currently warranting formal comment or recommendation: we shall undertake further work at future visits, including

ensuring the formal adoption and minuting of the 2015-16 budget and precept, together with examining the level of retained reserves and year-end budget outturn.

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), advertising in Council publications, Laverton hall hire fees and bar sales and recoverable VAT. At this visit, we have again focused attention on the controls in place over the identification and recovery of income in relation to Laverton Hall hire and bar sales.

We note that the Council acquired the RBS Rialtas hall bookings software and implemented it during 2013-14. The software generates a number of reports and also embodies a Sales Ledger, which has been used to generate invoices in respect of chargeable hirings.

The Assistant Clerk also maintains a spreadsheet record of income received and banked detailing the payee's name, the amount received and banked. Hirers are required to sign a Booking Form, although no formal Terms and Conditions of Hire were in use at the time of our last review. We suggested then that, in order to reduce the level of risk to the Council / Laverton Institute in the event of any damage arising during a hire, a formal set of Terms and Conditions should be produced and be signed by every hirer acknowledging their level of responsibility. We shall check for implementation of suitable documentation at our next visit.

Additionally, in order to strengthen controls and provide a clear and comprehensive audit trail, we previously suggested that the following actions be taken: -

- The booking software Sales Ledger should be used to its full potential with detail of payments received input in order that detail of unpaid accounts may be readily identified. We note that this will be reviewed when the Assistant Town Clerk retires and out-sourcing of functions will be considered;
- In order to further simplify the identification of unpaid invoices, a separate file of invoices raised should be prepared, with the top (or bottom) corner of the invoice clipped off when payment is received and / or the date of payment recorded thereon: we are pleased to now note that invoices are being printed and retained on the "Bookings file" with the date of payment identified; and
- A formal set of Hire Terms and Conditions should be developed and issued to all hirers with the requirement that they sign acknowledging their responsibilities and that they understand the terms of hire.

We note that the use of the bar at the Laverton has increased with a number of our previous concerns over cash handling issues addressed and are pleased to note that appropriate documentation is either already in place or being developed to provide a clear trail from opening float, reconciliation of takings to the till total, banking of cash received and establishment of a float for the next event.

Finally, in this area, we have examined the detailed Omega income transaction reports for the year to date, and shall carry out further sample testing of income at our next visit.

Conclusions

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 that the Council will be further considering whether or not to outsource this function when the Assistant Town Clerk retires in the new year. Consequently, we shall examine and assess the appropriateness and security of the new procedures once in place and fully operational.

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 noted at our last final visit that an imprest style petty cash scheme was in place with a reduced balance of £100, which was increased to £200 in May 2014.

We shall examine a sample of transactions at our next interim visit to ensure that each payment is supported by an appropriate till receipt, invoice or signed acknowledgement of receipt. We shall also ensure that, where applicable, any VAT expended has been identified and coded appropriately for recovery in the accounting software.

We have checked the physical cash held at this interim visit, noting a difference of £86.71 to the accounting records made up of a debit balance of £88.82 on 6th June and two minor credit balances of £1.21 and 90p in August 2014. We have left detail with the Assistant Town Clerk in order that the records and physical cash holding are synchronised.

Conclusions and recommendations

In checking the contents of the petty cash Control Account, we found

R2. The identified imbalance on the petty cash control account when compared with the physical cash holding should be rectified as soon as practicable.

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 significantly amended with effect from 1st April 2014 in relation to employee contribution bandings now being based on actual salary payable, rather than the Whole Time Equivalent salary and to also include all overtime or other enhanced payments. To meet that objective, we have:

- Noted that the Council is still considering the implementation of a pay award for this year:
- Reviewed and agreed a sample month's payslip detail (July 2014) to the Council approved salary scales;
- Agreed income tax and NIC deductions for July 2014 to the current year's HMRC tax and NI tables; `
- Agreed superannuation contributions for July 2014 for employees contributing to the pension fund, ensuring that the appropriate percentage deductions and Council contributions are being applied;
- Checked any enhanced hours paid with the July 2014 salary payment to supporting timesheets, ensuring that the latter are duly signed by the employees and approved for payment accordingly; and
- Verified that the HMRC RTI returns for July 2014 are being prepared and submitted in accordance with the scheme's requirements.

Conclusions

No issues arise in this area this year warranting formal comment or recommendation.

Investments and Loans

The Council holds no long-term investments: any surplus funds are held in periodic Treasury term deposits arranged through Lloyds Bank: we have verified detail thereof 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 interest into the Council's current bank account.

One loan is in place: we have verified the first half-yearly repayment instalment for 2014-15 by reference to the third party PWLB demand notice.

Conclusions

No issues arise in this area warranting formal comment or recommendation. We shall undertake further work at future visits including verifying the accurate disclosure of the residual loan liability in the year's Annual Return.

Action Plan

Rec. Recommendation No.	Response
Review of Accounting Arrangements	
R1 All journals should be subjected to independent review, ideally by the Town Clerk, and be signed off accordingly authenticating them.	
Petty Cash Account	
R2 The identified imbalance on the petty cash control account when compared with the physical cash holding should be rectified as soon as practicable.	