
Westbury Town Council

Internal Audit Report 2017-18 Final

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Background

All town and parish councils are required by statute to arrange for an independent internal audit examination of their accounting records and system of internal control and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR).

This report sets out the work undertaken in relation to the 2017-18 financial year, comprising our initial visit to the Council, which took place on 4th October 2017 and our final visit on 30th May 2018.

Internal Audit Approach

In undertaking our review for the year, we have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts/AGAR. Our programme of cover has been designed to afford appropriate assurance that the Council's financial systems remain robust and operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory regulatory framework. The programme is also designed to facilitate our completion of the 'Annual Internal Audit Report' in the Council's AGAR, which requires independent assurance over ten internal control objectives.

Overall Conclusion

We are pleased to conclude that, on the basis of the work undertaken, the Council continues to maintain adequate and effective internal control arrangements, with no major concerns identified. We are pleased to acknowledge the actions taken to address issues raised in earlier reports and to also record that no significant additional issues have been identified at this final visit.

Based on the generally satisfactory conclusions drawn in each of our review areas, we have duly signed off the Internal Audit Report in the year's AGAR assigning positive assurances in each relevant area.

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 AGAR.

To that end, we have: -

- Checked the opening balance detail with that in the 2016-17 Statement of Accounts and certified AGAR;
- Ensured that the ledger remains in balance at the financial year-end;
- Ensured that an appropriate coding structure remains in place;
- Checked and verified a sample of transactions recorded in the Lloyds TSB Current a/c cashbook for April 2017 to March 2018 agreeing detail to the relevant bank statements;
- Checked and verified the detail of a sample of transactions on all other accounts for the financial year to date;
- Checked and agreed detail on the bank reconciliations as at 30th April, 31st August 2017 and March 2018 for all accounts; and
- Verified the accurate disclosure of the combined cash and bank balances in the Accounts and AGAR.

Conclusions and recommendation

We are pleased to report that no significant issues arise from our work in this area.

Review of Corporate Governance

Our objective is to ensure that the Council has robust corporate governance documentation and processes in place, and that, as far as we may reasonably be expected to ascertain (as we do not attend Council or Committee meetings) all meetings are conducted in accordance with the adopted Standing Orders and no actions of a potentially unlawful nature have been or are being considered for implementation. We have: -

- Reviewed the minutes of the full Council and various standing committee meetings for the financial year 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 has undertaken further reviews and re-adopted updated Standing Orders and Financial Regulations at the May 2017 meeting;
- Noted that the Council has continued to monitor its risk assessment and asset inventory and is considering the development of an investment strategy; and

- Noted that the Council continues to review financial procedures ensuring that they are approved by the Finance Committee periodically.

Conclusions

No significant issues arise in this area currently: we note the 2018-19 budget report set out the amount of the precept, also that the amount of the precept was formally recorded in the minutes of the January 2018 meeting of the Town Council.

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 examined the controls in place over the processing of payments using on-line facilities and discussed the process with the Town Clerk and Finance Officer agreeing a few improvements to ensure effective separation of duties is achieved and that members effectively demonstrate completion of their fiduciary responsibilities with regard to the authorisation of payments for release.

We have examined a total sample of 60 payments processed during the financial year for compliance with the above criteria. Our test sample includes all non-pay-related payments in excess of £2,000 plus a more random sample based on every 30th payment as recorded in the current account cashbook, also including the full year cost of the two NNDR payments to Wiltshire Council paid monthly, totalling £133,750 and equating to 60% by value of non-pay payments processed to the above date.

We note that VAT reclaims are prepared and submitted each quarter to HMRC and have checked and agreed details of the claims to the Omega accounting control account detail with no issues arising.

Conclusions

We are pleased to report that no areas of concern have been identified in this area.

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 £15 million respectively, together with Fidelity Guarantee cover set at £0.5 million and Hirer's Liability at £2 million.

We note that the Council's risk assessments, based on the LCRS software, are reviewed and updated regularly, with detail presented to working groups and then submitted to and formally adopted by the Council in May annually. We note the intention to bring forward the formal review and adoption by members at full Council to February each year in future.

We have also discussed with the clerk the Council's approach to the management of play areas and consider the present arrangements appropriate, also noting the current negotiation of a new annual inspection contract.

Conclusions

We are pleased to record that no issues arise in this area currently. We shall continue to monitor the Council's approach to risk management at future visits, also ensuring that risk assessments are reviewed and re-adopted formally by the Council at least once annually.

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 note that Members have received budget up-date reports during the year and formally set the 2018-19 budget at their January meeting. We also note the Finance Committee will in future be meeting more regularly to monitor the financial position. The Council has maintained its General Reserve at the same level as 31st March 2017.

Conclusions

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

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 (albeit that these pertain to the Laverton Trust) and recoverable VAT.

We noted previously that the Council uses the RBS Rialtas hall bookings software to maintain control over bookings and is now using the Omega Sales Ledger to manage the invoicing of both Council and Laverton invoicing.

We have selected a sample two weeks' Laverton bookings in September 2017 for examination, as identified on the booking system, ensuring that agreement forms covering both individual or regular hires, that an appropriate invoice has been raised for all chargeable bookings. Due to the timing of our interim visit, only one booking invoice in the test sample had been paid: consequently, we shall ensure the timely recovery of invoiced fees at a future visit.

In discussing the bookings process with the officer managing the system, we understand that, whilst hirers sign a copy of the Terms and Conditions of Hire, they retain it: in order to protect the Council's interests, the original copy should be retained by the Council, ideally being attached to the booking forms.

We have again examined the bar stock and cash handling procedures and are pleased to note the improved documentation now in place. Due to the low number of events requiring a bar in the current year, we have examined all completed sheets to date noting that all were accurately completed with only occasional and small variances between the till "Z" readings and the actual cash takings.

We have also examined the detailed Omega income transaction reports at the financial year to date with no apparent anomalous postings arising or evidence of any significant delays in the recovery of outstanding debts. Similarly, we have examined the Sales Ledger "All Unpaid Invoices by Date" report with only one prior year debt identified as at 31st August 2017, which we note was approved for write-off by the Council in September.

Conclusions and recommendation

Whilst no significant issues arise in this area, we consider that, as above, the Council should retain the original signed copy of the Terms and Conditions of Hire in order to protect its interests.

R1. The Council should retain the original signed copy of the Terms and Conditions of Hire, ideally marrying them to the appropriate booking forms.

Petty Cash Account

We are required, as part of the annual Internal Audit Report process on the AGAR, 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 have examined a sample of 3 months' transactions (July to September 2017) to ensure that each payment was supported by an appropriate till receipt, invoice or signed acknowledgement of receipt, also ensuring that, where applicable, any VAT expended has been identified and coded appropriately for recovery in the accounting software.

Finally, we checked and agreed the cash held on the date of the interim visit with no issues identified.

Conclusions

We are pleased to report that no issues arise in this review area this year.

Review of Staff 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 recently revised with effect from 1st April 2017 in relation to employee contribution bandings. To meet that objective, we have by reference to minutes and the September 2017 payroll records:

- Noted that the Council adopted and approved implementation of the national pay award for 2017-18:
- Verified the accurate payment of gross salaries to staff for the month by reference to the Council's approved rates of pay:
- Agreed income tax and NIC deductions for the month to the current year's HMRC tax and NI tables;
- Agreed superannuation contributions 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 review month's salaries to supporting timesheets, ensuring that the latter are duly signed by the employees and approved for payment accordingly.

Conclusions

No issues were identified warranting comment or recommendation in this area.

Investments and Loans

The Council holds surplus funds in periodic Treasury term deposits arranged through Lloyds Bank. We have verified detail of those arranged during the year 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.

Two PWLB loans are in place: we have checked and verified the year-end balance to PWLB notifications.

Conclusions

No issues have arisen in this area currently, although we note the reduction in the interest earned on deposits and the Council's intention to develop an investment strategy.

Asset Registers

We have made previous comment on the need to ensure that the Council's physical register of assets matches the detail disclosed in the detailed Statement of Accounts prepared by DCK on behalf of the Council and, consequently, reported in the AGAR. We note there is a small difference of some £6,000 between the records and that the Clerk is working to reconcile this.

Statement of Accounts and AGAR

The Accounts and Audit Regulations, as amended periodically, require all Councils to prepare annually a Statement of Accounts, which is now embodied in the AGAR. We note the continued production by the Council's contracted accountants of a more detailed Statement of Accounts for members and the electorate's consumption, which affords a more detailed explanation of the Council's functions and services provided.

We have checked and agreed the detail in these detailed Accounts by reference to the underlying financial and other records, also ensuring the correct and accurate transfer of data to Section 2 of the year's AGAR.

Conclusions

No issues have been identified in this review area and we have duly signed off the Internal Audit Report in the Annual Return, assigning positive assurances in each relevant area.

Rec. No.	Recommendation	Response
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Review of Income

R1	The Council should retain the original signed copy of the Terms and Conditions of Hire, ideally marrying them to the appropriate booking forms.	
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