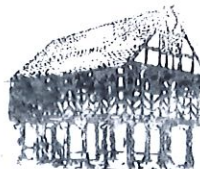


Annual Internal Audit Report 2017/18

FINANCE & GENERAL PURPOSES

10 MAY 2019



LEDBURY TOWN COUNCIL

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation during the financial year ended 31 March 2018.

The internal audit for 2017/18 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Agreed? Please choose one of the following		
	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.		✓	
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	✓		
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic and year-end bank account reconciliations were properly carried out.	✓		
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		

K. (For local councils only)	Yes	No	Not applicable
	Trust funds (including charitable) – The council met its responsibilities as a trustee.		

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed). *A risk assessment was not completed during the financial year however we note that the financial & Non Financial Risks are under review.*

Date(s) internal audit undertaken

08/02/18 & 20/04/18

Name of person who carried out the internal audit

Alan Roberts

A Shepherd-Roberts

For Auditing Solutions Ltd

Signature of person who carried out the internal audit

Date 20/04/18

*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).
 **Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).

Ledbury Town Council

Internal Audit Report 2017-18: Final Update

Adrian Shepherd-Roberts

For Auditing Solutions Ltd

Background

All town and parish councils are required by statute to make arrangements 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 Return. Auditing Solutions Ltd has been appointed to provide this service to Ledbury Town Council for 2016- 2017.

This report sets out the work undertaken in relation to the 2017-18 financial year, during our visits on 8th February and 20th April 2018.

Internal Audit Approach

In undertaking our review for the year, we have had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Annual Governance and Accountability Return. We have employed a combination of selective sampling techniques (where appropriate) and 100% detailed checks in a number of key areas in order to gain sufficient assurance that the Council's financial and regulatory systems and controls are appropriate and fit for the purposes intended.

Our programme of cover has been designed to afford appropriate assurance that the Council's financial systems are 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 Annual Return, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We have concluded that, on the basis of the programme of work we have undertaken, the Council has maintained adequate and effective internal control arrangements during the year.

We identified one issue at our final visit where we considered improved control should be applied with detail set out in the body of the report and the resultant recommendation further summarised in the appended Action Plan.

We ask that members consider the content of this report and acknowledge that the report has been reviewed by Council.

We have completed and signed the 'Annual Internal Audit Report' in the year's Annual Governance and Accountability Return, having concluded that, in most areas, the control objectives set out in that report were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

Detailed Report

Maintenance of Accounting Records and 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 is maintaining the accounting records utilising bespoke Rialtas Omega accounting software. A Lloyds Bank current and two deposit bank accounts are in place with “sweeps” between them to maximise interest potential. There is also a deposit account with CCLA. We have: -

- Checked and agreed the opening trial balance detail for 2017-18 to the closing figures and certified Annual Return for 2016-17;
- Checked and agreed all transactions for April and December 2017 and 31st March 2018 on all the accounts;
- Agreed the monthly bank reconciliations as at 30th April 2017 and 31st December 2017 and 31st March 2018 on all accounts;
- Checked all the inter-account transfers for the same months in the financial year; and
- Verified that an appropriate cost centre and nominal ledger structure is in place.

Conclusions

We are pleased to record that no issues have been identified that warrant formal comment or recommendation.

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: -

- Reviewed the minutes of meetings of the Full Council and its Standing Committees for the financial year, to ensure that, as far as we are reasonably able, 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 its Standing Orders and Financial Regulations re-adopting them formally at the Annual Council meeting in May 2016;
- Noted that the Council have adopted the General Powers of Competence; and
- Confirmed that all payments continue to be approved by members and recorded in the agenda/minutes.

Conclusions

We are pleased to record that no issues have been identified that warrant formal comment or recommendation.

Review of Expenditure

Our aim here is to ensure that: -

- 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;
- 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 completed testing in this area selecting a sample of payments individually in excess of £2000 plus every 25th cashbook transaction, irrespective of value, to 31st March 2018. Our test sample includes 64 payments, totalling £234,226 and representing 65% of all non-pay related payments for the year with all the above criteria met.

We have also verified the current year's VAT returns to December 2017 to the accounting software agreeing claims detail to the supporting invoices.

Conclusions

No issues arise in this area of our review. We have extended our review for the remainder of the year applying the same criteria. We will ensure the accurate disclosure of the year-end VAT reclaim as a debtor in the year's Accounts and Annual Return once the accounts have been closed down by RBS Rialtas (RBS), the accounts software provider.

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:

- We have discussed the Risk Assessment review with the recently appointed Deputy Town Clerk and provided guidelines to assist in this process. We note that an appropriate Financial Risk Assessment review has been undertaken but has yet to be submitted to Council for adoption; we note from the Minutes that it is still under review and subsequently approval will take place in the new financial year;
- Noted that Ellis Whittam have been appointed to complete Health and Safety reviews on a three-year contract; and
- Examined the Council's current year insurance policy, with Ecclesiastical, to ensure that appropriate cover is in place to meet the Council's present needs. Public Liability

at £10m and Employer's Liability stand at £10 million, with Fidelity Guarantee at £500,000, all of which we consider appropriate to the needs of the Council.

Conclusions and recommendation

We have discussed the requirement with the Deputy Town Clerk for the Council to complete a full risk assessment annually and for the resultant assessments to be adopted formally by the Council. We will continue to review the Council's approach to risk management at future visits.

R1. The Council should ensure that it complies with the mandatory requirements of the Governance and Accountability Manual – "The Practitioner's Guide" undertaking and formally adopting a full financial risk assessment annually.

Precept Determination and Budgetary Control

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and the level of precept to be drawn down from the District Council: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

We have been advised that the Council, at its 1st February 2018 meeting, approved a precept of £375,111 for 2018-19.

We are pleased to note that members continue to receive regular budget monitoring reports with over/under-spends and the level of earmarked reserves the subject of regular review.

Conclusions

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

Review of Income

In considering the Council's income streams, we aim to ensure that robust systems are in place to ensure the identification of all income due to the Council from its various sources; to ensure that the income is invoiced in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council. These sources include the precept and bank interest together with the Jacobean Room, the Cemetery and the Charter Market.

We have reviewed the income generated from the Cemetery and the Charter Market also examining the procedures and processes for their control and management.

We have also reviewed the journal entries, invoicing for the collection and banking of the Cemetery and burial fees confirming that that they are in accordance with the fees approved by the Council.

Conclusions

We are pleased to report that there are no issues warranting formal comment or recommendation.

Petty Cash Account

In accordance with the requirements of the Annual Return, we are required to examine the operation and controls in place over any petty cash accounts in use at the Council. Examination of the accounting records indicates that the account is operated on an imprest basis with a £250 float replenished as and when required, although expenditure in this area is relatively limited. Notwithstanding that, we have examined a sample of payments processed during the financial year to ensure that: -

- Each transaction is supported by a relevant trade invoice or till receipt; and
- Where relevant, any VAT incurred has been identified for recovery and been coded accordingly to the relevant control account.

We have also physically checked a sample of the cash and expense vouchers held on the date of this visit with no issues arising.

Conclusions

We are pleased to report that there are no issues warranting formal comment or recommendation.

Salaries and Wages

In examining the Council's payroll function, which is completed in house utilising Sage payroll software. We aim to confirm that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions. To meet that objective, we have: -

- Checked and agreed the computation of staff gross and net pay including pensions for January 2018, also verifying that the net payments corresponded to the data produced for the month; and
- Checked detail of tax and NI deductions / contributions, ensuring that the appropriate tables have been applied by reference to the HMRC Basic PAYE Tools software; and
- Noted that payments are reviewed by the Council when checking the bank payments to the relative cash book entries.

Conclusions

There are no matters arising in this area to warrant formal recommendation.

Fixed Asset Registers

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We have checked and agreed the principles used in the detail, as recorded in the Council's Asset Register, noting that it has been prepared using purchase cost values or where that value is unknown at the previous year's Return level or uplifted or decreased to reflect the acquisition or disposal of assets.

Conclusion

No issues require formal comment or recommendation.

Investments and Loans

Our objectives here are to ensure that the Council is "investing" surplus funds, be they held temporarily or on a longer term basis in appropriate banking and investment institutions, that an appropriate investment policy is in place and that the Council is obtaining the best rate of return on any such investments made and that interest earned is brought to account correctly and appropriately in the accounting records.

The Council currently holds a short term money deposit with the CCLA Public Sector Deposit Fund, all other "surplus" funds currently being held in the Lloyds Bank deposit accounts. The Council has no outstanding loan liability currently.

Conclusions

No matters arise in this area of our testing to warrant formal recommendation.

Annual Governance and Accountability Return

The 1996 Accounts and Audit Regulations required that all Councils prepare a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council's financial affairs.

As part of our year-end review we have checked the March 2018 cash books and nominal ledgers. We will complete our review of the accounts once RBS have concluded the year-end figures and should the need arise, issue an addendum to our report.

We have also examined the Council's procedures in relation to the preparation of the year-end detailed Annual Governance and Accountability Return data, also discussing with the Deputy Clerk the arrangements for the identification of year-end debtors and creditors. At this time there are with no issues arising that warrant our concern.

Conclusions

Currently no issues have arisen in this review area and, on the basis of work undertaken during the year, we have duly signed off the Internal Audit Report of the Annual Governance and Accountability Return, assigning positive assurances, excluding the Risk Assessment, as detailed above, in each of the relevant areas.

Action Plan

Rec. Recommendation No.	Response
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Assessment and Management of Risk

R1 The Council should ensure that it complies with the mandatory requirements of the Governance and Accountability Manual – “The Practitioner’s Guide” undertaking and formally adopting a full financial risk assessment annually.