
Ledbury Town Council

Internal Audit Report 2016-17: Interim

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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 to date in relation to the 2016-17 financial year, during our visit on 30th March 2017.

Internal Audit Approach

In undertaking our review for the year to date, we have had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts/Annual 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 to date. We ask that members consider the content of this report and acknowledge that the report has been reviewed by Council.

We have, however, identified one area where we consider that the Council could improve its existing controls: detail of which is set out in the body of the attached detailed report with resultant recommendations further summarised in the appended Action Plan.

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 2016-17 to the closing figures and certified Annual Return for 2015-16;
- Checked and agreed all transactions for April 2016 and January and February 2017 on all the accounts;
- Agreed the monthly bank reconciliations as at 30th April 2016 and 28th February 2017 (which incorporates the entries for January 2017) on all accounts;
- Checked all the inter-account transfers for the year to date; 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. We will extend our review of accounting / bank transactions at our final visit, also verifying the accurate disclosure of year-end balances in the 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: -

- Reviewed the minutes of meetings of the Full Council and its Standing Committees for the financial year to date, 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.

We note that, where grants and donations are approved for payment, the approving minutes make no reference to the relevant powers under which the grant has been made;

- Noted that the Council reviewed its Standing Orders and Financial Regulations re-adopting them formally at the Annual Council meeting in May 2016; and
- Confirmed that all payments continue to be approved by members and recorded in the agenda/minutes.

Conclusions and recommendations

We shall continue our review of minutes and consideration of other governance issues at future visits.

R1. The Minutes of Council meetings where grants are approved for payment should identify the relevant powers relied on for their approval in order that members may effectively demonstrate their acknowledgement of compliance with extant legislation.

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 commenced testing in this area selecting a sample of payments individually in excess of £2000 plus every 25th cashbook transaction, irrespective of value, to 31st January 2017. Our test sample includes 33 payments, totalling £76,145 and representing 46% of all non-pay related payments for the year to date with all the above criteria met.

We have also verified the current year's VAT returns to December 2016 to the accounting software agreeing claims detail to the supporting invoices.

Conclusions

No issues arise in this area currently: we shall extend our review for the remainder of the year applying the same criteria at our final visit, also ensuring the accurate disclosure of the year-end VAT reclaim as a debtor in the year's 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 / 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 approach to the identification, recording and management of financial risks, reviewing the Council's schedule of risk assessments together with other risk documentation developed by the Clerk, also noting that the risk assessments were reviewed and re-adopted by the Council in September 2016;
- Noted that daily/weekly Health & Safety checks are completed David McCutcheon and recorded appropriately: these are also supported by a company nominated by Hereford County Council to complete an annual safety check; 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

We have drawn the Clerk's attention to the requirement for the Council to complete risk assessments annually and for the resultant detail to be adopted formally by Full Council. We will continue to review the Council's approach to risk management at future visits.

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 note that the Council, at its February 2017 meeting, approved a precept of £329,883 for 2017-18.

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. We will undertake further work at our final visit for this financial year.

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 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. We have reviewed the computerised the burial records together with the paper records maintained by the Council.

We have also reviewed the invoicing and fees in relation to the Charter Market ensuring that fees are invoiced and collected on a regular basis together with the recording and banking of these fees.

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.

We have also checked the payments in respect of the vehicle fuel account with the local supplier and for good housekeeping forecourt receipts should be obtained and attached to the relative statement/invoice.

Conclusions

We are pleased to report that there are no issues warranting formal comment or recommendation. As noted above it would, for good housekeeping, be prudent to attach the fuel forecourt delivery receipts to the relative statement/invoice.

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 February 2017, 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.

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.

Rec. No.	Recommendation	Response
Review of Corporate Governance		
R1	The Minutes of Council meetings where grants are approved for payment should identify the relevant powers relied on for their approval in order that members may effectively demonstrate their acknowledgement of compliance with extant legislation.	