
Warminster Town Council

Internal Audit Report 2015-16 (Interim)

Prepared by Nigel Archer

Stuart J Pollard

*Director
Auditing Solutions Ltd*

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 for the Council: this report provides detail of those areas examined during the course of our recent interim visit on 21st December 2015 and will be subject to further update following the final visit for the year on a date yet to be arranged in May / June 2016.

Internal Audit Approach

In commencing our review for 2015-16, we have continued to have 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 present 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.

Overall Conclusion

Overall, we are pleased to conclude that, in the areas examined to date, the Council continues to have effective control systems in place to help ensure that transactions will be recorded accurately in the financial ledger and, subsequently, the detailed Statement of Accounts and Annual Return that forms the statutory accounts of the Council subject to external audit certification. We are also pleased to acknowledge that sound Governance and Risk Assessment documentation is in place and subject to annual review and update.

Detailed report

Accounting Records and Bank Reconciliations

The Council remains a full Omega accounts software user, with external contractors (DCK Beavers Ltd) continuing to provide a monthly accounts processing service. One combined cashbook for the Current & Instant Access bank accounts operated at HSBC is in place, supplemented by a small series of periodic Term deposits (also with HSBC).

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. We have, consequently: -

- Verified that an appropriate cost centre and nominal ledger structure is in place;
- Checked and agreed the opening Trial Balance in the Omega software for 2015-16 to the closing Financial Statements for 2014-15 to ensure that all the detailed balances have been properly rolled forward with no issues identified this year;
- Also verified that the financial ledgers remain in balance currently;
- Checked and agreed two sample months' transactions (May and October 2015) in both accounts, including the daily "sweep" transfers to maintain the current account balance at a constant £5,000, to relevant bank statements; and
- Checked and agreed the software based bank reconciliations as at 31st May and October 2015 with no long standing, uncleared effects or any other abnormal entries arising.

Conclusions

We are pleased to record that no issues have been identified in this area of review. We shall extend testing in this area at our final visit, including verification of the year-end bank balances and their accurate disclosure in the Annual Return.

Review of Corporate Governance

Our objective is to ensure that the Council has a robust series of corporate governance documentation 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. Consequently, we:

- Are pleased to note that Standing Orders and Financial Regulations have again been reviewed and re-adopted in the current financial year at the Full Council meeting in May 2015 and do not consider further work to be necessary in this area at present;
- Are also pleased to note that comprehensive Corporate Policies and Protocols remain in place, which have previously been embodied in the latest Staff Handbook (formally adopted in April 2013); and

- Commenced our examination of the minutes of Full Council and its extant Committee meetings (with the exception of Planning) to end November 2015.

Conclusions

We are pleased to record that no issues arise in this area at present: we shall continue to monitor the Council's governance arrangements and review further minutes of meetings for the year at the final visit.

Review of Expenditure

Our aim here is to ensure that: -

- 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;
- 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 all those payments individually in excess of £3,000, together with a more random sample of every 35th cash book transaction, for the year to 30th November 2015 to ensure compliance with the above criteria. Our test sample comprises 35 payments totaling just over £112,000 and equating to 45% of all non-pay transactions to that date.

We are pleased to note from our examination of minutes that quotations are sought where considered appropriate and that one larger item of expenditure requiring a formal tender process has arisen in the current year to date (Xmas light renewals).

We also note that VAT returns continue to be prepared and submitted quarterly utilising the HMRC on-line facility, as now required under extant legislation: other than noting that the Q2 return was submitted in a timely manner and in accord with the Omega control account balance, no further testing was considered necessary at present.

Conclusions

We are pleased to report that all the above criteria have been met in respect of the sample of payments examined to date with sound control exercised over the authorisation and payment of supplier invoices and other similar expenditure. We shall extend our test

sample for the remainder of the year at the final visit, also updating our year-on-year analysis of expenditure incurred across the range of the Council's budget headings.

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 and 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: -

- Noted in our final audit report for 2014-15 that the LCRS risk assessment software had been updated with revised "scores on the doors" adopted by members in May 2015: consequently, no further work has been considered necessary in this area at present; and
- Noted that the Council's insurance cover continues to be provided by Aviva plc; examination of the current year's policy schedule (to December 2015) has identified that both Public and Employer's Liability stand at £10 million, with Fidelity Guarantee cover at £0.5 million and adequate Business Interruption cover at more than £100,000.

Conclusions

No issues arise in this area at present: we shall continue to monitor the Council's risk management arrangements at future visits reporting any further conclusions accordingly We take this opportunity to remind the clerk and members of the now mandatory requirement for risk assessments to be subjected to annual review and formal re-adoption.

Precept Determination and Budgetary Control

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 annual precept; 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.

Other than noting from examination of current Council and Committee minutes that periodic budget monitoring reports continue to be considered by members, no further work was undertaken in this area, this interim being too early for verification of the budgets and Precept for 2016-17, due for completion in January 2016.

Conclusions

In view of the above, we shall review this area further at our final visit and report accordingly on any issues that may arise.

Review of Income

Our objective here is to ensure that robust procedures are in place to ensure that all income due to the Council is identified and invoiced (where applicable) appropriately with recovery effected within a reasonable time span. Therefore, at this interim stage:

- We note from our current examination of minutes and other documentation provided that members regularly review and update the scales of fees and charges for use of Council facilities (such as the Civic Centre, Dewey House and CCTV support) and have obtained copies of the most recent at this interim visit for subsequent detailed testing as considered necessary; and
- As noted earlier in this report, we have tested two sample months of all receipt transactions from cashbooks to relevant bank statements with no issues.

Conclusions

We have previously tested the Civic Centre lettings and Moviola cinema takings as part of our 2014-15 audit review with no issues arising and have not considered it necessary to repeat this work again at present. We shall undertake further testing, and update our year-on-year analysis of income at our final visit.

Petty Cash Account and Charge Card Usage

The Council continues to operate a limited petty cash scheme with an Excel control sheet forming the basis of the periodic re-imburement to the agreed maximum holding level of £250. We have checked and agreed a sample month's payments (October 2015) to supporting supplier invoices / till receipts and verified the separation of any relevant VAT for periodic recovery via the nominal ledger postings to Omega.

The Council currently does not operate any particular corporate credit or debit card.

Conclusions

No issues arise in this area at present.

Salaries and Wages

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the requirements of HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme as most recently updated from 1st April 2015 in relation to the employees' contribution bandings.

We have examined the payroll procedures in place and the physical payments made to staff to date in 2015-16, by reference to the November 2015 payroll documentation, which

continues to be produced by external contractors (Safeguard World) using their own bespoke software. Our review included: -

- Ensuring that the Council had approved employee pay rates for the financial year, noting that the 2014-2016 national pay award has been duly and accurately applied;
- Checking to ensure that appropriate PAYE tax codes are being applied for the year following the annual budgetary increases in personal allowances with effect from April 2015;
- Checking to ensure that national insurance deductions were being computed accurately depending on whether the employee was a member of the pension scheme or not;
- Checking that the correct scales of superannuation deductions, based on the revised LGPS salary bandings, as further updated in April 2015, are being applied (where appropriate);
- Ensuring that appropriately approved timesheets are submitted by all employees in support of any flexible hours worked and / or claimed as overtime;
- Verifying detail of the net salary payments by reference to payslips, payroll summary reports and the subsequent BACS listings; and

Ordinarily we would seek to ensure that Councils are meeting the HMRC requirements in terms of appropriate on-line filing submissions, particularly in view of the transition to monthly Real Time reporting, but due to the nature of the bureau service provided this is not practicable at Warminster.

Conclusions

We are pleased to report that no issues have been identified in this area.

Investment 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, that the Council is obtaining the best rate of return on any such investments made, that interest earned is brought to account correctly and appropriately in the accounting records. We also aim to ensure that any loan repayments due to or payable by the Council are transacted in accordance with appropriate loan agreements.

We note that the Council holds additional funds in the form of periodic Term deposits and have checked and agreed the monthly “investments” to end November 2015 from the HSBC bank advice notes to relevant cashbooks, also ensuring any interest arising on maturity (just one to date) has been entered accurately in Omega. As discussed with the Clerk during the course of this interim visit, one of these holdings is for a period of two years and, consequently, will need to be reported in the Annual Return as an expense and Fixed Asset rather than Cash and Bank balances, of which she is already aware.

We also note the existence of one PWLB loan and have checked and agreed the first instalment repayment (September 2015) from supporting documentation to cashbooks as part of the higher value payment testing noted earlier in this report.

Conclusions

No issues arise in this area at present: we shall verify the settlement of the second half-yearly loan repayment and accurate disclosure of the year-end investment and loan liability balances in the Annual Return for 2015-16 at the final visit.

Warminster Town Council

Internal Audit Report 2015-16 (Final)

Prepared by Nigel Archer

*For and on behalf of
Auditing Solutions Ltd*

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 for the Council: this report provides detail of those areas examined during the course of our recent update visit on 28th April 2016 and supplements the interim work undertaken on 1st December 2015.

Internal Audit Approach

In concluding our review for 2015-16, we have continued to have 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 present 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.

Overall Conclusion

Overall, we are pleased to conclude that, in all the areas examined, the Council continues to have effective control systems in place to help ensure that transactions will be recorded accurately in the financial ledger and, subsequently, the detailed Statement of Accounts and Annual Return that forms the statutory accounts of the Council subject to external audit certification. We are also pleased to acknowledge that sound Governance and Risk Assessment documentation is in place and subject to quarterly and annual review and update.

At the time of this final visit, the Council's accounting contractors had yet to attend for the year-end closedown and, consequently, there were no Statement of Accounts available for us to review. Notwithstanding this, we have duly "signed off" the Internal Audit Certificate at Section 4 of the Annual Return, assigning positive assurances in all categories and leaving the original documentation with the Clerk for subsequent completion and submission to members: we shall liaise directly with the accountants to obtain and check the Statements of Accounts in due course.

This report has been prepared for the sole use of Warminster Town Council. To the fullest extent permitted by law, no responsibility or liability is accepted by Auditing Solutions Ltd to any third party who purports to use or rely on, for any reason whatsoever, this report, its content or conclusions.

Detailed report

Accounting Records and Bank Reconciliations

The Council remains a full Omega accounts software user, with external contractors (DCK Beavers Ltd) continuing to provide a monthly accounts processing service. One combined cashbook for the Current & Instant Access bank accounts operated at HSBC is in place, supplemented by a series of periodic Term deposits (also with HSBC).

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. We have, consequently: -

- Verified that an appropriate cost centre and nominal ledger structure is in place;
- Checked and agreed the opening Trial Balance in the Omega software for 2015-16 to the closing Financial Statements for 2014-15 to ensure that all the detailed balances have been properly rolled forward with no issues identified this year;
- Also verified that the financial ledgers remain in balance currently (March 2016);
- Checked and agreed three sample months' transactions (May & October 2015 and March 2016) in both accounts, including the daily "sweep" transfers to maintain the current account balance at a constant £5,000, to relevant bank statements; and
- Checked and agreed the software based bank reconciliations as at 31st May & 31st October 2015 and 31st March 2016 with no long standing, uncleared effects or any other abnormal entries arising.

Conclusions

We are pleased to record that no issues have been identified in this area of review.

Review of Corporate Governance

Our objective is to ensure that the Council has a robust series of corporate governance documentation 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. Consequently, we:

- Are pleased to note that Standing Orders and Financial Regulations have again been reviewed and re-adopted in the current financial year at the Full Council meeting in May 2015 and do not consider further work to be necessary in this area at present (although we are aware that further documentation is to be presented to Full Council in May 2016 to incorporate the latest revisions promulgated recently by NALC);
- Are also pleased to note that comprehensive Corporate Policies and Protocols remain in place, which have previously been embodied in the latest Staff Handbook (formally adopted in April 2013); and

- Concluded our examination of the minutes of Full Council and its extant Committee meetings (with the exception of Planning) for the financial year, including early April 2016.

Conclusions

We are pleased to record that no issues arise in this area to warrant formal comment or recommendation, noting that the Neighbourhood Plan is at an advanced stage of completion.

Review of Expenditure

Our aim here is to ensure that: -

- 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;
- 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 concluded our testing in this area examining a sample of all those payments individually in excess of £3,000, together with a more random sample of every 35th cash book transaction, for the year to 31st March 2016 to ensure compliance with the above criteria. Our test sample comprises 50 payments totaling more than £179,000 and representing 51% of all non-pay transactions for the year.

We are pleased to note from our examination of minutes that quotations are sought where considered appropriate and that one larger item of expenditure requiring a formal tender process has arisen in the current year (Xmas light renewals).

We also note that VAT returns continue to be prepared and submitted quarterly utilising the HMRC on-line facility, as now required under extant legislation, and have checked and agreed that the Q2 and Q4 return submissions have been prepared in a timely manner and in accord with the Omega control account balances.

We shall update our year-on-year analytical review of expenditure incurred across the range of the Council's activities at a later date when the statements of Accounts have been finalised.

Conclusions

We are pleased to report that all the above criteria have been met in respect of the sample of payments examined to date with sound control exercised over the authorisation and payment of supplier invoices and other similar expenditure.

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 and 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: -

- Noted in our final audit report for 2014-15 that the LCRS risk assessment software had been updated with revised “scores on the doors” adopted by members in May 2015: subsequently, at this final visit, we note from examination of minutes (HR Committee) and other detailed documentation provided that copious quarterly and annual assessments continue to be undertaken and reported (most recently March 2016); and
- Noted that the Council’s insurance cover continues to be provided by Aviva plc; examination of the current year’s policy schedule (to December 2015) has identified that both Public and Employer’s Liability stand at £10 million, with Fidelity Guarantee cover at £0.5 million and adequate Business Interruption cover at more than £100,000.

Conclusions

No issues arise in this area at present: we shall continue to monitor the Council’s risk management arrangements at future visits reporting any further conclusions accordingly.

Precept Determination and Budgetary Control

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 annual precept; 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.

Other than noting from examination of Council and Committee minutes that periodic budget monitoring reports continue to be considered by members, no further work was undertaken in this area at the interim visit, which was too early for verification of the budgets and Precept for 2016-17, due for completion in January 2016.

However, we have subsequently identified from examination of minutes and other documentation that the latter was formally adopted at £517,325, excluding the Unitary Authority's Support Grant of £4,700, by Full Council on 18th January 2016.

Finally in this area, we are currently unable to make any further comment with regard to the levels of closing Earmarked Reserve and General Fund balances (in the absence of the final Statement of Accounts) but have no reason to consider that they will be anything other than perfectly adequate to meet the Council's future requirements.

Conclusions

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

Review of Income

Our objective here is to ensure that robust procedures are in place to ensure that all income due to the Council is identified and invoiced (where applicable) appropriately with recovery effected within a reasonable time span. Therefore, at the interim stage:

- We note from our examination of minutes and other documentation provided that members regularly review and update the scales of fees and charges for use of Council facilities (such as the Civic Centre, Dewey House and CCTV support) and have obtained copies of the most recent at the interim visit for subsequent detailed testing as considered necessary; and
- As noted earlier in this report, we have tested two sample months of all receipt transactions from cashbooks to relevant bank statements with no issues.

Subsequently, at this final visit:

- We have tested a further month's cashbook transactions;
- As noted later in this report, we have checked and agreed all periodic Term deposit investments and maturities, including all interest receipts thereon, to relevant bank statements;
- We have verified advertising invoices for the Christmas Programme and, later, sales of Trees to local traders; and
- We have visually examined all income code, nominal ledger transaction reports to ensure there are no obvious errors or omission where receipts could have been realistically expected, particularly in relation to periodic receipts such as Dewey House lettings and CCTV recharges: no such issues were identified.

We shall update our year-on-year analytical review of incomes arising across the range of the Council's activities at a later date when the statements of Accounts have been finalised.

Conclusions

We have previously tested the Civic Centre lettings and Moviola cinema takings as part of our 2014-15 audit review with no issues arising and have not considered it necessary to repeat this work again at present and there are no matters identified from the other detailed testing undertaken in this area this year.

Petty Cash Account and Charge Card Usage

The Council continues to operate a limited petty cash scheme with an Excel control sheet forming the basis of the periodic re-imburement to the agreed maximum holding level of £250. We have checked and agreed a sample month's payments (October 2015) to supporting supplier invoices / till receipts and verified the separation of any relevant VAT for periodic recovery via the nominal ledger postings to Omega.

The Council currently does not operate any particular corporate credit or debit card.

Conclusions

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

Salaries and Wages

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the requirements of HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme as most recently updated from 1st April 2015 in relation to the employees' contribution bandings.

We have examined the payroll procedures in place and the physical payments made to staff to date in 2015-16, by reference to the November 2015 payroll documentation, which continues to be produced by external contractors (Safeguard World) using their own bespoke software. Our review included: -

- Ensuring that the Council had approved employee pay rates for the financial year, noting that the 2014-2016 national pay award has been duly and accurately applied;
- Checking to ensure that appropriate PAYE tax codes are being applied for the year following the annual budgetary increases in personal allowances with effect from April 2015;
- Checking to ensure that national insurance deductions were being computed accurately depending on whether the employee was a member of the pension scheme or not;
- Checking that the correct scales of superannuation deductions, based on the revised LGPS salary bandings, as further updated in April 2015, are being applied (where appropriate);

- Ensuring that appropriately approved timesheets are submitted by all employees in support of any flexible hours worked and / or claimed as overtime;
- Verifying detail of the net salary payments by reference to payslips, payroll summary reports and the subsequent BACS listings; and

Ordinarily we would seek to ensure that Councils are meeting the HMRC requirements in terms of appropriate on-line filing submissions, particularly in view of the transition to monthly Real Time reporting, but due to the nature of the bureau service provided, this is not practicable at Warminster.

Conclusions

We are pleased to report that no issues have been identified in this area.

Asset Registers

The Governance and Accountability Manual requires all Councils to develop and maintain a comprehensive register of all assets owned and leased by the Council. In this area, we aim to ensure that such a register is in place and contains all the basic information that should, ideally, be embodied in the records.

We are again pleased to note the existence of such a register and that the Clerk has ensured that it has been appropriately updated for any acquisitions and / or disposals in 2015-16. We have not yet verified the detail within the Statements of Accounts and that disclosed at Box 9, Section 2 of the Annual Return but will do so “remotely” when the Accounts are completed.

Conclusions

There are no significant issues in this area that warrant formal recommendation.

Investment 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, that the Council is obtaining the best rate of return on any such investments made, that interest earned is brought to account correctly and appropriately in the accounting records. We also aim to ensure that any loan repayments due to or payable by the Council are transacted in accordance with appropriate loan agreements.

We note that the Council holds additional funds in the form of periodic Term deposits and have checked and agreed the monthly “investments” throughout the financial year to March 2016 from the HSBC bank advice notes to relevant cashbooks, also ensuring any interest arising on maturity (just one to date) has been entered accurately in Omega.

As discussed with the Clerk during the course of this interim visit, one of these holdings is for a period of two years and, consequently, will need to be reported in the Annual Return as an expense and Fixed Asset rather than Cash and Bank balances, of which she is already aware.

We also note the existence of one PWLB loan and have checked and agreed the two instalment repayments (September 2015 and March 2016) from supporting documentation to cashbooks as part of the higher value payment testing noted earlier in this report. We have not yet verified the detail within the Statements of Accounts and that disclosed at Box 10, Section 2 of the Annual Return but will do so “remotely” when the Accounts are completed.

Conclusions

No issues arise in this area at present.

Statement of Accounts & Annual Return

The Council continues to engage the services of third party accountancy contractors (DCK Beavers Ltd) for its year-end closedown processes with part of this work including the preparation of the detailed annual financial Statement of Accounts and data for inclusion at Section 2 of the Annual Return.

At the time of this final visit, the Council’s accounting contractors had yet to attend for the year-end closedown and, consequently, there were no Statement of Accounts available for us to review. Notwithstanding this, we have duly “signed off” the Internal Audit Certificate at Section 4 of the Annual Return, assigning positive assurances in all categories and leaving the original documentation with the Clerk for subsequent completion and submission to members: we shall liaise directly with the accountants to obtain and check the Statements of Accounts in due course.

Conclusions

No issues arise in this area at present.