
Warminster Town Council

Internal Audit Report 2016-17 (Interim)

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*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 interim visit on 5th January 2017 and will be subject to further update following the final visit for the year on a date yet to be arranged in May / June 2017.

Internal Audit Approach

In commencing our review for 2016-17, 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.

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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 2016-17 to the closing Financial Statements for 2014-15 to ensure that all the detailed balances have been properly rolled forward with one very minor issue identified and detail left for the attention of the contractor on his next visit;
- Checked and agreed two sample months' transactions (May and November 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 and 30th November 2016 with no long standing, un-cleared effects or any other abnormal entries arising.

Conclusions

We are pleased to record that there are no significant issues in this area currently.

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 2016 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 the Full Council and its extant Committee meetings (with the exception of Planning) to early January 2017, noting the retirement of the current Clerk and the subsequent recruitment of her replacement, who is due to start in post in March 2017.

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 30th cash book transaction, for the year to 30th November 2016 to ensure compliance with the above criteria. Our test sample comprises approximately 45 items in all, totaling just over £157,000 and equating to 54% 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 no larger items of expenditure requiring a formal tender process has arisen in the current year to date.

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, but have not conducted any further detailed testing in this area 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 extending our year-on-year analytical review 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 2015-16 that the LCRS risk assessment software had been updated with revised “scores on the doors” most recently adopted by members in March 2016: 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 2016) 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.

We note from our examination of minutes and supporting Agenda papers that the Finance & Asset Committee, with support from officers and contractors, had agreed a recommended budget and Precept for 2017-18: this was due for consideration by Full

Council at its meeting on 16th January 2017, prior to this interim visit, therefore no formal approval has yet been recorded.

We are pleased to note that regular budget monitoring reports and variance commentaries continue to be considered by members, the most recent as at 30th November 2016 required no further variance analysis or explanation at this interim stage.

Conclusions

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 examination of minutes and other documentation provided that members periodically review its 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, with no changes noted compared with 2015-16, 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

In the limited time available at this interim stage, we have not undertaken any further testing in this area currently. We shall consider matters such as Civic Centre bookings, Moviola Cinema takings, CCTV charging 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 obtained copies of the Excel control spreadsheets for two periods in October and November 2016 and shall agree payments to supporting supplier invoices & till receipts and verify the separation of any relevant VAT for periodic recovery via the nominal ledger postings to Omega at the final audit.

The Council currently does not operate a corporate credit or debit charge card currently.

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 2016-17, by reference to the November 2016 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 national pay award negotiations had been concluded and duly applied with effect from April 2016;
- 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 2016;
- Checking to ensure that national insurance deductions were being computed accurately, particularly relevant this year following the withdrawal of the reduced employee and employer contributions for members of employer's occupational schemes; 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 but due to the nature of the bureau service provided this is not practicable at Warminster.

Conclusions

One very minor observation with regard to the spinal column point salary of one employee was raised with officers during the course of this interim visit: appropriate checks will be undertaken and we shall follow up the outcome at our final visit.

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 previously checked and agreed the monthly “investments” throughout the financial year to 31st March 2016 from the HSBC bank advice notes to relevant cashbooks, also ensuring any interest arising on maturities (just one last year) had been entered accurately in Omega. At this current interim visit, we note from cashbook testing that several of the holdings have matured and been re-invested but, at this stage, have not verified further detail to bank advice notes, etc. We shall consider this area further at the final audit.

We also note the existence of one PWLB loan and have checked and agreed the first instalment repayment (September 2016) 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 2016-17 at the final visit.