
Warminster Town Council

Internal Audit Report 2010-11 (Final)

Prepared by Elaine Giles

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 an internal audit function to the Council: this report provides detail of those areas examined during the course of our interim visits undertaken on 28th October 2010 and 19th January 2011 and the final visit on 9th May 2011.

Internal Audit Approach

In conducting our internal audit review for the year, 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 revised 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.

This report, and our file of working papers for the year, may be made available, on request, for review by the Council's external auditors and should assist them in gaining the required level of assurance on the adequacy of those Council's systems examined and detailed in this report.

Overall Conclusion

Overall, we are pleased to conclude that, in the areas examined the Council continues to have effective control systems in place to ensure that transactions are recorded accurately in the financial ledger and, consequently, the detailed Statement of Accounts and Annual Return that forms the statutory accounts of the Council subject to audit certification. We are also pleased to acknowledge that sound Governance and Risk Assessment documentation is in place and subject to pro-active review and update as appropriate.

On the basis of the work undertaken during the course of our visits to the Council for the year, we have duly signed off the Internal Audit Certificate at Section 4 of the Annual Return assigning positive assurances in each relevant area.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Council employs the services of DCK Beavers as contract accountants to maintain its financial records, two bank accounts being operated with HSBC, that detail being recorded in a single cashbook. 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, therefore: -

- Agreed the opening trial balance detail with that in the 2009-10 Statement of Accounts and Annual Return;
- Verified that the financial ledger remains “in balance” at the financial year-end;
- Ensured that the cost and expenditure coding structure is appropriate for purpose;
- Undertaken checking and testing of detail in the single cashbook, examining three months’ transactions (April and September 2010 and March 2011), agreeing detail with the relevant bank statements;
- Checked and agreed detail on the closing bank reconciliations for the same three months noting the final clearance on one long standing uncleared effect.

Conclusions

We are pleased to record that new 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 no actions of a potentially unlawful nature have been or are being considered for implementation. To that end we have:

- Examined the minutes of the Full Council and its various Standing Committees for the year to March 2011 to ensure that no actions have been taken or are being considered that might result in ultra vires expenditure being incurred;
- Note that, at its meeting in November 2010, the Council agreed to proceed with a revised refurbishment of the Assembly Rooms in partnership with Wiltshire Council and that an application to Department for Communities and Local Government (DCLG) for a maximum loan of £500,000 has been submitted and approved; and
- Also note that minor amendments to Standing Orders will be made at the May 2011 meeting.

Conclusions

There are no issues arising in this area at present: we shall monitor progress on the Assembly Rooms Refurbishment, noting that the loan was received in March 2011 and ensure that the correct accounting treatment is applied.

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 extended testing in this area; examining a sample of all payments individually in excess of £2,000 and each 20th cash book transaction (in order to provide a broader cross-section of transactions and expenditure areas subject to examination) for the financial year totalling £231,562 and equating to 74% of all non-pay related payments made in the year.

Conclusions

We are pleased to record that all the above criteria have been met in our test sample.

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 from both the examination of current year minutes and other documentation provided at our second interim visit that the Clerk has updated the LCRS risk assessment software; the results being adopted by the Full Council at its meeting in April 2010;
- Examined the Council's insurance policy for 2010-11 to ensure that appropriate cover remains in place, noting that the level of Fidelity Guarantee cover of £400,000 is considered acceptable at present and that Public Liability cover is £10 million.

Conclusions

There are no issues arising in this area at present.

Budgetary Control & Reserves

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and level of precept to be drawn down from the new Unitary 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, therefore:

- We are pleased to note that an appropriate exercise to consider the budgets and precept for 2010-11 had been completed prior to our second interim visit with a nil increase budget agreed for 2011-12 as formally minuted in the minutes of the meeting on 17th January 2011;
- We note that the roll-over value of Earmarked Reserves was approved at the February 2011 meeting; and
- We are also pleased to note that the members continue to be provided with regular management accounting information based upon the Omega software data maintained by the Council's accounting contractors.

Conclusions

The refurbishment of the Assembly Rooms and the subsequent move of the Town Council office will need careful management, although we see nothing in the processes and procedures of the Town Council to suggest that this will not be the case.

Review of Income

The Council receives income from a relatively limited range of sources other than the precept, primarily by way of hire fees for the various events held and private bookings at the Assembly Rooms and, to a lesser degree at Dewey House, together with limited (in the current financial market) investment interest and recoverable VAT.

Our aim here is to ensure that income due to the Council is identified and recovered within a reasonable space of time and that the charges levied are in accord with the appropriate, published scales of fees and charges.

Omega postings for all income for October 2010 have been viewed and checked to bookings software. A further test was undertaken for November 2010, as subsequently, bookings were reduced and the Assembly Rooms closed prior to the refurbishment.

Conclusions

We are pleased to report that no issues arise in this area of our review process.

Petty Cash Account

The Council operates a small petty cash account at Dewey House with a maximum permitted spend of £250, together with various “cash floats” at the Assembly Rooms. At the second interim visit, we examined transactions for December 2010 to ensure that all payments were supported by an appropriate supplier invoice or till receipt that VAT was identified for recovery where applicable and that expenditure was properly recorded in the Omega accounting records. We have subsequently, at this final visit verified the physical cash held against the underlying records.

Conclusions

There are no issues to note in this area.

Review of Salaries

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. To meet that objective, we have:

- Agreed a sample month’s payments (September 2010) processed for each employee to the payslips produced from the external payroll bureau provider’s software and also verified them by reference to the Council’s approved pay scales;
- Agreed income tax and NI contributions deducted from those employees’ salaries to the current year’s HMRC tax and national insurance tables;
- Agreed superannuation contributions in respect of the same tranche of employees, ensuring that the revised scales of deductions, in line with various salary bandings introduced in the revision to the LGPS with effect from April 2009; and
- Summarised the month by month settlements of net salaries, HMRC deductions and LGPS deductions as part of the payments testing noted earlier in this report with no un-explained variances noted.
- Confirmed that end of year returns were submitted to HMRC electronically on 16th April 2011 well in advance of the HMRC deadline.

Conclusions

No issues have been identified with regard to the payment of salaries and wages.

Asset Registers

We have previously noted the existence of a detailed equipment inventory and fixed asset spreadsheet, maintained on an annual basis by the Clerk, which was considered to be sufficient to meet the requirements of the 1996 Accounts and Audit Regulations. We have, at this final visit, examined the asset register for 2010-11 checking detail against the insurance schedule. We also note that the contract accountants have correctly identified the value of assets to be reported in the Annual Return for 2010-11 as the Gross purchase value, as is now required by the amended Accounting Guidelines.

Conclusions

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

Investments and Loans

The Council holds no specific investments, having decided not to “re-invest” its Treasury term deposit on maturity in February 2010.

The Council agreed, as indicated previously on this report, to submit an application to the DCLG for a loan of £500,000 towards the refurbishment of the Assembly Rooms. This was confirmed and funds received in March 2011. We have examined the relevant application and loan approval documentation at an interest rate of 4.93% to be repaid over 20 years by half yearly annuity of £19,800.89 with repayments commencing in September 2011.

Statement of Accounts and Annual Return

The detailed Statement of Accounts to be presented to the Council, together with the statutory Accounts as embodied at Section 1 of the Annual Return had not been finalised by the contract accountants at the time of our final visit; consequently, we have obtained copies directly from the accountants on their completion and undertaken further testing to confirm the accuracy of detail contained therein to the underlying financial and other relevant Council records, also with no issues identified warranting comment or recommendation.

On the basis of the work undertaken during the course of our visits to the Council for the year, we have duly signed off the Internal Audit Certificate at Section 4 of the Annual Return assigning positive assurances in each relevant area.