
Marlborough Town Council

Internal Audit Report 2012-13 (Final)

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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 from the outset, appointing Auditing Solutions Ltd to undertake the function.

This report sets out those areas examined during the course of our recent final visit to the Council for 2012-13, which took place on 12th June 2013 and supplements the interim work undertaken over the course of two days in early February 2013.

Internal Audit Approach

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.

Consequently, in undertaking our testing, we have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts, also considering their potential susceptibility to fraudulent action.

In addition, we have previously updated our year-on-year analysis of income and expenditure arising across the range of Council activities for 2011-12: this has assisted in ensuring appropriate areas are prioritised for examination this year.

Overall Conclusion

We acknowledge that the Council has had a difficult period following the appointment and subsequent sad death of the previous Clerk: we are also pleased to note from examination of minutes and other documentation that members have acknowledged the extra work undertaken by the existing members of staff during this time.

The previous interim visit coincided with the first week's employment of the new Clerk (with whom we have worked previously at Cricklade) and trust that this will be a lasting and successful appointment.

We are pleased to report that no significant issues have been identified during the course of the testing undertaken for the year, any minor queries being discussed and agreed with officers during the course of our visits: consequently, no formal recommendations have been considered necessary and we have duly "signed off" the Internal Audit Certificate, assigning positive assurances in all areas.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

We are pleased to note that the Council has “migrated” its accounting records processing for 2012-13 back to the previously utilised RBS Omega software and away from the Quickbooks introduced by a former Clerk during his term of tenure.

There is sound local advice and support for this package, should the Finance Officer require it, and we consider that it more than adequately meets the financial reporting needs of the Council providing cashbooks, bank reconciliations, budget monitoring, VAT identification and reporting, year-end processing, etc.

A single combined cashbook is maintained for the Council’s Current and Deposit accounts at Barclays plc with a daily “sweep” operated to retain a fixed balance on the Current account of £2,000 so that balances on the deposit account ensure that interest income may be maximised.

Our objective in this area is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. Consequently, we have: -

- Agreed the opening Trial Balance detail in the Omega financial software with the closing detail contained in the 2011-12 Statement of Accounts and Annual Return, subject to a minor adjustment to Reserves of £100, which arose late in the process of closing down the 2011-12 Accounts, of which the Finance Officer was already aware and has subsequently addressed;
- Ensured that the ledger remains “in balance” at the financial year-end;
- Ensured that an appropriate cost centre and nominal ledger income and expenditure coding structure has been re-established and is “fit for purpose”;
- Checked and agreed detail in the combined cashbook, examining three sample months’ transactions (June and October 2012, plus January 2013), including the regular “sweep” transfers to relevant bank statements;
- Checked and agreed detail on the bank account reconciliations at the end of each of the three sample months. We discussed with the Finance Officer the remaining two long standing uncleared cheques (considered immaterial at just £64) and it was agreed they would be written back to clear as part of the year-end closedown process; and
- Verified detail of the bank reconciliation as at 31st March 2013, noting that the items noted above were properly cleared.

Conclusions

We are pleased to record that no further issues have been identified in this area of our review process warranting further comment or officer’s attention.

Review of Corporate Governance

Our objective is to ensure that the Council has a robust series of corporate governance documentation and procedures 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: -

- Concluded our review of the Council's minutes for the current year, examining those for the Full Council and its Standing Committee meetings (except Planning) held to March 2013 to identify whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability. Following the decision not to proceed with the Town Hall project, no such issues appear to exist at present;
- Noted that the Full Council has formally adopted the revised Members' Code of Conduct (July 2012), largely based on the model documentation provided by the Unitary Authority, to meet the requirements of the Localism Act;
- Noted that the Full Council had duly approved and properly recorded in the minutes, the budgets and Precept for 2013-14 (4th February 2013 meeting refers); and
- Noted that the Council's extant Standing Orders and Financial Regulations have both been re-examined and, following some members' previous concerns, formally adopted in May 2012.

Conclusions

We discussed some of the detailed content of the Standing Orders and Financial Regulations with the new Clerk during the course of our interim visit, as an inconsistency between the two documents with regard to tendering levels was identified: she agreed to take this forward to a future meeting for appropriate resolution.

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;
- An official ordering process is in place and operated for all appropriate purchases, acknowledging that a range of goods and services are provided under contractual requirements (e.g. Grass Cutting) or legislation (e.g. non-domestic rates);
- 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, reviewing a sample of all payments individually in excess of £1,500, together with a more random sample of every 30th cashbook expenditure transaction, irrespective of value, to 31st March 2013. Our sample comprised approximately 75 items and totalled £181,000, representing 53% of all non-pay transactions for the year.

We previously noted that VAT returns are submitted periodically and manually, which is acceptable as the Council has no taxable supplies requiring its formal registration, also checking and agreeing the December 2012 submission to the underlying control account balances and to the subsequent receipt from HMRC during January 2013. At this final visit, we have verified the claim as at 31st March 2013 to the closing balance disclosed as the year-end debtor in the Statement of Accounts.

Finally in this area, we have updated our year-on-year analysis of expenditure incurred across the range of Council activities with no unidentified variances arising to warrant further enquiry or explanation by officers.

Conclusions

We are pleased to report that no issues have been identified in this area of our work warranting formal comment or recommendation with all criteria being met.

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. Therefore:

- We note that Zurich Insurers continue to undertake a number of appropriate play area and property engineering safety inspections and report accordingly (the latest taking place in October 2012);
- We note that the most recent "in house" Risk Assessment and Management Strategy was re-affirmed by members at Full Council in December 2012, with no significant changes required to those agreed during the tenure of the previous Clerk in July 2012: we consider this documentation adequately meets the need of the Council at present; and
- We have examined the Council's insurance policy for the current year (to 31st June 2013); cover continuing to be provided by Zurich plc. Both Employer's and Public Liability stand at £10 million, with Fidelity Guarantee at £1 million and appropriate Loss of Revenue cover also in place at £24,000.

Conclusions

There are no formal recommendations arising in this area at present and we are pleased to note, from verbal feedback at this final visit, that the longer-term

agreement with Zurich has been renewed with significant savings in premiums and no reduction in the level of cover afforded.

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 local District Council or Unitary Authority (where appropriate); 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. We note that:

- Detailed and duly diligent consideration has been afforded to the budgets and precept by both members and officers, also noting the delay in reaching a formal conclusion, as a result of Wiltshire Council's prevarication over the level of the Council Tax Support Grant payable in the wake of central government's decisions on benefit and other funding levels;
- An overall precept for 2013-14 has been adopted at £389,747, as recorded in the minutes of the meeting on 4th February 2013;
- Members continue to be provided with sound periodic budget monitoring reports utilising the Omega software facility; and
- Total Reserves as at 31st March 2013 stood at £333,520, of which £100,000 had been specifically set-aside in five Earmarked Reserves resulting in a residual General Fund balance of £233,520. The latter represents approximately seven to eight months' net expenditure at current levels, which more than adequately meets CiPFA guidance in this area.

Conclusions

No issues arise in this area of our review process to warrant formal comment or recommendation.

Review of Income

The Council receives income from a variety of sources including sports pitch hire, burial and associated activities, commercial property lettings, individual Town Hall bookings, bank interest, VAT recovery, sundry grants and others.

Our objective 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. Consequently:

- We have identified, from our examination of minutes and other documentation, that appropriate reviews of fees and charges are undertaken periodically in conjunction with members and relevant officers' reports with those for 2012-13 and 2013-14 approved in January 2012 and 2013 respectively;

- We examined a sample of burials by reference to the Registers for the period April to November 2012, to ensure that the fees charged were in accord with the current published scales, that the funeral directors (or family members) had paid promptly, that appropriate receipts had been issued and that the monies had been correctly recorded in the cashbooks with no issues arising;
- We have visually examined the nominal ledger income code transaction reports for all property rentals to 31st January 2013 to ensure that there are no examples of any errors or omissions where periodic entries would have been expected. We are pleased to record that no matters were identified, with any variations, such as the High Street flats period of non-occupancy and refurbishment, being appropriately explained by officers;
- We have tested a sample week's bookings (w/c 17th December) of the Town Hall by reference to the registers maintained and the supporting customer hire application / booking forms to ensure that each activity was charged at the appropriate rate in accord with the published scales and that payment was properly received with no issues arising; and
- We have updated our year-on-year analysis of income arising across the range of Council activities with no unidentified variances to warrant further enquiry or explanation by officers.

Conclusions

We are pleased to report that the systems for identification and recording of income in the areas examined appear to work effectively with no items requiring further attention. We discussed with the Finance Officer during the interim visit a minor matter in relation to the opening balances posted by the RBS contractor, agreeing this would be deferred until their next visit to assist with the year-end closedown and Accounts production, at which time appropriate clearance was effected.

Petty Cash Account

The Council operates a limited petty cash account at the High Street offices for sundry administrative purposes (which is simply "topped up" as and when required): the usual level of cheque encashment being £50.

A former Clerk had introduced a software based method for recording transactions: we are pleased to note that, following his departure, the Finance Officer has reverted to a manual cashbook for 2012-13, which affords a more straightforward and transparent audit trail.

We have tested the operation of the petty cash account at this final visit with the verification of a sample month's transactions (March 2013) to the supporting vouchers / suppliers' till receipts, to two cash point withdrawals for "top-up", to the columnar analysis of the expenditures incurred and to the closing trial balance of the residual holding at 31st March 2013.

We have also undertaken a physical count of the cash-in-hand at the time of this final visit, agreeing the cash book record at 31st May 2013 to the amount held and vouchers subsequently reimbursed.

Conclusions

There are no issues worthy of note in this area.

Review of 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 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, together with meeting the requirements of the local government pension scheme as most recently further revised from 1st April 2012. To meet that objective, we have: -

- Ensured that the Council reviews and approves pay scales for staff annually, again noting that no national pay award arose requiring formal adoption for 2012-13 although some employees received approved spinal point increments;
- Agreed the gross amounts paid to all individuals in January 2013 by reference to the Council's approved pay points on the NJC annual schedule of rates payable and to the bespoke software utilised for this purpose;
- Checked to ensure that tax and NI deductions have been made applying the appropriate tax code and NI Table, also ensuring that appropriate amounts are paid over to HMRC regularly each month;
- Ensured that the appropriate employee and employer contributions to the pension scheme have been determined and paid over to the County's Pension Fund Administrators;
- Checked and agreed the detail of any additional overtime hours or enhanced payments supplied to the Finance Officer to the subsequent payslip computations;
- Verified the net payments due to staff from their copy payslips to the Barclays Bank "Payflow" transfers for the same sample month; and
- Verified the timely submission of the Council's P14 / P35 Annual PAYE Return to HMRC

Conclusions

We are pleased to report that no issues warranting further comment or attention by officers have been identified in this area of our review process.

Fixed Asset Register / Inventory

The Accounts and Audit Regulations (as amended periodically) require all Councils to establish and maintain a formal asset register. We have previously been pleased to

acknowledge the existence of a suitable register, detail of which has also been provided as part of the Supporting Statements to the Accounts.

As recorded in the final audit report for 2010-11, the Practitioners Guide advice has been updated in this area, requiring that all assets should be held in the registers at cost (or best estimate of replacement valuation where the original cost is unknown) in perpetuity with no depreciation charges or insurance policy "inflation". Due to the various transitional staffing issues arising since that time it would appear that no further action had been undertaken in this area prior to the appointment of the current Clerk, with whom we have verbally discussed her subsequent review of the registers for the purposes of recent insurance renewal negotiations.

It was agreed that, in the absence of any significant acquisitions during the year, the prior year's Supporting Statement analysis would be similarly reported for 2012-13 with the overall value at Box 9, Section 1 retained unchanged at £8.74 million.

Conclusions

There are no further issues of note in this area at present: we shall examine the results of the Clerk's recent review work at a future interim visit.

Investments and Loans

The Council holds no "investments" nor have any loans repayable by, or to, it.

Statement of Accounts and Annual Return

As noted earlier in this report, the Council "migrated" its accounting processing to the RBS Software with their contractor attending to assist the Finance Officer with the year-end closedown and production of relevant year-end supporting documentation such as the detailed Income and Expenditure account and Annual Return detail.

We have checked and agreed the content of the Annual Return from the underlying Trial Balance and other appropriate documentation with no issues arising.

We understand that further Supporting Statements, in the customary format of previous years, will also be prepared "in-house", but these were not available at our final visit: we would appreciate receipt of detail electronically in due course.

Conclusions

No additional issues arise from our work in this area warranting formal comment or recommendation and we have duly "signed off" the Internal Audit Certificate at Section 4 of the Return assigning positive assurances in each relevant area.