
Marlborough Town Council

Internal Audit Report 2014-15 (Final)

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Background and Scope

The Accounts and Audit Arrangements introduced from 1st April 2001 and amended periodically 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, which took place on 2nd June 2015 and supplements the interim work undertaken over the course of two days in October 2014 and February 2015.

Internal Audit Approach

In completing our audit review for 2014-15, we have again had regard to the materiality of transactions and their susceptibility to potential mis-recording or mis-representation in the year-end Statement of Accounts and Annual Return, examining the Council's fundamental financial and other governance control systems to provide assurance to members and the local electorate that they continue to operate effectively.

Overall Conclusion

No significant issues have been identified during the course of testing undertaken: our minor observation with regard to the revised Local Government Pension Scheme was discussed with officers during the course of our first interim visit and agreed for further review, which was duly undertaken and appropriate amendment made for future months' payroll runs.

Consequently, we have "signed off" the Internal Audit Certificate at Section 4 of the Annual Return, assigning positive assurances in all relevant categories: the Council's officers are to be commended for the comprehensive workings provided for the purposes of this year's audit visits and there are no matters arising to warrant formal comment or recommendation.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Council uses the bespoke Omega software to maintain its accounting records, with periodic support and advice being provided by third party contract support accountants (RBS Software). Two operational bank accounts are maintained at Barclays plc, with a combined cashbook in the accounting records: these are supplemented by a Barclays Base Rate Reward deposit account.

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: -

- Agreed the opening trial balance detail in the financial software for 2014-15 with the closing detail contained in the 2013-14 Statement of Accounts and Annual Return;
- Ensured that the financial ledger remains “in balance” at the financial year-end;
- Ensured that the cost centre and nominal ledger income and expenditure coding structure remains appropriate for purpose;
- Checked and agreed detail in the combined account cashbook, examining three sample months’ transactions (April & August 2014 and January 2015) in full to relevant bank statements, including the inter-account “sweep” transactions;
- Checked and agreed detail in the three supplementary cashbooks (Base Rate tracker, Herbert Leaf and Russell Trust) in full for the nine months ending December 2014 to the relevant bank statements;
- Checked and agreed detail on the combined cashbook’s month-end bank reconciliations, which continue to be prepared on a regular basis utilising the Omega software facility, for the same three sample months, and as at 31st March 2015 on all accounts, to ensure that no long standing, uncleared or other anomalous entries arise; and
- Verified the accurate disclosure of the combined cash and bank balances at the year-end in the year’s Annual Return.

Conclusions

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

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 previously noted, from examination of minutes at a prior year’s visit, that the Full Council had re-adopted both Standing Orders and Financial Regulations in 2012-13 with detail re-affirmed at the Full Council meeting in June 2014: subsequently at this final visit for 2014-15 we note that the Council and officers have re-considered the latter and these were duly adopted with minor revisions in April 2015; and

- We have continued our examination of the Council's minutes, examining those for the Full Council and its Standing Committee meetings (with the exception of Planning) held throughout the financial year, including early April 2015, with a view to identifying whether or not any issues exist that may have an adverse effect on the Council's future financial stability, both in the short and longer term.

Conclusions

There are no significant issues arising of which officers / members are unaware in this area.

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and approved 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;
- That members are provided with, and approve, the regular schedules of payments made;
- 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 our testing in this area, reviewing a sample of all payments individually in excess of £2,500 together with a more random selection of every 35th cashbook transaction (irrespective of value) to 31st March 2015. Our sample comprises approximately 70 payments, including the monthly lease charges for various grounds vehicles, totalling just over £272,000 and representing 61% of all non-pay costs for the year.

With regard to VAT, periodic manual recovery claims were previously submitted to HMRC: we now acknowledge that these are properly submitted on a quarterly basis, electronically as required by extant legislation. Consequently, we have verified the March 2015 submission to underlying control account balances and the year-end debtor disclosed in the closing 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 significant, unidentified variances warranting further explanation by officers.

Conclusions

There are no issues arising in this area to warrant formal recommendation.

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 consequently: -

- Noted that, in addition to the event specific and play area related Health and Safety risk assessments, a wider Risk Assessment Register is also in place, most recently having been reviewed by Finance Committee in March 2015 with a view to presentation to, and adoption by, Full Council in the new municipal year; and
- Noted that the Council's insurance arrangements continue to be provided by Zurich plc and have examined a copy of the current year's policy schedules (to June 2015): both Employer's and Public Liability stand at £10 million, with Fidelity Guarantee cover at £1 million and Loss of Revenue at £33,000.

Conclusions

There are no issues arising in this area to warrant formal recommendation, although we remind officers and members of the now mandatory requirement (Governance and Accountability Manual – 2014 update) for risk assessments to be reviewed and formally adopted at least once annually by the full Council.

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 District Council or Unitary Authority (where applicable): 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. Consequently, we note that: -

- From our current examination of minutes, deliberations on the 2015-16 Budget and Precept were duly completed at the Full Council meeting in December 2014, the latter being formally adopted at £473,544, excluding the "support grant" of £14,829;
- Members of the Finance & Policy Committee and, by formal adoption of committee reports at their meetings, Full Council, continue to receive appropriate budget monitoring & management accounting reports on a regular basis, utilising the relevant Omega software facility;
- periodic consideration is given to the projects for and levels of Earmarked Reserves with approvals given to certain in-year transfers; and
- As at 31st March 2015, Total Reserves stood at £482,000 and comprised specific Earmarked items totalling £228,000 and the residual General Fund of £254,000: the latter represents 5 to 6 months expenditure at current levels, which is considered to be perfectly sound.

Conclusions

There are no issues arising in this area to warrant formal recommendation.

Review of Income

The Council receives limited income in addition to the Precept, primarily from Hall lettings, minimal bank interest in the current climate, occasional grants & donations and periodic VAT recoveries.

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 note from Financial Regulations that members are required to review the scales of fees and charges for all its activities annually and that this work was undertaken and formally documented in relation to 2014-15 in both the minutes of meetings in the previous municipal year and also those of the Property Committee in July 2014;
- We have examined income arising from cemetery activities by reference to the Burial Register entries for the year to November 2014, ensuring that each was properly supported by relevant documentation, that the fees charged were in accord with the published scales and that monies due had been received in a timely manner. One extremely minor matter with regard to an outstanding entry in the Register was discussed and agreed with officers during the course of this recent visit and no formal comment is considered necessary;
- We have printed, from Omega, and examined all nominal ledger income code transaction reports to end January 2015 to ensure that, where periodic receipts are due on a monthly or quarterly basis, there are no errors or omissions, noting officers' feedback with regard to periods of vacancy arising at the High Street flats; and
- As noted earlier in this report, we have verified three months' receipts on the main, combined cashbook and nine months interest elements on the three supplementary cashbooks to relevant bank statements.

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

Conclusions

There are no issues arising in this area to warrant formal recommendation.

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 re-imbursment being £50 by way of the Barclays cash-point card.

As noted previously, the Finance Officer has retained a manual cashbook, which we considered affords a more straightforward and transparent audit trail compared with the previous Quicken software based methodology. We have checked and agreed a sample month's transactions (March 2015) to ensure that each individual payment was supported by an appropriate supplier till receipt and that officers were periodically ensuring that the cash-in-hand balance was separately verified.

Conclusions

There are no issues arising in this area to warrant formal recommendation.

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 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 further amended from 1st April 2014 with the effect that employee contribution percentages are now based on actual salaries payable (including overtime), rather than WTE scales (excluding overtime). To meet that objective, we have: -

- Ensured that the Council reviews and approves pay scales for staff annually, noting at the first interim visit that it had not yet been necessary to approve any national pay awards for 2014-15 although several incremental spinal point changes were agreed. Subsequently, the NJC awards for 2014-16 were published in November 2014 and our examination of current minutes confirms that these were duly adopted for implementation by Full Council in December 2014;
- Noted that the processing of the Council's monthly payroll has continued to be undertaken "in house" utilising the bespoke Quicken software;
- Checked and agreed staff PAYE Tax Codes and National Insurance Deduction Tables;
- Checked the revised LGPS deduction banding rates following the implementation of the revised scheme with effect from April 2014; and
- Checked and agreed detail of the salaries and wages paid to, and deductions made from, the Council's staff by reference to the August 2014 payroll documentation that was provided for our review.

Conclusions

As discussed with officers during the course of the first interim visit, we noted that it appeared that the revised LGPS requirements with regard to non-contractual overtime (now pensionable) was not included in the month's payroll, as tested, and this was to be amended for future months: we are pleased to note this was agreed and appropriate amendment has now been made and continues to be applied.

Additionally, we noted that it appeared that the Council had yet to consider its "Discretions Policy" in relation to the revised scheme with the Clerk agreeing to follow this up accordingly: we were pleased to note at the previous update visit that Full Council has now adopted the Policy at its meeting in January 2015.

Fixed Asset Register

The Governance and accountability Manual requires 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 again been provided as part of the working papers for the Statement of Accounts.

As recorded in the final audit report for 2010-11, the Practitioners Guide advice has been updated in this area, with best practice now considered to be that all assets should be held in the registers at cost (or “proxy cost” at the time where the original is not known) in perpetuity with no depreciation charges or insurance policy “inflation”.

We are pleased to note that this approach continues to be adopted at Marlborough, with only minor amendment in 2014-15 to reflect the disposal of on commercial vehicle: consequently we have verified the overall value disclosed at Box 9, Section 1 of the Annual Return to the Supporting Statements to the Accounts for the year.

Conclusions

There are no issues 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, 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 and that any loan repayments due to or payable by the Council are transacted in accordance with the relevant loan agreements. The Council currently has no loans either payable by, or to, it.

Conclusions

We noted in our final report for 2013-14 that the Council held one periodic Term deposit which was due to mature in May 2014. Subsequently, we note that this was not re-invested and all “surplus” funds continue to be held in the Active Saver bank account tested and recorded elsewhere in this report.

Statement of Accounts and Annual Return

As noted in our final report for 2012-13, the Council “migrated” its accounting processing to RBS Software and a contractor from this provider firm has attended to assist the Finance Officer with the year-end closedown and production of supporting documentation such as the detailed Income and Expenditure Statement, Notes to Accounts 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 and, as recorded in the opening overall conclusion to this report, we have duly “signed off the Internal Audit Certificate at Section 4 of the Annual Return.

Conclusions

There are no issues arising in this area to warrant formal recommendation.