
Marlborough Town Council

Internal Audit Report 2013-14 (Final)

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Background and Scope

The Accounts and Audit Arrangements introduced from 1st April 2001 and amended periodically (the latest being in 2011) 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 10th June 2014, supplementing that previously undertaken in early December 2013 and April 2014.

Internal Audit Approach

In concluding our audit review for 2013-14, we have again had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation 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

We are pleased to report that no significant issues have been identified during the course of our testing undertaken this year, any minor queries being discussed and agreed with officers during the course of our visits: consequently, no formal recommendations have been considered necessary.

We have duly "signed off" the Internal Audit Certificate at Section 4 of the Annual Return, assigning positive responses in all areas and leaving the original document with the Clerk for submission to members for approval prior to onward transmission to the external auditors.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Council continues to use the bespoke Omega software to maintain its accounting records, with periodic support and advice being provided by third party contract accountants (RBS Software). Two operational bank accounts are maintained at Barclays plc, with one combined cashbook in the accounting records: these are now supplemented by additional cashbooks to record transactions on the Base Rate Reward deposit account and the recently opened charity accounts (also at Barclays).

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in either the cashbooks or financial ledgers. We have consequently: -

- Agreed the opening trial balance detail in the financial software with the closing detail contained in the 2012-13 Statement of Accounts and Annual Return;
- Ensured that the financial ledger remained “in balance” during the year;
- Ensured that the cost centre and nominal ledger income and expenditure coding structure remains appropriate for purpose;
- Checked and agreed detail in the combined Current account cashbook, examining three sample months’ transactions (April & October 2013 and January 2014) in full to relevant bank statements, including the inter-account “sweep” transactions, which have now been discontinued;
- Checked detail of all transactions (due to the low volume) in the new cashbook for the year to March 2014 to relevant bank statements and previously provided some brief assistance to the Finance Officer to ensure these were fully reconciled at the date of the interim update visit;
- Checked and agreed detail on the Current account cashbook bank reconciliations, which continue to be prepared on a regular monthly basis utilising the Omega software facility, for the same three sample months, together with those as at 31st March 2014 on all accounts at the final visit, to ensure that no long standing, uncleared or other anomalous entries arise: no such entries exist; and
- Ensured the accurate disclosure of the combined year-end account balances in the detailed Accounts and Annual Return.

Conclusions

We are pleased to record that no issues have been identified in this area of our review process that warrant any 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 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 have undertaken the following work in this area: -

- Previously noted from examination of minutes at a prior year's visit that the Full Council had re-affirmed both Standing Orders and Financial Regulations in 2012-13 and currently note that any further Working Party deliberations were deferred pending further national model documentation revisions to be issued by NALC. This remains the case at the time of this final visit;
- Extended our review of the Council's minutes, examining those for the Full Council and its Standing Committee meetings (with the exception of Planning) held in the financial year, including early April 2014 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, medium and longer term; and
- Noted the conclusion of the 2014-15 budget deliberations and the potential for various developments (such as Cemetery extension, CCTV and Neighbourhood Plan) which could have an impact on the financial position of the Council in the future and shall consider the outcomes of these projects in due course, although we are aware that the Council has specifically Earmarked certain funds for such works.

We would also draw members' attention to the recent repeal of Section 150(5) of the LG Act 1972 that previously required all payable orders to be signed by two members: also to approval of the use of electronic banking facilities. We would draw attention to the recent JPAG (Joint Practitioners Accounting Committee) release of an update to the "Governance and Accountability for Local Councils – A Practitioner's Guide" (copy attached) which provides further guidance on the safeguards that need to be implemented should councils change their approach to banking arrangements. NALC has also recently re-issued updated Financial Regulations that take account of these changes in legislation.

Conclusions

There are no significant issues arising of which officers / members are unaware at present. We shall continue to review minutes and monitor the Council's approach to governance issues at future visits, also any changes that may be implemented in relation to the recent legislative changes affecting banking arrangements.

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 completed our testing in this area, reviewing a sample of all payments individually in excess of £1,500 together with a more random selection of every 30th cashbook transaction (irrespective of value) to 31st March 2014. Our sample comprises approximately 90 items in all (including the monthly charges for both the Tractor and Pick-Up leases), totalling £194,000 and representing 60% of all non-pay costs to that date.

VAT returns continue to be submitted electronically to HMRC on a regular quarterly basis: we have verified the debtor disclosed in the Annual Accounts to the underlying Omega control account balances at 31st March 2014.

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

Conclusions

We are pleased to report that no significant issues have been identified in this area of our review 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 previously that, in addition to the event specific and play area related Health and Safety risk assessments, a wider Risk Assessment Register was also in place, the previous version (December 2012) having been re-presented to, and approved by Full Council. Subsequently, at this final visit, we note from our examination of minutes that the extant documentation was re-

affirmed by the F&P Committee in March 2014 and by full Council on 2nd June 2014; and

- Noted from the sample testing of supplier payments and from reviews of current year's minutes that the Council's insurance arrangements (to be retained by Zurich at substantial savings in premiums with similar levels of cover) were properly approved and settled (May 2013). We have, subsequently, obtained a copy of the detailed policy schedules for 2013-14 and note that both Employer's and Public Liability stand at £10 million with Fidelity Guarantee cover at £1 million and Loss of Revenue cover at £33,000.

Conclusions

There are no significant matters arising in this area this year, noting the conclusion of the CCTV debate and the additional physical controls necessary following the Civic Regalia theft.

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 from our current examination of minutes that deliberations on the 2014-15 Budgets and Precept were duly completed at the Full Council meeting in December 2013, the latter being formally adopted at £477,759, excluding the "support grant" of £20,314;
- We note that 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;
- We note that periodic consideration is given to the projects for and levels of Earmarked Reserves with approvals given to certain in-year transfers; and
- We note that, as at 31st March 2014, Total Reserves stood at £387,500 of which specific Earmarked items amounted to £150,000 and the residual General Fund was £237,500. The latter represents five to six months expenditure at current levels and no further comment is considered necessary.

Conclusions

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

Review of Income

The Council receives incomes in addition to the Precept from a range of sources such as Commercial and Residential property lettings, hire of the Town Hall, leases with sports clubs for use of Common Land, Cemetery activities, bank interest, occasional grants / donations and the periodic recovery of VAT.

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:

- Noted 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 2013-14 in the minutes of meetings in the previous municipal year;
- As noted elsewhere in this report, checked and agreed three sample months cashbook transactions to relevant bank statements and ensured that all interest arising on the relatively new Reserve account has been properly accounted for;
- Examined the nominal ledger income code transaction reports for all regular property rentals (monthly and quarterly) to February 2014 to ensure that there were no obvious errors or omissions, noting that all were fully complete and up-to-date with no periods of un-occupancy worthy of note;
- Examined all entries in the Burial Registers from April to September 2013 to ensure that all were written up completely, that appropriate Funeral Director / Crematorium supporting documentation was on file, that fees had been charged in accord with the published scales and receipts properly banked and recorded in the cashbooks without undue delay; and
- Tested a sample of two months' sales invoices (September and October 2013) for hire of the Town Hall to ensure that each booking was charged in accord with the appropriate scales of fees and charges, both for commercial and local, not-for-profit organisation and that all monies were received in a timely manner. One very minor, unpaid item was identified but officers were already aware and several steps taken to address the issue without success as the customer could no longer be located in the vicinity.

Finally in this area, we have updated our year-on-year analysis of income arising across the range of Council activities with no significant variances arising to warrant further enquiry or explanation 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-imbursement being £50 by way of the Barclays cash-point card. In addition, the debit card is occasionally made available for sundry purchases of goods, generally when being collected (e.g. from B&Q) or sourced electronically.

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 two sample months' transactions (February and March 2014), ensuring each was appropriately supported by supplier documentation: we also note that officers were verifying the balances of cash in hand every month.

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 2013. To meet that objective, we have: -

- Ensured that the Council reviews and approves pay scales for staff annually, including the adoption of the national pay award for 2013-14 of 1% for those staff paid in accord with the formal spinal point scales;
- Noted that the processing of the Council's monthly payroll has continued to be undertaken "in house" utilising the bespoke Tools software provided free of charge by HMRC;
- Checked and agreed the staffs' PAYE Tax Codes and National Insurance deduction Tables
- Checked and agreed detail of the salaries and wages paid to, and deductions made from, the Council's staff by reference to the October 2013 payroll documentation;
- Checked and agreed the net amounts due from the P11s to the electronic payments schedule and subsequent cashbook transactions; and
- Been verbally advised that the Finance Officer has had no issues with the extant HMRC legislation requiring monthly electronic submissions of payroll data under the revised Real Time Initiative as she utilises their own, free bespoke "Tools" for this purpose.

Conclusions

No issues arise in this area of our review process this year.

Fixed Asset Register

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 again been provided as part of the working papers for the Statement of Accounts.

As recorded previously, the Practitioners Guide advice has been updated in this area, with the requirement that all assets should be held in the registers at cost (or best replacement valuation where the original is not known) in perpetuity with no depreciation charges or insurance policy “inflation”.

During the course of this final visit we have discussed, and agreed, with the Clerk and Finance Officer that, in the absence of any significant acquisitions during the year, the prior year’s Supporting Statement analysis would be similarly adopted for 2013-14 therefore the overall value disclosed at Box 9, Section 1 of the Annual Return was retained unchanged at £8.74 million.

Conclusions

There are no further issues of note in this area for the year.

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.

Conclusions

The Council has no specific investments, although “surplus” funds are now held in a new Barclays Base Rate Reward account in addition to the longer Treasury Term deposit noted earlier in this report which matures in 2014-15. We verified the cash book transactions to relevant bank statements for the year to February 2014 at the interim update visit and, subsequently, verified the closing balances of this, and other ancillary accounts, as at 31st March 2014 as part of our final audit work.

The Council has no loans either payable by, or to, it.

Statement of Accounts and Annual Return

As noted in our final report for 2012-13, the Council “migrated” its accounting processing to the 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 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 yet available as at the time of our final visit, therefore no further work was undertaken in this area.

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.