
Wendover Parish Council

Internal Audit Report 2010-11 (Interim Update)

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Background and Scope

The Accounts and Audit Regulations 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 to the Council: this report sets out those areas examined during the course of our second interim visit to the Council for the year, which took place on 10th February 2011, and provides an update to the initial work undertaken in early December 2010.

Internal Audit Approach

In undertaking our internal audit review for 2010-11, 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 sets out the areas of work examined during the course of our two visits to the Council and will be subject to appropriate revision and update following the final visit for the financial year (currently booked to take place on 11th May 2011).

Overall Conclusion

Overall, we are pleased to conclude that, in the areas examined to date this year, the Council continues to have effective systems of financial control in place. No major issues have been identified: any minor points arising during the course of the visit were discussed with the Clerk at that time and we are pleased to report that no further, formal recommendations are required at this stage.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

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, to date: -

- Agreed the opening trial balance detail with that in the 2009-10 Statement of Accounts and certified Annual Return;
- Verified that the financial ledger remains “in balance” at the current date;
- Ensured that the cost and expenditure coding structure is appropriate for purpose;
- Checked a sample of the detailed cashbook transactions (both receipts and payments) for four months, April, May, September and October 2010, to the relevant Lloyds TSB accounts bank statements;
- Checked and agreed all transactions on the Bank of Ireland postal account bank statements for the year to 31st October 2010; and
- Verified the accuracy of detail on the bank reconciliations on each account as at 31st October 2010.

Conclusions

We are pleased to note that there are no significant issues arising in this area, also recording the continued improvement in the detailed financial record keeping.

One relatively long-standing, uncleared effect remains on the bank reconciliation in respect of a “dispute” over contributions to the Hospice garden project, of which the Clerk is fully aware and steps are continuing to clear this item as soon as practicable.

We shall examine cashbook transactions for March 2011 and the closing bank reconciliations as at 31st March 2011 as part of our final audit 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. We have therefore undertaken the following work in this area: -

- Continued our review of the minutes of the Full Council and Committee meetings (except Planning) for the current year to date (early February 2011) 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; and

- Identified from the above review that the Council's extant Standing Orders and Financial Regulations, which we have previously noted were formally re-adopted during 2008-09, have again been discussed with minor changes agreed in relation to Market Regulations.

Conclusions

We are pleased to report that no specific issues have been identified at this stage: we are aware of the potential for cost pressures in the future as both County and District Councils look to divest themselves of a number of local services but nothing specifically impacting on Wendover PC in the current year at present. We shall continue to review minutes at future visits to the Council.

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, reviewing a sample of all payments individually in excess of £750, together with a more random sample of every 20th cashbook transaction irrespective of value, in the period to 31st January 2011. The test sample now totals £86,000 and represents 69% of all non pay related payments made in the year to date.

Conclusions

We are pleased to report that no significant issues have been identified in this area of our work: one utility invoice was not readily to hand at our first interim visit: we are pleased to note that this had been appropriately addressed and we were duly able to verify the payment made as part of this update visit.

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, during the course of our initial visit: -

- Examined the Council's current (to May 2011) insurance policy to ensure that appropriate cover is in place and that members have reviewed its content and determined that cover in each area is appropriate to the Council's needs. We note that members have considered alternate providers and decided to retain cover with Allianz plc (May 2010) and also note that appropriate revisions have been subsequently made to include new acquisitions;
- Noted that, in addition to the annual RoSPA play inspections (June 2010), a series of "one-off" health and safety assessments continue to be completed for specific areas, such as outside grounds working and the markets; and
- Identified from our examination of current year's minutes that updated Risk reviews were presented to Council and agreed (September 2010): we shall obtain a copy for review and retention at our final visit.

Conclusions

No significant issues or areas of concern were identified at the first interim and no further work was undertaken in this area at this update visit.

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: 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.

- We note that the Council's budget and precept deliberations have been concluded for the year with the precept for 2011-12 approved and minuted appropriately at £271,159 (Full Council meeting in December 2010); and
- We are pleased to note that the Clerk continues to provide members with regular update reports on the budgetary position during the course of the financial year based on the information contained within the Omega accounting software.

Conclusions

No issues arise in this area at present: we shall examine the year-end budget outturn for the current financial year and levels of General and Earmarked Reserve balances to be carried forward, as part of subsequent audit work at the final visit.

Review of Income

Our aim here is to ensure that appropriate arrangements are in place for the identification of all income due to the Council, that invoices are raised (where

appropriate) to recover that income and that monies are received and banked within a reasonable time frame. We undertook no specific testing at the initial visit.

Therefore at this update visit we have:

- Reviewed the Omega nominal ledger transaction reports for all income codes, ensuring that every periodic receipt, such as weekly standard market and monthly farmers' market tolls, had been banked and written up in the cashbooks in a timely and accurate manner;
- Ensured that appropriate coding had been applied, noting one extremely minor mis-posting of a cricket rental receipt, which the Clerk amended during the course of the visit; no further action or recommendation is required;
- Tested a sample of the processes and controls involved with the daily cashing-up and weekly reporting and banking of monies resulting from sales at the Information Centre by reference to samples in October 2010 and consider them to be sound;
- Noted that the officer responsible for the Centre's management had developed a novel scheme to shift very old, unmoving stocks of goods such as coasters, pens and pencils, by arranging for the local Hospice shop to be provided with them for display (free of charge) with any subsequent sales proceeds being split 50% / 50%. This has generated nearly £150 in the year to date; and
- Noted that small dividends arising from the Council's limited holding of COIF unit trusts have been properly received and entered in the cashbook on a quarterly basis

Conclusions

No issues arise in this area at present: we shall examine the year-end budget

Petty Cash Account

Whilst of minimal cash value we are required, as part of the Annual Return certification process, to examine and assess the adequacy of controls over the Council's petty cash account. Consequently, we have examined the system during the course of the current year by reference to three sample months in 2010-11 (November to January) to ensure that the following criteria are being observed:

- Payments are supported by either a bona fide trader invoice a till receipt or where neither of those are available a signed acknowledgement of receipt, duly approved for payment by an appropriate officer;
- VAT has been identified for recovery on all appropriate payments; and
- The account is not being used to cash personal cheques or receive cash income; and
- Reimbursement cheques/cash are correctly accounted for.

Conclusions

No issues were identified during this update visit work, which also included a physical check of cash in hand and which was verified to the anticipated float.

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 further amended from 1st April 2009. To meet that objective, we have: -

- Ensured that the Council reviews and approves pay scales for staff annually, also noting that a recent "in-year" review of the terms and conditions, including Spinal Point gradings, of the two senior staff has been undertaken and approved;
- Agreed the amounts paid to individuals in September 2010 by reference to the Council's approved pay point on the annual NJC scale (where applicable) or specific hourly rates payable to individuals;
- Ensured that Income Tax and NIC deductions have been made applying the appropriate PAYE Codes and NI Tables;
- Ensured that the appropriate employee and employer contributions to the pension scheme have been determined and paid over to the Pension Fund Administrators in accordance with the revised contribution rates applying from 1st April 2009;
- Ensured that any payments made for additional / variable hourly working were in accord with the time sheet records maintained by the Clerk; and
- Noted that the Clerk has established an appropriate Payflow banking monetary limit of £6,000 as an additional control.

Conclusions

No significant issues or areas of concern exist in this area at present.

Investments and Loans

We aim here to ensure that the Council is ensuring that it maximises its interest earning potential, whilst acknowledging that rates of returns are continuing to be minimal at present, and that it retains effective control of any "surplus" resources. We also aim to ensure that any loans in place are effectively controlled and that closing balances are accurately recorded in the Statement of Accounts and Annual Return.

From previous correspondence between the Council, the Council's contract accountants (RBS Software Ltd) and the external auditors (Mazars) it is clear that the

Council has one minor investment holding of £41 in War Stock and two small holdings of COIF unit trusts re the Witchell Fund.

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

Conclusions

We shall verify residual balance disclosures in the Annual Return and Statement of Accounts to third party documentation as part of the final audit work, noting that it is anticipated that the War Stock will be disposed prior to the year-end closedown.