
Wendover Parish Council

Internal Audit Report (Interim) 2008-09

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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 appointing Auditing Solutions Ltd to provide an internal audit function to the Council: this report sets out those areas examined during the course of our first interim visit to the Council for 2008-09, which took place on 24th November 2008.

Internal Audit Approach

In commencing 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 sets out the areas of work examined to date and will, as in previous years, be subject to update following our second interim and final audit visits for the year, the dates of which have been diarised with the Clerk. Our reports for the year and file of work completed is 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 to date, the Council continues to have generally effective systems of financial control in place. No major issues have been identified, although we consider that here are one or two areas where the Council would benefit from further strengthening in certain areas of its risk management processes and insurance cover provided.

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 2007-08 Statement of Accounts;
- Verified that the financial ledger remains “in balance” at the current date;
- Ensured that the cost and expenditure coding structure is appropriate for purpose;
- Commenced checking and testing of detail in the cashbook, examining every months’ transactions to date (i.e. to mid November 2008) on the three accounts cashbooks in use, agreeing detail with the relevant bank statements;
- Verified the accuracy of detail on the bank reconciliation as at 13th November 2008.

Conclusions and recommendations

In order to verify the accuracy of transactions in the year and as a result of anomalies identified in previous years, we have examined the cashbook detail for each month to date in the current year, agreeing the detailed entries to the respective bank account statements for each of the accounts in use.

We are pleased to report that there has been a marked improvement in the manner in which entries are being made in the accounts in the last few months, with regular bank reconciliations being undertaken as and when a bank statement is received and any anomalies pursued and amended promptly.

Review of Corporate Governance

Our objective is to ensure that the Council has a robust regulatory framework 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: -

- We note that, consequent upon a number of issues arising in relation to disputes between the Clerk and a few councillors, an external agent has been appointed to review the Council’s regulatory procedures and processes. This has resulted in a full review and update of the Council’s Standing Orders and Financial Regulations, together with the implementation of a programme of formal training for all councillors. We will continue to monitor the outcome of these revised procedures and processes at future visits.

- We have continued our review of the Council's minutes for the current year to date 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. No specific issues have been identified, other than the dispute referred to in the previous paragraph.

Conclusions

No matters requiring formal comment in this report exist at present, although we would urge members to consider the review and, if necessary or appropriate, update and re-adoption of Standing Orders and Financial Regulations. We shall continue to review minutes at future visits to the Council.

Review of Payments

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures;
- Funds are expended in accordance with 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;
- 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 commenced testing in this area, reviewing a total sample of 25 payments in excess of £750 for the financial year totalling £148,148 equating to 79% of all non pay related payments made in the year.

Conclusions

We are pleased to report that no issues have been identified in this area of our work. We also note that VAT is being recovered quarterly and have agreed detail of the reclaims submitted to date during the year to the underlying financial records.

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 to date: -

- Examined the Council's 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 are pleased to note that the LCRS risk software detail has now been updated for the current year and will examine the resultant control reports at our next visit (problems were being experienced printing off the detail during the course of this visit).

Conclusions and recommendation

No issues arise in this area, although we note that Public Liability cover is currently set at £5 million. Due to the increasing level of financial settlements arising from various litigation actions, several councils have increased this cover to £10 million and we would suggest that the Council also considers its position in this area.

We also note that Fidelity Guarantee cover is in place at £150,000. With average month-end combined cash at bank balances in excess of £220,000, we consider that the level of insurance needs revision and uplift. NB, the Audit Commission rule of thumb is that this cover should be set at the year-end balance plus a half-year's precept, which would equate to £332,000 (£220,000 plus £102,000).

We shall continue to monitor the risk assessment process at future visits to ensure that members continue to review and ensure that assessments are updated routinely as and when any changes in circumstances arise.

R1. The Council should consider whether or not the existing level of Public Liability cover is adequate given the current litigious nature of UK society.

R2. The Council should also review its fidelity guarantee insurance cover annually in conjunction with its insurers and determine the required level of cover based on an assessment of the level of risk associated with the funds held.

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 members have commenced their deliberations on the budget and precept requirements for 2009-10 and will follow up the outcome of those deliberations at our next interim visit ensuring that the final value of precept is formally approved and minuted as such.

Conclusions

We shall continue our review work in this area at our next and final visits ensuring that the precept is formally adopted and that satisfactory explanations exist for any significant variances that may exist at the financial year-end. We shall also review and assess the level of reserves held at the financial year-end and report our conclusions following the final visit for the year.

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 Revenues 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 amended from 1st April 2008. To meet that objective, we have: -

- Ensured that the Council reviews and approves pay scales for staff annually. The annual Cost of Living Award detail for 2008-09 has only recently been agreed and notified to Councils: the Clerk has applied the revised rates with the November 2008 salary payments, together with arrears. We have examined the detail of those calculations;
- Agreed the amounts paid to individuals in November 2008 by reference to the Council's approved pay scale on the NALC annual schedule of rates payable;
- Ensured that tax and NI deductions have been made applying the appropriate tax code and NI Table; and
- 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 2008.

Conclusions and Recommendations

In examining the calculations of back pay for individual staff at this first interim visit, we have identified a few apparent anomalies in the calculations of arrears payable for 2008-09. We have provided the clerk with detail of the apparent anomalies and would ask that our assessments be checked and, if confirmed, appropriate adjustments should be made with the next month's salary payment.

We are, however, pleased to confirm that no issues have been identified with regard to the tax, NI and pension deductions applied with the November salary payments.

R3. *The Clerk should recheck the calculations of arrears of salaries paid in November 2008 and, if appropriate, make the necessary adjustments to the next month's salary payments.*

Investments and Loans

We aim here to ensure that the Council is ensuring that it maximises its interest earning potential, whilst retaining effective control of any surplus resources: we also aim to ensure that any loans repayable wither by or to the Council are effectively controlled and that any year-end asset or liability is accurately recorded in the supporting notes to the Council's Accounts and Annual Return.

Conclusions

We note that the Council holds surplus funds in a high interest earning Bank of Ireland account. We have compared the actual rate of interest return in the year with our assessment of available resources for investment and are pleased to acknowledge that the Council is achieving a satisfactory rate of return at present.

Action Plan

Rec. No.	Recommendation	Response
Assessment and Management of Risk		
R1	The Council should consider whether or not the existing level of Public Liability cover is adequate given the current litigious nature of UK society.	
R2	The Council should also review its fidelity guarantee insurance cover annually in conjunction with its insurers and determine the required level of cover based on an assessment of the level of risk associated with the funds held.	
Salaries and Wages		
R3	The Clerk should recheck the calculations of arrears of salaries paid in November 2008 and, if appropriate, make the necessary adjustments to the next month's salary payments.	