
Wendover Parish Council

Internal Audit Report 2010-11 (First Interim)

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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 first interim visit to the Council for the year, which took place on 7th December 2010.

Internal Audit Approach

In commencing 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 first visit to the Council and will be subject to appropriate revision and update following the second interim and final visits for the financial year.

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 and Sept / Oct 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 end 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 be taken to clear this item as soon as practicable.

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 to mid November 2010 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 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 commenced 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 October 2010. The test sample totals £60,632 and represents 68% 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 when we undertook the testing due to the ongoing review of the levels of fees and charges being incurred: the Clerk determined to ensure that this was appropriately re-filed prior to our next interim visit and we shall duly follow up its existence at that time.

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 and agreed (September 2010): we shall obtain a copy for review and retention on our working files at a subsequent visit.

Conclusions

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

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 this initial visit was too early for members to have completed their deliberations on the budget and precept requirements for 2011-12 and we shall follow up progress in this area in due course; 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 outcome of the budget deliberations for 2011-12, together with the year-end outturn for the current financial year and levels of General and Earmarked Reserve balances to be carried forward, as part of subsequent audit work in the future.

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 have undertaken no specific testing in this area at this first interim visit.

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 previously examined the system during the course of 2009-10 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 our prior year work and no further testing has been undertaken in this area to date: we shall examine transactions at our interim update visit.

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 with yourselves, the Council’s contract accountants (RBS Software Ltd) and the external auditors (Mazars) it is clear that the Council has one minor investment holding (£41 in War Stock).

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

Conclusions

No issues arise in this area at present.