



Warminster Town Council

Internal Audit Report 2018-19 (Final up-date)

Chris Hackett

*For and on behalf of
Auditing Solutions Ltd*

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 has complied with the requirements in terms of independence from the Council decision making process appointing us at Auditing Solutions Ltd to provide the function for the Council.

This report provides detail of those areas examined during our three visits to the Council offices for the 2018-19 audit, which took place on February 4th, May 13th and June 14th 2019, together with our preparatory work completed off site.

Internal Audit Approach

In completing our review for 2018-19, we have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts and Annual Governance and Accountability Return (AGAR). Our work is designed to afford appropriate assurance that the Council's financial systems remain robust and operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory regulatory framework. The program is designed also to facilitate our completion of the 'Internal Audit Report' within the Council's AGAR, which requires independent assurance over ten internal control objectives.

Overall Conclusion

Overall, we are pleased to conclude that, in the areas examined, the Council continues to operate effective control systems that should ensure that transactions are recorded accurately in the financial ledger and, subsequently, the detailed Statement of Accounts and AGAR. We have signed the Internal Audit Report in the AGAR assigning positive assurance in the ten control areas.

We wish to thank the officers for their assistance in enabling us to complete our work and request that this report is presented to Members.

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Detailed report

Accounting Records and Bank Reconciliations

The Council uses the Omega accounts software, with external contractors (DCK Beavers Ltd) preparing the accounts from detailed records maintained by the officers. A single combined cashbook for the Current & Instant Access bank accounts, operated at HSBC, remains in place: this has been supplemented previously by Term deposits with HSBC, although the Council has recently set up a CCLA account to hold surplus funds on short term deposit.

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:

- Verified that an appropriate cost and nominal ledger coding structure remains in place;
- Confirmed the accounting system remained in balance at the date of the back-ups provided to us at 31st December 2018 and 31st March 2019;
- Checked and agreed the opening Trial Balance in the Omega software for 2018-19 to the closing Financial Statements for 2017-18 to ensure that all balances have been properly rolled forward;
- Discussed the arrangements for backing up the system, we understand all systems are backed up daily to a cloud and that DCK take back-ups off site as well;
- Noted the external auditor did not raise any issues in respect of 2017/18;
- Checked and agreed three months' transactions in the cashbook (June & December 2018 and March 2019) to the bank statements, including the regular "sweep" transfers to maintain the current account balance at a constant £5,000; and
- Checked and agreed the software-based bank reconciliations as at 30th June 31st December 2018 and 31st March 2019 confirming there were no long standing, un-cleared adjustments or any other abnormal entries arising.

Conclusions

We are pleased to record that no issues arise in this area. The accounting reconciliations are kept up to date and we have agreed the balances at 31st March 2019 to the year-end accounts and AGAR.

Review of Corporate Governance

Our objective is to ensure that the Council has robust corporate governance documentation and processes in place, and that, as far as we may reasonably be expected to ascertain (as we do not attend Council or Committee meetings) all meetings are conducted in accordance with the adopted Standing Orders and no actions of a potentially unlawful nature have been or are being considered for implementation. We have:

- Noted that Standing Orders and Financial Regulations have again been reviewed and re-adopted in the current financial year at the Full Council meeting in May 2018 with further consideration also at the June meeting;
- Noted that other policies such as data protection have been updated, although consideration of the Treasury Management policy was deferred; and
- Examined the minutes of the Full Council and its extant Committee meetings (except for Planning) to 31st March 2019.

Conclusions

No matters have been identified in this area of our work. The Council has arrangements for managing its overall governance.

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 completed testing in this area examining a sample consisting of all those payments individually in excess of £3,500, together with a more random sample of every 40th cash book transaction to the end of March 2019 ensuring compliance with the above criteria. Our test sample comprised 51 items plus direct debit payments to Wiltshire Council in respect of NNDR. It totalled £258,845 and represented 50% of non-pay costs for the year. We note that coding slips are attached to invoices to evidence member approval of the expenditure.

We note from our examination of minutes and discussions with officers that the Council has recently let a contract for the refurbishment of the skate park. The contract was tendered by a community group, we are unclear whether it was advertised on the Government Contract Finder website, but we note that three tenders were obtained by the Friends of Warminster Park and the lowest one was selected. We note also that the Council engaged a Quantity Surveyor to review the costs and now has appointed a project manager. We understand from discussion with the Clerk that funding is in place.

We also note that VAT returns continue to be prepared and submitted quarterly utilising the HMRC on-line facility and have verified the first two quarterly reclaims to the underlying Omega control account records. We confirmed that the final quarter's VAT reclaim was included in the year-end debtors in the accounts.

Conclusions and recommendations

Based on our detailed sample the payments made by the Council are supported by suitable documentations in the form of invoices. At our interim visit we identified two issues from our sampling of payments and made recommendations that paperwork be located and that a duplicate amount be investigated. The recommendations set out below have been addressed, the actions are recorded in the action plan.

- R1. The paperwork for the vehicle lease, rental of £383.14 and related maintenance agreement of £32.12 should be provided for the audit.*
- R2. The payment to Idverde £9,303.98 in October which was cancelled as it was a duplicate amount, should be reversed out of the cash book and the subsequent invoices should be recorded.*

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:

- Noted that the 2017/18 LCRS risk assessment software was reviewed and re-adopted by members in May 2018 thereby meeting the requirement to approve it annually. We further note that risk assessments are monitored during the year;
- Noted that regular inspections of play equipment are undertaken by officers, supplemented by checks by a specialist company; and
- Noted that the Council's insurance cover continues to be provided by Aviva plc with Public and Employer's Liability both in place at £10 million, hirer's liability at £2m and Fidelity Guarantee cover at £0.999 million.

Conclusions

No issues arise in this area of our work. The Council has arrangements for managing risk.

Precept Determination and Budgetary Control

We aim in this area of our work to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the annual precept; that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans.

We are pleased to note that regular budget monitoring reports and variance commentaries continue to be considered by members.

The Council approved its 2019/20 budget and precept at its meeting in January 2019, the latter being set at £786,483. Members were supported in their decision by being provided with detailed financial information analysing income and expenditure and projecting reserves.

At 31st March 2019 balances and reserves totalled £717,478 of which Earmarked Reserves stood at £510,458, leaving a general balance of £207,020. Spending in 2018/19 totalled £770,236 including capital spending. The general balance therefore represents approximately three months spending which is satisfactory.

Conclusion

The Council has arrangements for managing its finances and planning future budgets.

Review of Income

Our objective here is to confirm that robust procedures are in place to ensure that all income due to the Council is identified and invoiced (where applicable) with recovery effected within a reasonable time span.

As noted earlier in this report, we have tested for three sample months confirming all receipt transactions from cashbooks to relevant bank statements with no issues arising. We have also agreed the amount of precept for 2018/19 set by the Council at its meeting in January 2018 to the amount of income in the cash book.

We have reviewed income generated at the Pavilion café comparing the spreadsheet analysis of daily banking's, which detail differences between the cash sheets and the till roll, to the amount recorded on the Ledger.

We have tested also a sample of Civic Centre letting income, testing from the booking diary to the invoice and then to the accounting system confirming also the amount charged agreed with the schedule of fees. We noted one booking in November was not invoiced, this was recorded on the system, although the reason for not invoicing was unrecorded.

The Council recovers the cost of CCTV systems from other organizations. We sample checked the invoices raised to Westbury TC but at the time of our interim visit were unable to agree the amount charged to a current Agreement or Memorandum of Understanding. The amount was subsequently agreed to the minutes of the CCTV working group.

Conclusions and recommendations

We are pleased to record that no issues of significant concern arise in this review area. Following our interim visit, we made two recommendations set out below. They have been addressed and the responses are recorded in the action plan.

- R3. Where bookings are not subsequently invoiced the reason for not doing so should be recorded on the system to provide an audit trail.*
- R4. Officers should confirm the amount charged to Westbury TC for CCTV to the current agreement.*

Petty Cash Account

The Council continues to operate a limited petty cash scheme with an Excel control sheet forming the basis of the periodic re-imburement to the agreed maximum holding level of £250. We have examined the sheet reviewing transactions for November 2018, as a sample, ensuring that each transaction is appropriately supported by a trade invoice or till receipt.

At the time of our interim visit we checked the physical cash holding agreeing it to the spreadsheet record. At our final visit we confirmed the petty cash balance was included in the year end reconciliation.

Conclusion

No issues arise in this area from our work completed.

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 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 last revised from 1st April 2017 in relation to the employees' contribution bandings.

We have examined the payroll procedures in place and the physical payments made to staff in 2018-19 by sampling the October 2018 payroll documentation. This continues to be produced

by external contractors (Safeguard World) using their own bespoke software. We have sample tested that:

- The gross pay is correct by reference to national spinal column points and contracts or minutes of Council meetings;
- PAYE, NI and pension deductions are correctly made by reperforming a sample; and
- The payroll summary report showing amounts due to the HMRC, the Pension Fund Administrator and the amount due for net pay agree to the cash book.

Conclusions

We are pleased to record that no issues have arisen from our review of a sample of payroll transactions this year.

Asset Register

The Accounts and Audit Regulations 1996 (as amended periodically) require that all Councils establish and maintain inventories/asset registers of buildings, land, plant and equipment, etc. owned by them.

We have checked the Council's asset register confirming the total value of assets to the year end accounts and the summary financial information in the AGAR. We note the information in the AGAR is correctly recorded at cost. We have agreed additions to the asset register to capital spending recorded in the Ledger.

Conclusions

The Council is maintaining an asset register as required by the Regulations.

Investment 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. We also aim to ensure that any loan repayments due to or payable by the Council are transacted in accordance with appropriate loan agreements.

We noted earlier in this report that the Council has set up a CCLA account moving surplus funds into this account and that the Council needs to re-approve its Treasury Management Policy. At the year end we agreed the balance on the CCLA account to the year-end accounts, confirming also that the Council was bringing interest earned to account.

We also note the existence of one PWLB loan and have agreed the repayment made in September 2018 to the PWLB statement. We agreed the year end balance reported in the accounts to the information on the Government's debt management office website confirming the PWLB loan balance due from the Council.

Conclusions

No issues arise in this area requiring recommendations. The year end balances have been agreed to third party statements.

Statement of Accounts / Annual Governance and Accountability Return (AGAR)

We have reviewed the year end accounts prepared by DCK considering any major variations year on year in reported figures and reviewing the supporting working papers confirming key amounts. We have agreed the main statements in the accounts to the trial balance on the Omega ledger.

In addition, we have agreed the amounts in the draft AGAR to the supporting records specifically verifying the accuracy of detail contained within Section 2. We agreed one adjustment with the accountant to include the value of the CCLA investment in line eight.

Conclusions

We have agreed the amounts in the accounts and the AGAR to the underlying records. As stated in the introduction we have signed off the Internal Audit Report in the AGAR assigning positive assurance on the specified control objectives.

Rec. No.	Recommendation	Response
Review of Expenditure		
R1	The paperwork for the vehicle lease, rental of £383.14 and related maintenance agreement of £32.12 should be provided for the audit.	<i>Provided to audit at the final visit.</i>
R2	The payment to Idverde £9,303.98 in October which was cancelled as it was a duplicate amount, should be reversed out of the cash book and the subsequent invoices should be recorded.	<i>The Town Council's Accountant confirmed the amount was actually netted off future payments. This addressed the key issue of not inflating spend for the year and ensuring there was no overpayment.</i>
Review of Income		
R3	Where bookings are not subsequently invoiced the reason for not doing so should be recorded on the system to provide an audit trail.	<i>Officers confirmed this is now being done.</i>
R4	Officers should confirm the amount charged Westbury TC for CCTV to the current agreement.	<i>Amount charged confirmed to the minutes of the CCTV working group. Charges will be reviewed in the autumn 2019.</i>