
Leigh-On-Sea Town Council

Internal Audit Report 2013-14 (Final 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 accordingly, in terms of independence from the Council decision making process, appointing a local practice to provide the service for the Council. However, subsequent to the retirement of the previous Clerk and the recruitment of the present incumbent we, at Auditing Solutions Limited, were appointed for 2010-11 and beyond.

This report sets out those areas examined during the course of our recent final visit for 2013-14, which took place on 3rd June 2014, and supplements that undertaken on previous interim occasions in early December 2013 and April 2014.

Internal Audit Approach

In concluding our review for 2013-14, 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, employing a range of selective sampling techniques (or 100% substantive testing if appropriate) across a range of the Council's activities in accord with our previously circulated Programme of Work.

The reports for the year, together with our file of working papers can be made available, on request, should the external auditors require any further assurances with regard to the work undertaken.

Overall Conclusion

We are pleased to report that no significant issues have been identified in our regular reviews for the year to warrant formal recommendation: any minor matters arising having been discussed and agreed with the Clerk during the course of our visits.

Consequently, no Action Plan is considered necessary and we have duly "signed off" the Internal Audit Certificate at Section 4 of the Annual Return assigning positive assurances in all areas: the Clerk and Finance Officer are to be commended for the standard of working papers and other support provided for the purposes of our work during the year.

Detailed Report

Review of Accounts and Accounting Arrangements

Our objective has been to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. Therefore, we have: -

- Ensured that an appropriate nominal ledger coding structure remains in place, previously noting that this had been streamlined in accord with current Committee structures to further assist the budget monitoring and reporting process;
- Checked and agreed transactions on the Current / Community Centre bank accounts, as recorded on the Edge accounting system software, with the entries on the relevant HSBC bank statements for three sample months (April & September 2013 plus March 2014);
- Similarly checked and agreed all transactions on the other three (Reserve, Imprest and Payroll) accounts to relevant HSBC bank statements for the same periods; and
- Verified that regular, monthly bank reconciliations continue to be undertaken on all accounts, noting that appropriate hard copies are retained on file: we have checked and agreed those as at 30th September 2013 and 31st March 2014.

Conclusions

No issues requiring formal recommendation have arisen in this area with no long-standing, unrepresented items on the Current account.

Review of Corporate Governance

Our objective here is to ensure that the Council has robust 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. We have: -

- Examined the minutes of meetings of the Full Council and its Standing Committees (except Planning) held throughout the current financial year to ensure that no issues affecting the Council's financial stability either in the short, medium or long term exist, also that no other issues are in existence whereby the Council may potentially be considering or have taken decisions that might result in ultra vires expenditure being incurred.
- Noted that members have expressed some concerns, such as the future of the Elm Road site building development and certain confidential Personnel matters;

- Noted that the Council properly adopted the General Power of Competence at the Full Council meeting in May 2013;
- Previously reported on the completion of revised Standing Orders and Financial Regulations, which were formally adopted in September 2012;
- In our recent interim update report, we recorded that we would consider the outcome of their subsequent review, following revisions to the NALC model documentation and legislation to allow for electronic payments to suppliers, as part of the final audit review work. At this final visit, we note that the update of both documents has been completed by the Clerk, in conjunction with a working group of members, and that they were to be presented for formal adoption in June 2014. We shall verify this from examination of minutes for 2014-15 at our next interim visit; and
- Noted that the exercise to determine the Budgets and Precept for 2014-15 was formally concluded in January 2014, the latter being adopted, and properly recorded, at £302,581 (excluding the “support grant”).

Conclusions

No issues of significance have arisen in this area and we are pleased to note the satisfactory conclusion of the previous, confidential staffing matters: we shall continue to 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 Purchasing and Payment Procedures

We have extended our testing of a sample of supplier payments made during the financial year to 31st March 2014, examining all those individually in excess of £1,500 together with a more random sample of every 20th payment, irrespective of value. Our test sample comprises approximately 70 payments, totalling just under £81,500 and representing 47% of all non-pay related items during the year. Our testing strategy aims to ensure compliance with the following criteria to ensure that each payment is:

- Supported by a trade invoice or other appropriate form of supporting documentation;
- Supported by an official order, where appropriate;
- Supported by proper quotations and / or a formal tender process, where applicable under the terms of the Council’s Financial Regulations;
- Posted accurately to the Edge software nominal ledger expenditure headings;
- Authorised as seen by members during the course of the cheque approval process and subsequently summarised for adoption by Full Council; and
- That the calculation and recording of VAT to the VAT control account for subsequent recovery has been actioned correctly.

As a “non-registered” body with no Vatable supplies, formal quarterly returns are not required to be submitted to HMRC: we have previously verified the March 2013 year-end reclaim detail at last year’s final visit and, subsequently, we have noted the preparation and submission of the manual recovery claim for the 6 months to September 2013 and that the balances therein were in accord with the underlying Edge accounting detail. At this final visit we have noted the similar preparation and submission of the recovery claim to March 2014 and have verified the balance therein to the year-end debtor disclosed in the Statement of Accounts.

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 identified warranting further explanation or enquiry by officers.

Conclusions

We are pleased to report that no issues have been identified in this area, with all the above criteria duly met.

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: -

- Previously noted that an appropriate review of the risk assessment register for all principal areas of the Council’s activities was undertaken by the Audit Working Party, its recommendations, including a more formal “strategy, being formally adopted by the Full Council at its meeting in March 2013, and have not, as yet from examination of minutes, identified any subsequent consideration of the Register relating to the current financial year. However, at this final visit, we note that the revised and updated registers were submitted to the F&GP Committee meeting in May 2014 and were, subject to minor typographical amendment, re-affirmed for submission to the next Full Council: consequently, no further comment is considered necessary;
- Previously noted from our sample testing of higher value payments that insurance premiums for the current year’s policy have been paid over to WPS (brokers for Aviva); and
- At the recent interim update visit, obtained and examined a copy of the current year’s policy schedules (to 19th August 2014), noting that both Employer’s and Public Liability stand at £10 million, that Fidelity Guarantee cover stands at £300,000 and that Loss of Revenue has (following the “acquisition” of the Community Centre) been appropriately added and stands at £140,000.

Conclusions

No issues were identified to warrant formal recommendation in this area.

Budgetary Control and Reserves

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 amount to be precepted on the local Unitary Authority, 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. To meet this objective:

- We note the completion of deliberations in relation to budgetary requirements with the Precept for 2014-15 being formally approved and adopted at £302,581 (excluding the “support grant” of £27,000) by Full Council at their meeting on 15th January 2014;
- We are pleased to record that members continue to be provided with sound, periodic and comprehensive management accounting information in order to provide an appropriate means for monitoring budgetary performance during the current year;
- We note, from the closing Statement of Accounts for 2012-13, that several specific Earmarked Reserves were established with the previous examination of minutes indicating occasional virement: this continued to be the case during the current year; and
- We note that, as at 31st March 2014, Total Reserves stood at £268,795, comprising specific Earmarked items (£119,000 including the Wharf project), Other Capital projects (£50,000) and a residual General Fund balance of £100,000. The latter represents four months’ expenditure at current levels, which is considered to be more than adequate to meet CiPFA guidance of three to six months.

Conclusions

No matters arise to warrant formal comment in this area.

Review of Income

In this area of our review work, we aim to ensure that income due to the Council is identified, invoiced (where applicable) and recovered at the appropriate rate and within a reasonable time scale, also ensuring that it is banked promptly in accordance with the Council’s Financial Regulations. In addition to the precept, the Council’s principal source of income is clearly now the Community Centre, supplemented by allotment rentals, monthly farmers’ market pitch fees, community transport ticket sales and ad-hoc activities such as Xmas Lights and Fishing Festivals.

As noted earlier in this report, we have tested cashbook receipts to relevant bank statements for three sample months and also, at the previous interim update visit, we have:

- Noted that the schedule of fees and charges for the allotments and Community Centre were duly considered and approved for 2013-14;

- In addition to the Community Centre process testing undertaken, at officers' request, in April 2013, examined a sample month's bankings (February 2014) for hall / room bookings by reference to bank statements and the control sheets maintained by the Bookings Officer, noting that these are sound, properly reconciled and quite periodic, generally twice a week;
- Similarly, cross checked other Town Council income receipts from the same sample month's bank statements to supporting vouchers and other documentation maintained by the Finance Officer to the Edge accounting transactions; and
- Taken a small sample of Community Centre hires from appropriate booking forms for "events" and other correspondences for "block bookers" to ensure that the rates charged were in accord with the published scales of fees and that receipts had been recovered without undue delay.

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 to warrant further explanation or enquiry by officers.

Conclusions

No matters arise to warrant formal comment in this area.

Petty Cash Account

A relatively limited petty cash account is operated in the Council's office on a straightforward "top-up as required" basis: we have previously noted that "the account shall be held by the RFO to meet small bills paid in cash and that the account shall be checked and signed by the Chair or the Vice Chair of F&GPC at least three times per year" with no formal monetary limit expressed and this remains the case in 2013-14.

Payment transactions are entered into the Edge Paid Expenditure reports in the same manner as other cheque payments with full details of the payee and goods with VAT separately recorded for periodic recovery.

We have tested a sample of payment transactions for three sample months (January to March 2014) with all criteria being met accordingly.

Conclusions

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

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 with effect from 1st April 2013, as regards employee contribution bandings. To meet that objective, we have: -

- Ensured that the Council reviews and approves pay scales for staff annually;
- Noted previously that a payroll bureau provider (Acumen) has been engaged to provide the service;
- Agreed the amounts paid to employees by reference to the approved pay scale on the NJC annual schedule of rates payable, where applicable, or to the individuals' letters of annual amendment where not paid on those scales, examining a sample of all those salary payments made in October 2013;
- Ensured that Tax and National Insurance deductions for all employees have been made applying the appropriate PAYE code and NIC Table;
- Checked that the correct superannuation percentage deductions, as amended from 1st April 2013, are being applied where applicable;
- Checked and agreed the net payments to staff from copy payslips to the cashbooks; and
- Similarly checked and agreed the payment over of deductions to HMRC and Essex County Council from copy payroll reports to cashbooks and have, as part of the supplier payments testing noted earlier, summarised the month by month total payments with explanations obtained for any variances arising therein.

Conclusions

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

Asset Registers

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

We are pleased to note that an appropriate register is being maintained, the current Clerk having updated the registers to record detail of acquisitions and disposals, following the migration to the Community Centre, in both 2012-13 and 2013-14.

We are also pleased to note that, in accord with the previously revised Practitioners' guidance in this area, the asset values have not been subject to either depreciation or "insurance policy inflation": consequently we have verified the overall value therein to the disclosure at Box 9, Section 1 of the Annual Return.

Conclusions

There are no issues worthy of formal comment in this area.

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 appropriate loan agreements.

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

Conclusions

As recorded in our final report for 2012-13, the Council has one specific investment, namely a holding in the CCLA Public Sector Deposit Fund. Currently totalling more than £200,000: we have checked and agreed the balance as at 31st December 2013 and 31st March 2014 from the Edge cashbook to their third party statements: also verifying receipt and appropriate accounting processing of the monthly dividend re-investments therein for the twelve months of the year.

Statement of Accounts and Annual Return

We have verified the accuracy of detail in the Annual Statement of Accounts, as produced initially by the Edge accounting software, but also supplemented by more formal supporting Income & Expenditure and Balance Sheet statements prepared by the Clerk and Finance Officer, to the underlying records and other documentation provided. Additionally we have verified the transfer of the summarised results, and prior year’s comparators, to the Annual Return at Section 1.

Conclusions

We are pleased to report that no further issues have been identified in this area and, on the basis of the work completed on the Council’s Accounts and other relevant supporting documentation for the year, we have duly “signed off” the Internal Audit Certificate at Section 4 of the Annual Return assigning positive assurances in each relevant area.