
Leigh-On-Sea Town Council

Internal Audit Report 2013-14 (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 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 first interim visit for 2013-14, which took place on 3rd December 2013.

Further work will be undertaken at subsequent visits as considered necessary, and as to be agreed in conjunction with the Clerk extending testing on those areas already examined, together with the remainder of the previously agreed programme of work for the year, including the examination of the Council's Statement of Accounts and completion of the IA Certificate in the year's Annual Return.

Internal Audit Approach

In commencing our review for 2013-14, 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, 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.

Overall Conclusion

We are pleased to report that no significant issues have been identified in our regular reviews at this initial visit for the year that warrant any formal recommendation: any minor matters arising having been discussed and agreed with the Clerk during the course of our visit. Consequently, no Action Plan is considered necessary at present.

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. We have to date: -

- 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 April & September 2013;
- Similarly checked and agreed all transactions on the other three (Reserve, Imprest and Payroll) accounts to relevant HSBC bank statements; 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.

Conclusions

No issues requiring formal recommendation have arisen in this area to date with no long-standing, unrepresented items on the Current account: we shall verify the closing bank reconciliations at 31st March 2014 as part of our final audit review.

Review of Corporate Governance

Our objective 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) for the current financial year to early November 2013 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. We note several concerns raised by members, such as the future of the buildings' developments on the Elm Road site and certain confidential Personnel matters, but do not consider it appropriate to comment further on these issues at present;

- Noted that the Council properly adopted the General Power of Competence at the Full Council meeting in May 2013; and
- We have previously reported on the completion of revised Standing Orders and Financial Regulations, which were formally adopted in September 2012. We shall consider the outcome of their subsequent review, following revisions to the NALC model documentation and proposed legislation to allow for electronic payments to supplier.

Conclusions

No significant issues arise in this area of our review process: we shall undertake further work at future visits, also extending the examination of minutes for the full financial year.

Review of Purchasing and Payment Procedures

We have selected a sample of supplier payments made during the financial year to 31st October 2013, 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 40 payments, totalling just over £37,000 and representing 44% of all non-pay related items processed to that date. 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.

Conclusions

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; therefore no further testing has been undertaken in this area to date. We shall extend our testing in this area at future visits to cover the remainder of the year.

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, identified any subsequent consideration of the Register relating to the current financial year; and
- 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), but have not yet undertaken any further examination of the detailed coverage content therein.

Conclusions

No issues were identified at this first interim stage: we shall assess the appropriateness of insurance cover at our next visit, also comparing and contrasting the detailed levels of asset cover afforded by the insurance policy with the Fixed Asset Register as part of the final audit work at a later date.

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 from Agenda papers and other documentation seen at this first interim visit that the budget and precept deliberations for 2014-15 were underway, without any final recommendations yet, therefore no formal conclusions can be drawn at present;
- 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; and
- We note from the closing Statement of Accounts for 2012-13, that several specific Earmarked Reserves were established with the minutes indicating occasional virement.

Conclusions

No matters arise to warrant formal comment at this stage of the audit process: we shall examine the outcome of the Precept and budget deliberations for 2014-15, the closing budget outturn for the year and consider the appropriateness of the levels of retained Earmarked and General Reserve Funds at future audit visits.

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 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.

Conclusions

Other than the sample testing of cashbook receipts to relevant bank statements noted earlier in this report, no time remained for any detailed testing in this area at this interim visit. Consequently, we shall revisit this area at a future visit and report any conclusions accordingly.

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.

Conclusions

Other than the sample testing of cashbook payments to relevant bank statements noted earlier in this report, no time remained for any detailed testing in this area at this interim visit. Consequently, we shall revisit this area at a future visit and report any conclusions accordingly.

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 NI 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

We are pleased to report that no errors or omissions have been identified to date in this area of our review process.

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.

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, this holding totals just over £155,000: we have checked and agreed the balance as at 30th September 2013 from the Edge cashbook to their third party statement also verifying receipt and accounting processing of the monthly dividend re-investments therein for the same six months to date.

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