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# **Warminster Town Council**

*Internal Audit Report 2010-11 (Interim)*

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## **Background and Scope**

The Accounts and Audit Arrangements introduced from 1<sup>st</sup> 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 provides detail of those areas examined during the course of our interim visits undertaken on 28<sup>th</sup> October 2010 and 19<sup>th</sup> January 2011.

## **Internal Audit Approach**

In conducting 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, and our file of working papers for the year, may be made 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 the Council continues to have effective control systems in place to ensure that transactions should be recorded accurately in the financial ledger and, consequently, the Statement of Accounts. Also, that sound Governance and Risk Assessment documentation is in place and subject to pro-active review and up-date as appropriate.

## Detailed Report

### Maintenance of Accounting Records & Bank Reconciliations

The Council employs the services of DCK Beavers as contract accountants to maintain its financial records, two bank accounts being operated with HSBC, that detail being recorded in a single cashbook. 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: -

- Agreed the opening trial balance detail with that in the 2009-10 Statement of Accounts and Annual Return;
- Verified that the financial ledger remains “in balance” at the present date;
- Ensured that the cost and expenditure coding structure is appropriate for purpose;
- Undertaken checking and testing of detail in the single cashbook, examining two months’ transactions (April and September 2010), agreeing detail with the relevant bank statements;
- Checked and agreed detail on the bank reconciliations of same two months and note the final clearance on one long standing un-cleared effect.

#### *Conclusions*

*We are pleased to record that no new issues have been identified in this area of review.*

### 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. To that end we have:

- Extended our examination of the minutes of the Full Council and its various Standing Committees for the year to December 2010. We note that at its meeting in November the Council agreed to proceed with a revised refurbishment of the Assembly Rooms, in partnership with Wiltshire Council and that a maximum loan of £500,000 will be requested from PWLB.

#### *Conclusions*

*There are no issues arising in this area at present: we shall monitor progress on the Assembly Rooms refurbishment at future visits, also ensuring that the correct accounting treatment is applied to the loan as and when it is drawn down.*

## 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 extended testing in this area; examining a sample of all payments individually in excess of £2,000 and each 20<sup>th</sup> cash book transaction (in order to provide a broader cross-section of transactions and expenditure areas subjected to examination) to 31<sup>st</sup> December 2010. Our test sample comprises 67 payments and totals £210,584.

### *Conclusions*

*We are pleased to record that all criteria were being met: we shall extend testing in this area to include transactions processed in the remaining months of the year at our final visit applying the same criteria as above.*

## 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 from both the examination of current year minutes and other documentation provided at this second interim visit that the Clerk has updated the LCRS risk assessment software; the results being adopted by the Full Council at its meeting in April 2010;
- Examined the Council's insurance policy for 2010-11 to ensure that appropriate cover remains in place, noting that the level of Fidelity Guarantee cover of £400,000 is considered acceptable at present and that Public Liability cover is £10 million.

### *Conclusions*

*There are no issues arising in this area.*

## 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 the level of precept to be drawn down from the new Unitary 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, therefore:

- We are pleased to note that an appropriate exercise to consider the budgets and precept for the next financial year had been completed prior to our second interim visit with a nil increase in budget recommended by the Finance and Asset Committee: we have been unable to verify formal approval of the proposal as yet, as the minutes of the meeting on 17<sup>th</sup> January 2011 had not been produced at the time of this second visit.
- We are also pleased to note that the members continue to be provided with regular management accounting information based upon the Omega software data maintained by the Council's accounting contractors;

### *Conclusions*

*The refurbishment of the Assembly Rooms and the subsequent move of the Town Council office will need careful management: however, we see nothing in the existing processes and procedures of the Town Council to suggest that appropriate controls will not be in place and, as indicated above, we shall monitor progress on the project at future visits.*

*We shall also, at our final visit, ensure that the Council retains appropriate funds in both its General and Earmarked Reserves, together with any loan to be drawn down in the next financial year to finance the refurbishment project and maintain existing service provision at its present level. We shall also review the year-end budget outturn, following up and obtaining explanations for any significant variances that might exist.*

## Review of Income

The Council receives income from a relatively limited range of sources other than the precept, primarily by way of hire fees for the various events held and private bookings at the Assembly Rooms and, to a lesser degree at Dewey House, together with limited (in the current financial market) investment interest and recoverable VAT.

Our aim here is to ensure that income due to the Council is identified and recovered within a reasonable space of time and that the charges levied are in accord with the appropriate, published scales of fees and charges.

Omega postings for all income for month 7 (October 2010) have been viewed and checked to bookings software. A further test will be undertaken at our final visit.

### *Conclusions*

*We are pleased to note that no issues arise.*

### **Petty Cash Account**

The Council operates a small petty cash account at Dewey House with a maximum permitted spend of £250, whilst there are several other “floats” held at the Assembly Rooms. At the second interim visit, we have tested the transactions for December 2010 of the Administration scheme to ensure that all payments were supported by an appropriate supplier invoice or till receipt and that expenditures were properly recorded in the Omega accounting records. A further test will be undertaken at our final visit.

### *Conclusions*

*There are no issues to note in this area of our testing.*

### **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 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. To meet that objective, we have:

- Agreed a sample month’s payments (September 2010) processed for each employee to the payslips produced from the external payroll bureau provider’s software and also verified them by reference to the Council’s approved pay scales;
- Agreed income tax and NI contributions deducted from those employees’ salaries to the current year’s HMRC tax and national insurance tables;
- Agreed superannuation contributions in respect of the same tranche of employees, ensuring that the revised scales of deductions, in line with various salary bandings introduced in the revision to the LGPS with effect from April 2009; and
- Summarised the month by month settlements of net salaries, HMRC deductions and LGPS deductions as part of the payments testing noted earlier in this report with no un-explained variances noted.

### *Conclusions*

*No significant issues have been identified with regard to the payment of salaries and wages.*

## **Investments and Loans**

The Council holds no specific investments, having decided not to “re-invest” its Treasury term deposit on maturity in February 2010.

As noted above, the Council has agreed to make an application to the PWLB for a loan of £500,000 towards the refurbishment of the Assembly Rooms.

### ***Conclusions***

***No issues arise in this area at present: we shall review the loan application documentation and approval, assuming it is granted, together with the PWLB confirmation of funds release at a future visit, the timing of which will depend on the date the Council determines to draw down the funds.***