
Leigh-On-Sea Town Council

Internal Audit Report 2017-18 (Final)

Prepared by Nigel Archer

*For and on behalf of
Auditing Solutions Limited*

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 from the outset. Subsequently however, 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 to the Council, which took place on 2nd May 2018 and supplements the interim work undertaken on 7th and 9th November 2017.

Internal Audit Approach

In completing our review for 2017-18, 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.

Overall Conclusion

We are pleased to report that no significant issues have been identified in our review for the year that warrant formal recommendation and the Clerk and her staff are to be commended for the quality of work and documentation provided for the purposes of the interim audit.

Consequently, we have signed off the Internal Audit Report at Page 3 within the revised Annual Governance and Accountability Return (AGAR in short), assigning positive assurances in all categories.

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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, noting that this has again been further updated in accord with current Committee structures to further assist the budget monitoring and reporting process;
- Checked and agreed transactions on the Current, Payroll and Imprest 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 2017 and March 2018);
- Similarly, checked and agreed transactions on the other HSBC Business Money Manager Reserve account and the CCLA Public Sector deposit account from cashbooks to statements for the opening six months (April to September 2017 in full due to the limited volumes arising) and also March 2018; and
- Verified that regular, monthly bank reconciliations continue to be undertaken on all accounts, noting that appropriate hard copies are retained on file and that members are regularly provided with same. We have checked and agreed those as at 30th September 2017 and as at 31st March 2018 on all five accounts with no matters arising.

Conclusions

No issues requiring formal comment or recommendation have arisen in this area.

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 (including early April 2018) 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 the Community Centre's conditional survey and resultant provisional costings for Phase 1 of the maintenance works in the region of £400,000 (largely to be funded by Reserves) and shall consider further progress in this area during 2018-19;

- We have previously noted that the Council properly adopted the General Power of Competence at the Full Council meeting in May 2015: subsequently, we note that re-adoption was not required in May 2016 or 2017 in the absence of Council elections in these years; and
- We also previously noted that both Standing Orders and Financial Regulations had been reviewed and re-affirmed in July 2016: subsequently the latter was also subject to further review and adoption on March 2017 to reflect revised contract regulations and the introduction of a national tender limit of £25,000 and no further work is considered necessary currently.

Conclusions

No issues requiring formal comment or recommendation have arisen in this area.

Review of Purchasing and Payment Procedures

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.

In order to ensure compliance with the above criteria we have again examined a sample of payments, namely all those individually in excess of £2,000 together with a more random sample of every 30th cashbook transaction irrespective of value, to 31st March 2018. Our test sample comprised approximately 50 items in all, totalling just over £100,000 and representing 49% of all non-pay related costs for the year.

We again note that the Finance Officer continues to submit periodic (generally six-monthly) manual VAT recovery claims and have previously verified the September 2017 submission to the underlying control account balances at the interim visit. Subsequently, at this final visit we note that the March 2018 submission was awaiting completion, pending the conclusion of the internal audit for the year.

Finally in this area, we have updated our year-on-year analysis of expenditure incurred across the range of Council activities with no significant, unidentified variances warranting further enquiry or explanation by officers.

Conclusions

No issues requiring formal comment or recommendation have arisen in this area.

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 and that a formal Strategy and detailed risk registers were re-adopted by the Full Council at its meetings in May 2017 and March 2017 respectively and have not considered it necessary to revisit this aspect again at present; and
- Examined the current year's insurance policy schedules (to August 2018), cover continuing to be provided by Aviva, noting that both Employer's and Public Liability remain at £10 million; that Fidelity Guarantee cover remains at £450,000 and that Loss of Revenue cover stands at £250,000.

Conclusions

No issues requiring formal comment or recommendation have arisen 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 previously noted that early deliberations have been undertaken in relation to Revenue budgets for 2018-19, with any formal conclusions deferred until January 2018 by which time it was expected that Southend BC will have determined their approach to the Council Tax Support Grant". Subsequently, at this final visit, we note the conclusion of these deliberations at the Full Council meeting in January 2018 with the Precept formally adopted and properly recorded at £411,482, excluding the support grant of £6,860;
- 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 year; and
- We note that Total Reserves as at 31st March 2018 stood at £514,000 and comprised Capital Expenditure Reserves of £168,000, other specific Earmarked items of £237,000 and the residual General Fund of £109,000. The latter represents three months gross expenditure at current levels and is considered more than adequate to meet the needs of the Council at present.

Conclusions

No issues requiring formal comment or recommendation have arisen 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 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 other events. Consequently:-

- We note that the schedules of Council's fees and charges continue to be reviewed and adopted annually, those for the Centre and allotments for 2017-18 having been formally considered by the relevant committee and full Council during the previous municipal year;
- We have, as noted earlier in this report, verified all receipt transactions from Edge ledgers to relevant bank statements for three sample months in the Current account and all interest / dividends on the Reserve and CCLA accounts for the full year to March 2018;
- We note that the bookings and receipting processes for the Community Centre, utilising bespoke Edge software for this purpose, remain largely unchanged compared with the detail previously tested and agreed during 2013-14. We are also pleased to note the levels of segregation in place despite the limited numbers of administrative personnel;
- We have again tested examples of the Finance Officer's banking control sheets in September 2017 to cashbook postings and bank statement entries, noting the timely and accurate manner (at least twice weekly) in which funds are deposited with the bank; and
- We have tested a sample of sales ledger invoices for Community Centre bookings by reference to a sample of the bookings diary (approximately 60 items in all tested during the week 4th to 10th September 2017) to ensure that every entry had been invoiced, that the fees charged were in accord with the times of day and length of each activity and that payments had been received in a timely manner.
- Finally in this area, we have updated our year-on-year analytical review of income arising across the range of Council activities with no significant, un-identified variances arising to warrant further enquiry or explanation by officers.

Conclusions

No issues requiring formal comment or recommendation have arisen in this area.

Petty Cash Account and Debit Card Usage

A relatively limited petty cash account is operated in the Council's office on a straightforward "top-up as required" basis: at the time of the previous interim visit just one re-imbusement cheque of £150 had been required in the past three months.

Payment transactions are entered into the Edge Expenditure reports in the same manner as other supplier cheque and direct debit payments with full details of the payee and goods with VAT separately recorded for periodic recovery where applicable. We have tested a sample of payment transactions (August 2017) with all items properly supported by till receipts / supplier invoices and correctly entered in the ledgers.

In addition, an HSBC Imprest bank account is in use with a debit card available for urgent goods / services and internet purchases to obtain best value pricing. Again this is utilised in a very limited manner (just 8 transactions totalling £463 in the sample month tested of September 2017) with all payments appropriately supported by supplier invoices and correctly entered in the ledgers.

Conclusions

No issues requiring formal comment or recommendation have arisen in this area.

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 previously amended with effect from 1st April 2017 as regards employee contribution bandings. To meet that objective, we have:

- Ensured that the Council reviews and approves pay scales for staff annually and has duly implemented the NJC award for 2016-17 & 2017-18;
- Noted previously that a payroll bureau provider (Acumen) was engaged to provide the service and this remains the case in 2017-18;
- Agreed the amounts paid to employees by reference to the approved pay scales on the NJC annual schedules, examining a sample of all those salary payments made in September 2017;
- 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 2017, are being applied where applicable;
- Checked and agreed the net payments to staff from copy payslips to the Bacs summary reports and resultant cashbook entries; 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

No issues requiring formal comment or recommendation have arisen in this area.

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 have noted previously that an appropriate register is maintained, the Clerk having updated detail to reflect acquisitions and disposals in 2016-17, and this continued to be the case for 2017-18.

We have checked and agreed the values recorded in the registers, correctly at cost with acquisitions / disposals in the year only without any “insurance inflation” in accord with current regulations, to the overall balances disclosed at Box 9, P:age 5 of the revised AGAR.

Conclusions

No issues requiring formal comment or recommendation have arisen 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 currently has one CCLA Public Sector Deposit Fund account in place (approximately £440,000 in value) and, as noted earlier in this report, we have checked and agreed all dividend receipts / re-investments in the year to 31st March 2018 to third party statements and verified the Edge cashbook balance and Accounts disclosure.

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

Conclusions

No issues requiring formal comment or recommendation have arisen in this area.

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 Page 5 of the revised AGAR.

Conclusions

We are pleased to note that no further issues have been identified in our review and, on the basis of the work completed on the Council's Accounts and other relevant supporting documentation for the year (as noted in the preamble to this report), we have duly signed off the Internal Audit Report within the AGAR assigning positive assurances in each relevant category.