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OUR REF:

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DATE:

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Mrs J Smailes
Chief Executive Officer
Town Council of Lydney
Council Chambers
Claremont House
High Street
Lydney
Glos
GL15 5DX



Dear Mrs Smailes

Lydney Town Council
Report on the Independent Internal End of Year Audit for 2017/18

The work carried out at the end of year independent audit covered the areas of internal control referred to in the Annual Internal Audit Report section of the Annual Governance and Accountability Return 2017/18.



A Appropriate books of account have been kept properly throughout the year.

Our tests showed that all targets continue to be met in accordance with Town Council's Standing Orders and Financial Regulations – Part 2/Governance and Accountability for Councils.

The cash book is supported by bank statements which are reconciled on a monthly basis. These continue to be made available for inspection by the councillors at each monthly full council meeting.

The minutes include a copy of the payments, which have been approved, in addition to the reconciled figures. This demonstrates that all books of account have been duly approved by the councillors/"corporate" body.

The petty cash book was checked to ensure that this was adequately maintained. The petty cash book is supported by receipts which are attached to a petty cash voucher. These vouchers were authorised and signed to indicate approval and that the system was operating in line with the Town Council's Financial Regulations. Our tests proved satisfactory.

ACCA



The daily book, which records income and expenditure under appropriate headings, was tested to ensure the analysis was correct. The analysis was accurate and it was noted that the analysis included columns for S137 expenditure and VAT. The councillors are presented with a summary of the daily book at each monthly full council meeting for their consideration. The figures presented include budgeted figures for comparison and thereby provides an additional form of internal control over both income and expenditure.

Additional control over income and expenditure is achieved by the "In-House" audit checks which are performed by the councillors on a regular monthly and quarterly basis. The completion of these checks is evidenced by their signature. Should any failings occur in the control system these can be reported immediately to the CEO and action taken. All controls tested were seen to be operating in a satisfactory manner and no weaknesses were recorded on the control sheets.

B This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

Our tests carried out proved that the controls implemented continue to be observed and all checking procedures were evidenced accordingly.

As recorded in Section A, all payments are approved by the councillors on a monthly basis. Purchases are supported by purchase orders and minutes recording the approval of the expenditure. These procedures are in accordance with Standing Orders and Financial Regulations.

At each full monthly meeting, the councillors are presented with a financial statement which records the income and expenditure, bank reconciliations and details of receipts and payments. When these are considered and approved by the members, the CEO and two councillors will then authorise any payments to be made in accordance with Standing Orders and Financial Regulations. Our tests proved that the above system was being carried out and that all approval was in order and evidenced by signature. Our tests showed that all documentation is retained and linked with the relevant minutes which record the relevant approval.

Our tests confirmed that all cheques and orders for payments are signed in accordance with LGA 1972 S150(5) by the CEO and two councillors. Electronic payments and BACS payments are authorised en bloc as part of the Annual Council Meeting. These payments are included in the monthly payment schedule which is approved at each Full Council meeting. Our tests confirmed this procedure was being observed.

Certain small purchases are paid by bank debit card. The log recording the use of this card was reviewed to ensure all sections of the log were completed. Our tests proved satisfactory. It was noted that all such spends are reported to Council on a monthly basis.

Cheque book stubs are also evidenced by signature as confirmed by our tests.



Virements were documented, approved and evidenced as such by signature. Minutes were also inspected recording the virements. Transfers between bank accounts were also documented and approved. Our tests proved these procedures were being observed.

We also tested to ensure input VAT was being correctly accounted for, accurately recorded and claimed on the quarterly VAT return. Our tests proved satisfactory.

C This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

The "In-House" audit checks, referred to in Section A were reviewed and inspected. Our tests proved that the tasks were being completed and evidenced as such by the councillors responsible for this task. No failures in the internal control procedures were noted.

As reported in Section B, the financial information presented to the councillors for their approval at each full council meeting is signed by the CEO and two councillors. Budgeted figures are also made available. This provides evidence of self-managing risk as well as demonstrating compliance with Local Council Governance.

It was also noted from inspection of the minutes that Governance and Policy Documents are reviewed and amended, where necessary. These are considered, approved and adopted by Full Council.

D The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

As noted in Section C, the financial information presented to the councillors at each Full Council meeting includes the budgeted figures for the year. This enables a comparison to be made with actual figures of income and expenditure which would highlight any adverse variations or anomalies. Any such variations can then be investigated and discussed and any appropriate action taken.

Current Reserves, Earmarked Reserves and General Reserves are recorded on the financial statements presented to the councillors at each full council meeting. This enables their levels to be monitored and correctly maintained.

The Policy Budget Precept process was correctly applied and both the budget and precept figures were considered and approved by Full Council. In arriving at the budget figures, recommendations by the individual committees were considered and applied.



E Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

Our tests proved that the controls in operation ensured the objectives continue to be met. The sales ledger was reviewed and sales invoices inspected to ensure correct prices used, invoices correctly recorded and receipts promptly banked. Our tests proved satisfactory.

One VAT return was checked in detail. We confirm it was accurately completed and submitted by the due date.

F Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.

Tests on the petty cash system confirmed that payments were approved and accurately recorded. Payments were supported by receipts which were attached to a petty cash voucher. These were signed as evidence of approval.

G Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.

Our tests on the payroll system proved that net wages were accurately calculated. PAYE and National Insurance were accurately calculated and these deductions were paid over to HM Revenue and Customs by the due date.

Gross wages were checked to rates which had been approved by the Personnel Committee.

Pension Scheme contributions were also checked. These were accurately calculated and paid over to the Local Government Pension Scheme on a regular monthly basis.

Salary and wage increases were seen to be authorised by the Personnel Committee. Authorisation was evidenced by the CEO and two councillors. In the case of any incremental rise relating to the CEO, that such was noted as having been authorised by all members of the Personnel Committee (5 in total).

New appointments are also seen to be approved and authorised.

The payments relating to the payroll costs are included as part of the payments schedule submitted to the councillors at each full monthly council meeting for their approval.

Our tests confirmed that this was still being done.

H Asset and investments registers were complete and accurate and properly maintained.

The asset register was reviewed and material additions (items over £2000) vouched to supporting documentation (purchase invoices, purchase orders, minutes of approval). All tests proved satisfactory.



Insurance cover was reviewed to ensure adequate cover undertaken on assets owned.

I Periodic and year end bank account reconciliations were properly carried out.

Bank reconciliations are prepared on a monthly basis and our tests proved that the reconciliations were complete and accurate.

Bank reconciliations are reviewed as part of the "In-House" audit checks as well as presented to the councillors for approval at the Full Council Meetings.

J Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records, and where appropriate debtors and creditors were properly recorded.

The year end accounts were agreed to the daily book sheets which has been tested to ensure the accuracy of the recording and analysis of both income and expenditure.

The figures on the Accounting Statements 2017/18 were agreed to the figures recorded on the daily book summary.

All transfers of information onto the Accounting Statements proved accurate.

General Comments

In addition to the comments at the interim internal audit, the following matter was noted:-

"In-House" audit checks

Reference has been made in various sections to the use of "In-House" audit checks as part of the control over income and expenditure.

This is considered an important control feature by the RFO and also a vital procedure in educating councillors in their role as the accountable body in order to meet the Gold Standard expected of the Town Council.

It was observed from the timetable which was produced that a number of councillors do not participate in this exercise and often a change of personnel takes place at the time of the exercise, through various reasons. This should be discouraged.

It is considered a most important exercise that all councillors should make every effort to avail themselves of and hopefully this will be done.



Conclusion

Based on the tests carried out on the internal control procedures adopted by Lydney Town Council, the requirements set out in the Annual Internal Audit Report section of the Annual Governance and Accountability Return 2017/18, continue to be maintained and achieve their objective.

Finally, we wish to thank Mrs Smailes (CEO) and Ms Whittington for their help and co-operation during the course of the independent internal audit.

Yours sincerely

R L Lewis FCA
Wildin & Co