



YOUR REF: **LC/L0165B**

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**4th April 2019**

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 2018/19**

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 2018/19.

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

Our tests confirmed 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 are made available to all Councillors for inspection and approval at each monthly Full Council meeting.

All meeting minutes include a copy of the payments, virements and transfers which have been approved for the month, along with the reconciled figures. This proves that all books of account have been duly approved by the "corporate" body.

The petty cash book tests confirmed it was adequately maintained, with supporting receipts attached to a signed petty cash voucher as evidence of approval. At each Full Council meeting, the Councillors consider and approve the petty cash account movement.

A full review of the daily book confirmed the correct analysis of income and expenditure under appropriate headings including columns for S137 expenditure and VAT. The



councillors are presented with the daily book summary at each Full Council meeting. This includes budgeted figures to enable a comparison to be made therefore providing an additional financial control over income and expenditure that can be monitored throughout the year.

In-house audit checks continue to be performed by a number of councillors on a regular monthly and quarterly basis, with the completion of their tasks evidenced by signature, there still however appear to be minority of councillors who do not take their responsibility to attend for these audit sessions seriously and instead tender their apologies on a regular basis; we would respectfully advise that councillors should make every attempt to attend as/when rostered in order that independent scrutiny of the accounts is demonstrable.

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

Tests carried out confirmed that internal controls for expenditure and payments continue to be observed and evidenced as required.

As stated in Section A, all payments are approved by councillors every month at the Full Council meeting. In accordance with Standing Orders and Financial Regulations, all purchases are supported by purchase orders and minutes recording approval of the expenditure.

The councillors are presented with a financial statement containing the income and expenditure, a bank reconciliation and details of receipts and payments at each Full Council meeting. These are then considered and approved by the members, and the CEO and two councillors then authorise payment in accordance with Standing Orders and Financial Regulations. All approvals were evidenced accordingly by signature as confirmed as part of our tests. The minutes record the approval and all documentation is retained as evidence.

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 May Full Council Meeting.

These payments are then included in the monthly payment schedule and approved at each Full Council meeting, as confirmed by our tests.

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

Virements between existing budget headers were documented, approved and evidenced by signature. Tests proved that the meeting minutes correctly record the virements and councillor approval.

The transfers between deposit and current accounts were correctly documented, approved and evidenced as confirmed during our tests.

The tests carried out to confirm that input VAT on expenditure had been correctly accounted, recorded and claimed for were satisfactory.





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

At each Full Council meeting, the financial information is presented to the councillors for approval by the CEO and two council members. This provides evidence of self managing risk and compliance with Local Council Governance as confirmed throughout our testing.

The Council is reminded that whilst the RFO is 'responsible' for the accounts, 'corporately' Members have a duty to 'protect' the public purse and indeed remain accountable for such. Councillors have all been offered financial/audit training and are issued with a rota in respect of their attendance for "in-house" audit checks however it would appear reminders still need to be issued regularly; councillors should make every effort to attend at the prescribed times.

As confirmed when reviewing the minutes, the Governance and Policy Documents are reviewed and amended, where necessary. They are considered, approved and adopted by Full Council at least annually or at times of policy change.

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

A comparison of the budget figures for the year is included within the financial information presented at each Full Council meeting, as noted in Section A. This enables a comparison to be made against actual figures of income and expenditure, thereby highlighting any adverse variations or anomalies that require investigation, discussion and any appropriate action taken.

All 'reserves' were confirmed as correctly recorded on the financial statement presented to the Councillors at each Full Council meeting, the breakdown showed; Current Reserves, Earmarked Reserves and General Reserves. This enables levels to be monitored, correctly maintained and for Earmarked Reserves to be correctly applied/used against set projects.

The Policy Budget Precept (PBP) process was confirmed to be correctly applied and the budget and precept figures correctly considered and approved by the Full Council during January 2019. The statutory B and D Calc was also duly considered by Councillors prior to the Precept sum being derived.

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

The tests on sales confirmed that all controls in place were working efficiently and the objectives continue to be met. A review of the sales invoices confirmed the correct prices were used, the invoices had been correctly recorded within the sales ledger and the receipts were promptly banked.

One VAT return was reviewed in detail and was confirmed to have been accurately prepared and submitted to HM Revenue and Customs by the submission deadline.



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

The tests carried out confirmed that all petty cash payments were approved by signature and accurately recorded. All payments were supported by receipts which were attached to a signed petty cash voucher 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.

Tests proved that the monthly payroll was accurately calculated. PAYE and National Insurance deductions were confirmed to be paid to HM Revenue & Customs by the due date.

Gross wages for employees were tested and confirmed to be paid at the rates approved by the Personnel Committee following annual staff reviews.

All salary and wage increases were confirmed as having been correctly authorised by the Personnel Committee. Authorisation was evidenced by the CEO and a minimum of two councillors who had sat on the appraisal panel; in the case of the CEO's incremental increase, this was correctly authorised by all Members of the Personnel Committee.

Local Government Pension Scheme Contributions (LGPS) were correctly paid to the Scheme administrator - Gloucestershire County Council.

All new staffing appointments were approved and authorised by the Personnel Committee.

The payroll payments are correctly shown on the payments schedule that is submitted to, and authorised by, the Full Council at every monthly Full Council meeting

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

The asset register was reviewed and all additions vouched to supporting documentation (purchase orders, purchase invoices & minutes of approval).

The Council's insurance cover was reviewed and provides adequate cover for the value of the assets owned.

**I** Periodic bank account reconciliations were properly carried out.

Bank reconciliations are prepared every month and testing confirmed that these are accurate and complete.

Testing confirmed that the bank reconciliations are presented to the Councillors for approval at Full Council Meetings. They are also checked as part of the "in-house" audit checks.



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 daily book sheets were confirmed to accurately record and analyse all income and expenditure for the year. The totals were also agreed to the year end accounts.

The underlying records were confirmed to provide a very efficient audit trail of all transactions during the year as confirmed during our tests.

### Conclusion

Based on the tests carried out on the internal controls implemented by Lydney Town Council, we can confirm that the internal control objectives are being achieved per the requirements set out in the Annual Internal Audit Report section of the Annual Governance and Accountability Return 2018/19.

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

L Clutterbuck ACA  
Wildin & Co