



OUR REF:

YOUR REF:

DATE:

RLL/L165B

27 October 2017



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 Interim Internal Audit for 2017/18

The work carried out on the interim audit covered the areas of internal control referred to in Section 4 of the Annual Return .



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

Our tests indicate 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. The reconciliation is made available to all councillors for their approval at each monthly Full Council meeting.

The minutes of the meeting include a copy of the payments which have been approved together with the reconciled figures. This procedure demonstrates that all books of account have been duly approved by the "corporate" body.

The petty cash book is supported by receipts which are attached to a petty cash voucher. These are authorised and evidenced by signature for approval. Details of the petty cash account are also presented to the councillors at Full Council meeting for consideration and approval.

ACCA



The daily book which records income and expenditure under appropriate headings was tested for accuracy. The income and expenditure was correctly analysed and included separate columns for S137 expenditure and VAT. The daily book summary presented to the councillors at Full Council meetings includes a comparison with budgeted figures enabling each category of income and expenditure to be reviewed throughout the financial year. This facility provides additional financial control over income and expenditure.

“In house” audit checks continue to be performed by councillors on a regular basis and the completion of their tasks evidenced by signature.

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

Our tests proved that controls continue to be observed and evidenced accordingly.

As recorded in Section A, all payments are approved by councillors on a monthly basis. All purchases are supported by purchase orders or minutes recording approval. This is in accordance with Standing Orders and Financial Regulations. Our tests proved that these procedures are observed and evidenced accordingly.

At each full monthly meeting, the councillors are presented with a financial statement recording income and expenditure, a bank reconciliation and details of receipts and payments. When these are considered and approved by the members, the CEO and two councillors then authorise payment in accordance with Standing Orders and Financial Regulations. The tests we carried out proved that all approval was in order and evidenced as such by signature. All documentation is retained and linked to the relevant minutes.

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 payments by BACS are considered and authorised en bloc as part of the Full Council Meeting. These payments are included in the monthly payment schedule and approved at each Full Council meeting. Our tests confirmed this procedure was being carried out.

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

Virements between existing budget headers were documented, approved and evidenced as such by signature. Minutes were inspected which confirmed this was being actioned.

Our tests also confirmed that transfers between deposit and current accounts were also documented, approved and evidenced.

Input VAT on expenditure was also correctly accounted for on the quarterly VAT returns.



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

The “in-house” audit checks carried out by the councillors were reviewed. They were seen to be completed and evidenced by signature and no comments were raised to indicate any problems within the systems adopted by the council.

As reported in Section B, the financial information which is presented to Full Council Meeting is signed by the CEO and two council members. This provides evidence of self-managing risk and also demonstrates compliance with Local Council Governance.

It was noted that despite the rota for “in-house” audit checks being prepared well in advance, reminders were having to be given to the councillors to attend at the prescribed times.

In addition to this, in view of the importance of the “in-house” audit checks to the financial internal controls of the Council and to ensure councillors are fully aware of their responsibilities in this area, it is suggested that more councillors are involved with these checks.

It was further noticed from inspection of the minutes that Governance and Policy Documents are reviewed and amended accordingly to reflect any legislative or practice after consideration and adoption 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 at each Full Council meeting includes the Budget figures for the year. This enables a comparison to be made with actual figures of income and expenditure, thereby highlighting any adverse variations or anomalies which can then be reviewed and discussed.

Current Reserves, Earmarked Reserves and General Reserves are recorded on the financial statements presented to Full Council, enabling their levels to be monitored and correctly maintained.

Our tests confirmed that reserves continue to be recorded as described above.

The Policy Budget Precept process was correctly applied. The resulting Budget and Precept figures were considered and approved by Full Council. It should be noted that the recommendations by the individual committees were considered and applied in arriving at the budget.



- 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 controls in place ensured the objectives continue to be met.

One VAT return was checked in detail and confirmed to be accurately completed. We also checked to ensure the return was submitted to HM Revenue and Customs by the due date and this was confirmed to have been done.

- F **Petty cash payments were properly supported by receipts, 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 attached to a petty cash voucher and approval evidenced by signature.

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

Tests on the payroll system proved that net wages were accurately computed. PAYE and National Insurance was accurately computed and deductions paid to HM Revenue and Customs by the due date.

Gross wages for employees were checked to rates approved by the Personnel Committee.

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

Salary and wage increases were seen to be authorised by the Personnel Committee and evidenced by the CEO and two committee members.

New appointments were also seen to be approved and authorised.

All payments relating to the payroll are included on the schedule of payments submitted to and authorised by the Full Council each month.

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

This will be reviewed and tested at the final audit stage.

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

Bank reconciliations are prepared on a monthly basis and presented to council members for approval at Full Council meeting. The sample tested proved complete and accurate.

Bank reconciliations are also checked as part of the "in-house" audit review system.



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 was reviewed for the period of the interim audit.

Tests proved that the analysis of income and expenditure was accurate and the audit trail back to the bank statements readily traceable.

Conclusion

Based on the tests carried out on the internal control procedures adopted by Lydney Town Council, the requirements set out in Section 4 of the Annual Return continue to be maintained and their objectives achieved.

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