



OUR REF: EC/L165B

YOUR REF:

DATE: 15th October 2018

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 2018/19

The work carried out on the interim audit covered the areas of internal control referred to in the Annual Governance Audit Report.

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

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 each month at the Full Council meeting.

The meeting minutes include a copy of the approved payments together with the virements/transfers addressed that month, all figures are duly reconciled. This demonstrates that all books of account have been duly approved by the "corporate" body.

Our tests proved the petty cash book was adequately maintained, with supporting receipts attached to a petty cash voucher. The vouchers were approved as evidenced by signature. The councillors are presented with details of the petty cash account at each Full Council meeting for consideration and approval.

The daily book was reviewed and confirmed to correctly analyse the income and expenditure under appropriate headings including columns for S137 expenditure and



VAT. At each Full Council meeting, the councillors are presented with the daily book summary including a comparison against budgeted figures. This provides an additional financial control over income and expenditure as each category can be reviewed throughout the financial year.

Our tests confirmed that whilst “in house” audit checks are still being performed by a number of councillors on a regular monthly and quarterly basis, with the completion of their tasks evidenced by signature, there still appear to be minority of councillors who do not appear to take their responsibility to attend for these audit sessions seriously and instead tender their apologies; we would respectfully advise that councillors 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.

Our tests proved that controls regarding expenditure and payments continue to be monitored and evidenced accordingly.

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

At each Full Council meeting, the councillors are presented with a financial statement recording income and expenditure, a bank reconciliation and details of receipts and payments. After these are considered and approved by the members, the CEO and two councillors then authorise payment in accordance with Standing Orders and Financial Regulations. Our tests confirmed that all approvals were in order and evidenced accordingly by signature. All documentation is retained and linked to the relevant minutes which record the approval.

We confirmed during our tests 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 payment are authorised en-bloc as part of the Full Council Meeting. These payments are included in the monthly payment schedule and approved at each Annual 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. The corresponding meeting minutes were reviewed and confirmed to correctly record the virements and councillor approval.

Any transfers between deposit and current accounts were confirmed to be correctly documented, approved and evidenced.

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



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

With regard to the 'in-house audit checks we would draw Members attention to item A Paragraph 6 of this report

Evidence of self managing risk and compliance with Local Council Governance was confirmed during testing. At each Full Council meeting, the financial information is presented to the councillors for approval by the CEO and two council members.

It was noted that despite councillors having been offered financial/audit training, being issued with a rota for "in-house" audit checks in advance, reminders were having to be given to the councillors to attend at the prescribed times. 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.

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 A, a comparison of the budget figures for the year is included within the financial information presented at each Full Council meeting. This enables the councillors to make a comparison against actual figures of income and expenditure, thereby highlighting any adverse variations or anomalies that require further review and discussion.

Tests confirmed that the Current Reserves, Earmarked Reserves and General Reserves are recorded on the financial statements presented to the councillors at each Full Council meeting. This enables levels to be monitored and correctly maintained.

The Policy Budget Precept process was correctly underway.

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 place ensured the objectives continue to be met.

We checked one VAT return in detail and confirmed it had been accurately prepared. The return had been submitted to HM Revenue and Customs by the deadline.

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

Our tests proved that all petty cash payments were backed up with receipts which had a petty cash voucher attached. The vouchers were signed as evidence of approval. The payments were also approved and accurately recorded.



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 testing on the payroll system confirmed that the monthly payroll was accurately calculated. PAYE and National Insurance deductions were confirmed to be paid to HM Revenue & Customs by the deadline.

Gross wages for employees were checked and were confirmed as being correct and in line with the Personnel Committee approved minutes, all such payments had been correctly authorised

Pension Scheme contributions were tested and confirmed to be accurately calculated each month and paid over to the Local Governance Pension Scheme accordingly.

Tests confirmed that salary and wage increases were authorised by the Personnel Committee. Authorisation was evidenced by the CEO and two councillors and or a third councillor if relevant to the CEO.

New appointments were also seen to be approved and authorised.

At every monthly Full Council meeting, all payroll related payments are included on the payments schedule that is submitted to, and authorised by, the Full Council.

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 bank account reconciliations were properly carried out.

Tests confirmed that the bank reconciliations are completely and accurately prepared every month.

The bank reconciliations are presented to the councillors for approval at Full Council Meetings and they are also checked as part of the "in-house" audit review system.

J Accounting statements prepared during the first half of 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.

The analysis of income and expenditure was confirmed to be accurate and the audit trail back to the bank statements readily traceable.



Conclusion

We can confirm based on the tests carried out on the internal controls, that Lydney Town Council are achieving the internal control objectives as set out in the Annual Return, we would however advise consideration be given to ensuring 'in-house' audit systems remain of a prevailing high standard as has been the case to date.

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