



# INTERNAL AUDIT

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TOWN COUNCIL MEETING

REPORT 42/14

18 MAY 2014

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The purpose of this report is to ask Members to consider and agree the report of the Town Council's Internal Auditor on the financial year 2014/15 and appoint its Internal Auditor for 2014/15.

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**No.    DETAIL**

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**1)    INTERNAL AUDIT REPORT**

- a)** The Town Council appointed Gareth Hughes as its Internal Auditor for 2014/15 at its meeting of 14 April 2014 by Minute 47/14 of that meeting.
  - b)** Gareth Hughes' Internal Audit Report is attached to this report for Members' consideration.
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**2)    APPOINTMENT OF INTERNAL AUDITOR**

- a)** Gareth Hughes is willing to remain as the Town Council's Internal Auditor for the financial year 2015/16.
  - b)** As a Chartered Public Finance Accountant previously employed at senior level of the Isle of Wight Council he is very well qualified for the role.
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**3)    RECOMMENDATIONS**

Members are recommended to:

- i)** formally accept the Internal Auditor's Report; and
  - ii)** appoint Gareth Hughes as the Town Council's Internal Auditor for the financial year 2015/16.
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# **VENTNOR TOWN COUNCIL**

## **INTERNAL AUDIT REPORT 2014-15**

### **1. INTRODUCTION**

All Local Councils in England are required to complete an annual return summarising their financial records at the end of the financial year. Section 4 of the Annual Return needs to be completed by an Internal Auditor who shall be independent of the Council. The Audit Commission (the Council's External Auditor) needs to place reliance on the work of the Internal Auditor and provides guidance on the minimum level of testing required to provide this assurance.

### **2. SCOPE OF AUDIT**

The audit includes for examination on a test basis of evidence relevant to the amounts and disclosures as contained in the accounts. This examination has included the following-

- Matching of financial statements to invoices and receipts
- Examination of budget preparation & precept setting
- Inspection of bank statements
- Compliance with payroll requirements
- Correct accounting for VAT
- Adequacy of insurance cover

### **3. FINDINGS**

- (1) With effect from April 2013 a new system for providing information to HMRC became operative. This new process, known as Real Time Information (RTI), requires an electronic submission of detail every time an employee receives payment. Evidence was demonstrated that the Council was operating the new requirements.
- (2) The accounting records, bank statements and bank reconciliation for the year ended 31<sup>st</sup> March 2015 have been examined and agreed. A bank reconciliation is presented to the Council on a monthly basis and signed by the Clerk/RFO, which is considered good practice. The bank reconciliation is contained on the Expenditure sheets of the Excel accounts spreadsheet.
- (3) The Council has adopted Standing Orders & Financial Regulations and the Clerk is its designated Responsible Financial Officer (RFO).
- (4) Payments are made using online banking and it was also agreed at the meeting on 9<sup>th</sup> June 2014 to use an HSBC credit card for online purchases up to a value of £2,500 with the balance being cleared on a monthly basis. On contacting HSBC it was found that a debit card was available for this purpose and so that option was taken.

- (5) The accounts have been produced on an income and expenditure (Accruals) basis as the turnover now exceeds the statutory set threshold of £200,000 where an income & expenditure basis has to be adopted. This also means the Council will require an Intermediate Audit which has associated additional reporting requirements.
- (6) The Council had prepared an annual budget in support of its precept for 2015-16 and a gross precept of £250,153 (including a related grant of £17,827) was approved at its meeting on the 23rd February 2015.
- (7) A Risk Assessment was prepared in accordance with recommended practice and this was presented to the Council at its meeting on the 9<sup>th</sup> February 2015. Section 4 of the Annual Return requires the Internal Auditor to confirm that the Council has assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage them.
- (8) The Council had secured a lease for the Coastal Centre from the Isle of Wight Council in order to secure its future as offices and a location for local business units. In order to fund major expenditure on the building a grant of £95,000 had been secured from the Coastal Communities Fund and a borrowing approval for £150,000 had been received from the Department for Communities and Local Government. The borrowing approval had been used to secure a 25 year loan of £150,000 from the Public Works Loan Board (PWLb) and this had been received on the 1<sup>st</sup> August 2014.

The Council has agreed that any costs arising from the project should be financed by its income and that there should be no financial call on the precept or local taxpayer. A business plan had been prepared by the Council demonstrating that this was achievable and a separate spreadsheet was kept to record all financial transactions pertaining to the project..
- (9) Supporting invoices and documents had been kept to support all tested transactions. VAT had been properly accounted for and VAT paid is fully recovered from HMRC. With regard to the Coastal Centre the Council has exercised the Option to Tax in order to recover VAT incurred on building works and therefore VAT is levied on rental charges for the building. Rental income transactions were examined and VAT was being accounted for correctly.
- (10) The Council's level of general reserves as at 31<sup>st</sup> March 2015 were considered adequate for a Council of this size. In addition at this date the Council's bank balances also contained an additional £68,050 in respect of sums being held for the proposed purchase of a building for the use of Ventnor Boxing Club.
- (11) The External Audit report on the Annual Return for the 2013-14 financial year was received without any qualification and this was reported to the Council at its meeting on September 8<sup>th</sup> 2014. The Audit Commission ceased to exist with effect from 31st March 2015 and a new Audit regime is to be introduced from

the 2017-18 financial year. Until such time the current audit arrangements will continue to apply.

- (12) The Transparency Code for local authorities is effective from 1st April, requiring larger Councils to publish certain information on a website which is publicly accessible and free of charge to use. The requirements are significant for Councils with a turnover of greater than £200,000 and will be subject to audit. Financial resources may be necessary to meet information requirements..
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**Having regard to the above I am of the opinion that I have adequate assurance to complete and sign Section Four of the Annual Return to the Audit Commission.**

**GARETH HUGHES BA (Hon) CPFA**

**28<sup>th</sup> April 2015**