



INTERNAL AUDIT

TOWN COUNCIL MEETING

REPORT 27/14

14 APRIL 2014

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 2013/14, review the current arrangements for Internal Audit and appoint its Internal Auditor for 2014/15.

No. DETAIL

1) INTERNAL AUDIT REPORT

- a) The Town Council appointed Gareth Hughes as its Internal Auditor for 2013/14 at its meeting of 15 April 2013 by Minute 52/13 of that meeting.
 - b) The Town Council agreed the arrangements for the Internal Audit in Minute 35/13 of its meeting of 18 March 2013.
 - c) 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 2013/14.
 - 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.
 - c) Gareth Hughes as indicated his willingness to accept appointment as Internal Auditor for 2014/15.
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3) RECOMMENDATIONS

Members are recommended to:

- i) formally accept the Internal Auditor's Report;
 - ii) review and confirm the arrangements for the Internal Audit for 2014/15; and
 - iii) appoint Gareth Hughes as the Town Council's Internal Auditor for 2014/15.
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VENTNOR TOWN COUNCIL

INTERNAL AUDIT REPORT 2013-14

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 Councils 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 31st March 2014 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 the approved daily limit was increased in the year from £5,000 to £7,500 (Minute 96/15 of July 15th Council meeting refers). Given increased levels of financial activity it may be necessary to review the limit on a more regular basis.

- (5) The accounts have been produced on a receipts and payments basis and it is advised that this can continue until the turnover reaches the statutory set threshold of £200,000 where an income & expenditure basis has to be adopted. This is likely to be effected in 2014-15 by planned expenditure on the Coastal Centre.
- (6) The Council had prepared an annual budget in support of its precept for 2014-15 and a gross precept of £202,682 (offset by a related grant of £20,383) was approved at its meeting on the 10th February 2014. The grant element of the precept is not guaranteed for future years and may impact on the level of Local Council Tax. The budget included a £46,000 Contingency sum in order to provide funds to possibly continue services that the Isle of Wight Council could no longer provide. It is understood that this sum has been earmarked to the provision of any such discretionary services.
- (7) A Risk Assessment has been prepared in accordance with recommended practice and this is to be presented to the Council at its meeting on the 14th April 2014. The Risk Assessment should be reviewed on an annual basis.
- (8) The Council had agreed to negotiate 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 made to the Department for Communities and Local Government. 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 has been prepared by the Council demonstrating that this is achievable.
- (9) Expenditure and income had been fully documented. The Isle of Wight Council's policy is to pay the full precept in one payment and the precept for 2013-14 was received in April 2013.
- (10) 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 had exercised the Option to Tax in order to recover VAT incurred on building works and therefore VAT would need to be levied on any rental charges for the building.
- (11) The Council's level of general reserves of £39,161 as at 31st March 2014 were considered adequate for a Council of this size. In addition the accounts for the 2013-14 financial year contain £19,662 of earmarked reserves as at 31st March 2014. At this date the Council's bank balances also contained an additional £51,050 in respect of sums being held for the proposed purchase of a building for the use of Ventnor Boxing Club.

(12) The External Audit report on the Annual Return for the 2012-13 financial year was received without any qualification and this was reported to the Council at its meeting on August 12th 2013. There were no matters arising from the audit and a review of the requirements of the internal audit had taken place during the year.

RECOMMENDATIONS

1. The Council ensure that having regard to agreed decisions on the funding of the Coastal Centre, that accounts pertaining to its operation can be clearly identified within its overall accounting records.
2. Having regard to the Council holding large sums of money on a temporary basis, the Town Clerk examine the possible temporary investment of cash held.

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

7th April 2014



VENTNOR TOWN COUNCIL

INTERNAL AUDIT PROCESS REVIEW

2014/15

ELEMENT	EVIDENCE OF ACHIEVEMENT	AREAS FOR DEVELOPMENT
Scope	The Internal Audit includes: <ul style="list-style-type: none">○ 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○ Treasury Management○ Adequacy of insurance cover○ Security of information & back up records.	
Independence	The Internal Auditor has direct access to those responsible for good governance and all financial records. The Internal Auditor reports directly to the Town Council Meeting following the completion of his audit	
Competence	The appointed Internal Auditor is a Chartered Public Finance Accountant previously employed at senior level of the Isle of Wight Council.	
Relationships	The Clerk is consulted by the Internal Auditor in planning his Audit activity. The Internal Auditor has a clear understanding of the Town Council's responsibilities the corporate framework within which it operates and the risks it needs to manage.	
Resources	All requested resources are made available to the Internal Auditor for the effective completion of his work,	
Planning & reporting	The Internal Auditor's report for the financial year 2011/12 was unanimously accepted by the meeting of Ventnor Town Council on 14 May 2012 and had been posted on the Town Council website in advance of it.	