

VENTNOR TOWN COUNCIL

INTERNAL AUDIT REPORT 2010-11

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
- Matching of cheques to payment records
- Security of information & back up records.
- Requisite number of cheque signatories were applied

3. FINDINGS

- (1) Arrangements for PAYE are carried out internally, with deductions in respect of income tax and national insurance being paid monthly to Her Majesty's Revenues and Customs (HMRC). All payments were made within the set deadline and correctly accounted for. With effect from 1st April 2011 new payroll software is available from the HMRC website and the use of this free service is recommended to be undertaken.
- (2) The accounting records, bank statements and bank reconciliation for the year ended 31st March 2011 were examined and agreed. Sampled cheque counterfoils had been signed by the requisite number of signatories, with all associated invoices inspected and agreed. A bank reconciliation is completed on a monthly basis and a full reconciliation to the ledger is provided to the Council.
- (3) The Council has adopted Financial Regulations and Standing Orders and the Clerk is its designated Responsible Financial Officer (RFO). The Council's Standing Orders and Financial Regulations were being reviewed at the time of this report and it is understood that they will be presented to the Council in the next two months.
- (4) The Annual Return for 2011 to the Audit Commission contains significant variances from the Annual Return for 2010. The variances predominantly relate to the change in management arrangements at the Winter Gardens which were implemented in October 2010 and which were the subject of the report of variances between the 2009 & 2010 Annual Returns. The 2010-11 financial year saw the first full year effect of such changes and the Council

subsequently withdrew from the operation of the Winter Gardens with effect 31st January 2011.

(5) The Council had operated the Winter Gardens since 1994 on a licence from the Isle of Wight Council. This had included a bar, theatre entertainment and community use. The Council withdrew from the facility on the 31st January 2011 and no longer has any involvement with its operation. Insurance requirements were updated to reflect that the Council's involvement with the Winter Gardens had terminated.

(6) The Council had prepared an annual budget in support of its precept. A precept of £135,000 for the 2011-12 financial year was approved at the Council meeting on the 28th February 2011. The Isle of Wight Council's policy is to pay the full precept in one payment and the precept was received in April 2011

(7) The Council's accounts contain an outstanding loan with the Public Works Loan Board (PWLb) and this sum was matched to the statement from PWLB.

(8) VAT expenditure has been accounted for correctly in the accounts and is subsequently reclaimed from HMRC. VAT income is accounted for and also disclosed in a quarterly return to HMRC.

(9) The Council is in the process of producing an updated Asset Register and reviewing its Risk Assessment. The major risk facing the Council had been the commercial operation of the Ventnor Winter Gardens. This risk has been eliminated by the withdrawal from the agreement with the Isle of Wight Council and the Town Council does no longer have any involvement in the operation of the Winter Gardens. The Town Council's recorded Assets had been predominantly those contained within the Winter Gardens and it is currently in negotiation with the Isle of Wight Council as to their ownership.

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

19TH JUNE 2011