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19 July 2018

To: Members of the Audit Sub-Committee
Mayor (ex-officio) and Councillors L.A. Carter, J.M. Johnson, P.A. Johnson, E.B. Palmer and B. Scragg.

Dear Councillors,

Notice is given that a meeting of the **AUDIT SUB-COMMITTEE** will be held in the **GROUND FLOOR MEETING ROOM, COUNCIL OFFICES, BANK PLACE, HOLYWELL** on **Tuesday 24th July 2018 at 5.00pm** to transact the business specified in the Agenda set out below.

Yours faithfully

J.Baker
Town Clerk & Financial Officer

AGENDA

1. ELECTION OF CHAIRMAN - 2018/19

2. APPOINTMENT OF VICE-CHAIRMAN – 2018/19

3. APOLOGIES FOR ABSENCE

4. DECLARATIONS OF INTEREST

   Members are reminded that they must declare the existence and nature of their declared personal interests.

5. BANK RECONCILIATION 2018/19 – QUARTER 1

   To receive and note the attached bank reconciliation statement for the period to 30^{th} June 2018.

6. MANAGEMENT ACCOUNTS 2018/19 – QUARTER 1

To receive and endorse the attached income and expenditure account for the period to 30th June 2018.

7. INTERNAL AUDIT OF THE COUNCIL'S ANNUAL ACCOUNTS 2017/18

Clerk to report on the attached Internal Audit Report & Action Plan.

8. PUBLIC BODIES (ADMISSION TO MEETINGS) ACT 1960 EXCLUSION OF PUBLIC AND PRESS

To consider passing a resolution to exclude the public and press for Agenda item 9, on the grounds that publicity would be prejudicial to the public interest by reason of the confidential nature of the business to be transacted arising from the personnel information to be reported.

9. STAFFING ISSUES

Members to consider a report from the Clerk outlining current staffing issues. Further details will be provided at the meeting.

Bank Reconciliation Statement as at 30/06/2018
for Cashbook 1 - Current Bank A/c 11008722

Bank Statement Account Name (s)	Statement Date	Page No	Balances
Current Bank A/c 11008722	30/06/2018		86,635.51
Moneymaster A/c 81096516	30/11/2017		0.00
			86,635.51

Unpresented Cheques (Minus)			Amount	
14/05/2018	105703	Ysgol Maes y Felin	50.00	
14/05/2018	105705	St. Winefride's RC school	50.00	
				100.00
				86,535.51

Receipts not Banked/Cleared (Plus)		
	0.00	
		0.00
		86,535.51
	Balance per Cash Book is :-	**86,535.51**
	Difference Excluding Adjustments is :-	**0.00**

Adjustments to Reconciliation				
06/04/2018	VIS	Label bar balance	-35.00	
06/04/2018	VIS	Label Bar	35.00	
				0.00
			Unreconciled Difference is :-	**0.00**

Holywell Town Council 2018/2019

**Bank Reconciliation Statement as at 30/06/2018
for Cashbook 3 - Moneymarket Bond 00710997**

Bank Statement Account Name (s)	**Statement Date**	**Page No**	**Balances**
Moneymarket Bond	30/06/2018	198	21,003.56
			21,003.56
Unpresented Cheques (Minus)		**Amount**	
		0.00	
			0.00
			21,003.56
Receipts not Banked/Cleared (Plus)			
		0.00	
			0.00
			21,003.56
		Balance per Cash Book is :-	**21,003.56**
		Difference is :-	**0.00**

Holywell Town Council 2018/19

Income & Expenditure Account to 30th June 2018

	A	B	C	D (B-C)	E	F (D+E)	G
	Account / Cost Centre Detail	Actual Year To Date	Current Annual Bud	Variance Annual Total	Committed	Projected Variance	+/- £400 Variance
1	**INCOME**						
2	Income - Grants	-3,911	0	-3,911	-6,000	-9,911	
3	Income - Events	-25	0	-25	0	-25	
4	Income - Council Offices	0	0	0	-240	-240	
5	Income - Wales In Bloom	-80	0	-80	-190	-270	
6	Income - Local Tax Precept	-77,833	-233,500	155,667	-155,667	0	
7							
8	**Income**	**-81,849**	**-233,500**	**151,651**	**-162,097**	**-10,446**	
9	**EXPENDITURE**						
10	**Establishment**						
11	Staff Salaries - Basic Pay	11,566	60,000	-48,434	34,600	-13,834	
12	Staff Salaries - Paye/NI	3,180	0	3,180	9,500	12,680	
13	Staff Salaries - Pension	276	0	276	900	1,176	
14	Training - Staff	0	500	-500	500	0	
15	Subscriptions	0	200	-200	200	0	
16	Printing & Stationery	542	3,500	-2,958	3,000	42	
17	Audit Fees	-275	780	-1,055	910	-145	
18	Postage	59	570	-511	300	-211	
19	Travelling Expenses - Staff	64	670	-606	300	-306	
20	Office Equipment	105	3,450	-3,345	3,000	-345	
21	Website	198	1,250	-1,052	1,000	-52	
22	Legal & Professional Fees	378	1,030	-652	652	0	
23	Refreshments	101	0	101	0	101	
24	Photocopying Charges	205	800	-595	600	5	
25	Staff - Subsistence Costs	52	0	52	100	152	
26	Election Costs	0	5,000	-5,000	3,500	-1,500	
27	Conference & Seminars	64	500	-436	400	-36	
28	Translation Fees	70	500	-430	300	-130	
29	PWLB Loan Repayments	0	5,220	-5,220	5,220	0	
30	ICT Support Costs	532	1,500	-968	1,000	32	
31	Bank Charges	10	0	10	0	10	
32							
33	**Establishment**	**17,127**	**85,470**	**-68,343**	**65,982**	**-2,361**	
34	**Council Offices**						
35	Insurance	1,496	3,090	-1,594	100	-1,494	
36	Photocopier Lease	248	520	-272	430	158	
37	Room Hire	200	1,000	-800	600	-200	
38	Licence Fees	9	0	9	0	9	
39	Office Consumables	37	0	37	100	137	
40	Grounds & Building Maintenance	150	3,500	-3,350	3,500	150	
41	Offices - Alarm & Security	501	750	-249	250	1	
42	Offices - Fire Safety Costs	8	250	-242	200	-42	
43	Offices - Business Rates	4,947	10,400	-5,453	4,947	-506	
44	Offices - Water	8	250	-242	220	-22	
45	Offices - Electricity	63	600	-537	400	-137	
46	Offices - Gas	168	1,200	-1,032	1,000	-32	
47	Offices - Trade Waste	0	250	-250	200	-50	
48	Offices - Telephones/ICT	342	1,500	-1,158	1,100	-58	
49	Offices - Garage Rent	395	350	45	0	45	
50	Offices - Cleaning Costs	15	800	-785	800	15	
51							
52	**Council Offices**	**8,587**	**24,460**	**-15,873**	**13,847**	**-2,026**	
53	**Community**						
54	Community Engagement	0	500	-500	500	0	
55	Newsletter	0	850	-850	850	0	
56	Community Endeavour Awards	0	200	-200	200	0	
57							
58	**Community**	**0**	**1,550**	**-1,550**	**1,550**	**0**	
59	**Civic**						
60	Annual Meeting	396	470	-74	0	-74	
61	Civic Service	0	470	-470	470	0	
62	Mayors Allowance	0	1,940	-1,940	2,500	560	
63	Civic Regalia	0	520	-520	1,000	480	

Holywell Town Council 2018/19

Income & Expenditure Account to 30th June 2018

	A	B	C	D (B-C)	E	F (D+E)	G
	Account / Cost Centre Detail	Actual Year To Date	Current Annual Bud	Variance Annual Total	Committed	Projected Variance	+/- £400 Variance
64							
65	**Civic**	**396**	**3,400**	**-3,004**	**3,970**	**966**	
66	**Grants/Donations**						
67	General Grants	0	5,000	-5,000	5,000	0	
68	Grants - Fron Park Bowling Club	0	250	-250	250	0	
69	Grants - Greenfield Football FC	0	500	-500	500	0	
70	Grants - Holywell Town FC	0	500	-500	500	0	
71	Grants - Flintshire CAB	0	1,000	-1,000	1,000	0	
72	Grants - Estuary Car Scheme	0	600	-600	600	0	
73	Holywell Walkers Are Welcome	0	1,000	-1,000	1,000	0	
74							
75	**Grants/Donations**	**0**	**8,850**	**-8,850**	**8,850**	**0**	
76	**Members**						
77	Travelling Expenses - Members	36	0	36	100	136	
78	Members - Subsistence Costs	96	1,290	-1,194	500	-694	
79	Members - Financial Loss	0	1,000	-1,000	500	-500	
80							
81	**Members**	**132**	**2,290**	**-2,158**	**1,100**	**-1,058**	
82	**Environment**						
83	Litter Bins	0	2,000	-2,000	2,000	0	
84							
85	**Environment**	**0**	**2,000**	**-2,000**	**2,000**	**0**	
86	**Events**						
87	Event Prizes	36	0	36	0	36	
88	Town Centre Projects	2,180	4,000	-1,820	10,820	9,000	
89	Line Dance Festival	1,595	1,550	45	0	45	
90	Well Inn Music Festival	0	10,000	-10,000	10,000	0	
91	Other Events	1,525	3,000	-1,475	1,500	25	
92	Twinning Costs	0	500	-500	0	-500	
93							
94	**Events**	**5,336**	**19,050**	**-13,714**	**22,320**	**8,606**	
95	**Play Areas**						
96	Playscheme Programme	0	8,080	-8,080	8,080	0	
97	Play Area Upgrade	0	10,000	-10,000	20,000	10,000	
98							
99	**Play Areas**	**0**	**18,080**	**-18,080**	**28,080**	**10,000**	
100	**Wales in Bloom**						
101	Wales in Bloom	1,685	6,000	-4,315	4,315	0	
102							
103	**Wales in Bloom**	**1,685**	**6,000**	**-4,315**	**4,315**	**0**	
104	**Christmas Lights**						
105	Christmas Lights Set Up	0	20,000	-20,000	20,000	0	
106	Lighting	0	780	-780	750	-30	
107							
108	**Christmas Lights**	**0**	**20,780**	**-20,780**	**20,750**	**-30**	
109	**Woodland**						
110	Grounds & Building Maintenance	0	1,270	-1,270	1,000	-270	
111							
112	**Woodland**	**0**	**1,270**	**-1,270**	**1,000**	**-270**	
113	**CCTV**						
114	CCTV Maintenance	0	19,800	-19,800	19,800	0	
115							
116	**CCTV**	**0**	**19,800**	**-19,800**	**19,800**	**0**	
117	**Community Asset Transfer (CAT)**						
118	Legal & Professional Fees	0	500	-500	500	0	
119	Contribution Holywell Leisure Centre	6,667	20,000	-13,333	13,333	0	
120							
121	**Community Asset Transfer (CAT)**	**6,667**	**20,500**	**-13,833**	**13,833**	**0**	
122							
123	**Total Income**	**-81,849**	**-233,500**	**151,651**	**-162,097**	**-10,446**	
124	**Total Expenditure**	**39,930**	**233,500**	**-193,570**	**207,397**	**13,827**	
125	**Net Income over Expenditure**	**-41,919**	**0**	**-41,919**	**45,300**	**3,381**	

Holywell Town Council

Internal Audit Report 2017/18

John Henry FCA
JDH BUSINESS SERVICES LTD

The internal audit is carried out by the following testing of the internal controls specified on the Annual Return for local councils in Wales:

Internal Control	**Internal Audit Testing**
Books of account have been properly kept throughout the year	• Ensure the cashbook is maintained and up-to-date and arithmetically correct • Document and assess the adequacy of the prime books of record (and where relevant computer software) used to record council income and expenditure transactions
Standing Orders & Financial Regulations have been adopted and applied The Council's financial regulations have been met, payments are supported by invoices, expenditure is approved, and VAT is correctly accounted for	• Ensure the Council has formerly adopted Standing Orders & Financial Regulations • Ensure a Responsible Financial Officer has been appointed • Through sample testing ensure contracts above the tendering threshold established in the Financial Regulations/Standing Orders been competitively purchased • Through sample testing ensure payments in the cashbook are supported by invoices, authorised in the minutes, have cleared the bank statements and are not ultra vires • Ensure VAT on payments been identified, recorded and reclaimed • Ensure Section 137 expenditure is separately recorded and within statutory limits • Where material services are received from independent or public sector provider(s) ensure an appropriate Service Level Agreement is in place • Having regard to the size of the council, review policy and procedure documents
Adequate arrangements are in place to manage all identified risks	• Review the minutes and identify and query with the council any unusual financial activity • Ensure the minutes record the Council carrying out and approving an annual risk assessment • Ensure key categories of insurance are in place and that fidelity cover is adequate • Having regard to the size of the Council, review whether internal financial controls are documented and regularly reviewed • Review whether the Council assessed the significant risks to achieving its objectives relative to its management of its finances and has risk management and risk mitigation procedures in place
The annual precept request is the result of a proper budgetary process; budget progress is	• Ensure the Council has prepared an annual budget in support of its precept request • Verify whether actual expenditure against the budget is regularly reported to the Council

Internal Control	**Internal Audit Testing**
regularly monitored and the council's reserves are appropriate	• Review budgetary control information and year end variance analysis. Follow up any significant unexplained variances from the budget • Review the Council reserves policy if one has been adopted. Review the analysis of reserves between earmarked and general reserves. Ensure earmarked reserves are appropriate. Review whether general reserves may be excessive or insufficient having regard to the levels of council net operating expenditure
Income procedures ensure that the correct price has been charged, income has been received, recorded and promptly banked and VAT is correctly accounted for	• Ensure through review of records that income is properly recorded and promptly banked • Through sample testing of each income stream verify that the correct price has been charged, income has been received, recorded accurately and where relevant that VAT has been accounted for • Ensure security controls over cash and near cash adequate and effective and that insurance cover is held
For those councils that maintain a petty cash system – Petty Cash Procedures ensure payments are supported by receipts, expenditure is approved and VAT is correctly accounted for	• Through sample testing ensure petty cash expenditure is recorded and supported by VAT invoices/receipts • Ensure petty cash expenditure is reported to Council meetings • Review regularity of petty cash reimbursement • Ensure VAT is reclaimed on petty cash expenditure
Wages and salaries to employees have been paid in accordance with Council approvals and PAYE and NI requirements have been properly applied	• Ensure all employees have contracts of employment with clear terms and conditions • Ensure wages and salaries paid agree with those approved by the Council • Through sample testing ensure other payments to employees are reasonable and agreed by the Council • Verify that PAYE and NIC has been properly operated by the Council as an employer
Asset and investments registers are accurate	• Ensure the Council maintains a register of all material fixed assets owned or in its care • Ensure the assets and investments registers are up-to-date • Review asset valuation policies for different asset categories • Agree any capital expenditure identified through sample testing of payments to the fixed asset register

Internal Control	Internal Audit Testing
Bank Reconciliation procedures ensure the accuracy and timeliness of periodic and year-end bank account reconciliation(s)	• Ensure there is a bank reconciliation for each account and that bank reconciliations carried out regularly and in a timely fashion having regard to the council size • Substantively test the year end bank reconciliation and agree to underlying evidence including the cash book and bank statements
Year End Procedures ensure the accuracy and completeness of the financial statements	• Agree brought forward balances • Ensure Annual Return is balanced and cast correctly • Ensure year end accounts are prepared on the correct basis for the council size (ie Receipts and Payments or Income and Expenditure accounts) • Agree audit trail from the annual return accounts to underlying financial records including the cash book • Where appropriate ensure debtors and creditors have been properly recorded • Where relevant review year end journals
Where the Council is Sole Trustee of a Charity the Council has procedures in place to meet its responsibilities as a sole trustee	Where the council acts as a sole trustee of a charity ensure that • the charity transactions have been excluded from the annual return accounts • returns required by the Charities Commission have been submitted within deadlines
Recommendations for Improvement are implemented on a timely basis	• Ensure the Council has acted on previous audit recommendations and update the internal audit action plan accordingly

Conclusion

On the basis of the internal audit work carried out, in our view the council's system of internal controls is in place, adequate for the purpose intended and effective, subject to the issues reported in the action plan overleaf.

As part of the internal audit work for the next financial year we will follow up all recommendations included in the action plan.

JDH Business Services Limited **DATE: 07/06/2018**

ACTION PLAN

	ISSUE	RECOMMENDATION	FOLLOW UP
1	Training costs (and a minor amount of subsistence costs) had been included within staff costs in the annual return as the RBS system had allocated these costs to level 4 (Staff costs) instead of level 6 (Other payments).	*The RBS ledger hierarchy should be set up to allocate training and other costs to 'Other Payments' instead of 'Staff costs' in the system generated annual return.*	
2	The clerk identified a minor difference between the VAT control account and the year end VAT returns. Therefore, the RBS software had not carried this item through automatically to the system generated VAT return.	*RBS should be informed about the accounting system defect. The council should continue to annually reconcile the VAT control account to the annual VAT return so any further instances of this issue will be identified.*	
2017/18 interim audit			
1	Financial Regulations do not currently cover internet banking or the use of a debit card. The council has approved the use of online banking which is due to be implemented shortly	*The council should urgently review the current Financial Regulations and update them to cover internet banking and the use of a debit card. Model Financial Regulations are available from NALC which reflect best practice requirements for online payments and access controls and verifying supplier*	

	ISSUE	RECOMMENDATION	FOLLOW UP
		bank details. Our 2016/17 report recommended the type of internal controls needed for online banking and debit cards.	
2	We carried out sample testing to confirm that the new RBS accounting software is correctly used to completely and accurately record all income and expenditure transactions. All testing was satisfactory except for: - through substantiating a sample of month end bank reconciliations, we identified that the month end bank balances are not always being reconciled (eg the 30/9 bank reconciliation is not strictly correct as it reconciles the 28/9 balance on the current account and the 30/9 balance on the deposit account so that a £2920 transfer has had to be manually added to the deposit account balance and a number of payments were not processed into the RBS ledger covering 29/9 and 30/9, until October 2017)	*The month end bank reconciliations should always use the month end bank statements, even if an online print of transactions from the Bank needs to be secured where a month end bank statement has not been received*	

	ISSUE	RECOMMENDATION	FOLLOW UP
3	The council does not currently have an adopted document retention policy. Such a policy would provide the council with a simple framework as to how long documents of different categories should be retained, when they should be disposed of and secure disposal requirements. Such a policy would also help the council save time and storage space by reducing the amount of information held unnecessarily.	*The council should establish a document retention policy. A copy of a retention policy for a town council has been provided to the clerk with this report as a guide.*	
2016/17 audit issues			
1	FINANCIAL REGULATIONS Budgetary control is now quarterly, however, the Financial Regulations state that budgetary control is half yearly The procurement section of the Financial Regulations indicates that the clerk to the council shall enter into contractsbetween £4000 and £50000 after securing and reviewing three quotations	*The Financial Regulations should be updated to ensure they reflect the more comprehensive budgetary controls that have actually been implemented.* *The Financial Regulations should be amended to indicate that it is the Council and not the clerk that shall enter into a contract*	*Implemented*
2	The fixed asset register includes a photocopier which is leased. If the leasing	*The classification of the lease should be determined. If the arrangement is an*	*Noted*

	ISSUE	RECOMMENDATION	FOLLOW UP
	arrangement is a finance lease after which the council will own the photocopier then it is correct to include it in the asset register, however, if it is an operating lease which means the council will not own the photocopier, then the item is not a fixed asset and should be removed from the asset register.	*operating lease then the item should be removed from the fixed asset register*	
3	The council is moving to internet banking during 2016/17, and implementing a petty cash float or debit card to defray minor expense items	*Model Financial Regulations are available from NALC which reflect best practice requirements for online payments and access controls and verifying supplier bank details. The council should review these, align them to council requirements, and adopt updated Financial Regulations.* *The Council should establish online payment procedures that are at least equivalent to the procedures that applied for cheque payments. For instance, a payment requisition form could be established that is signed by two members in advance of an online payment to provide appropriate authorisation to staff to access online banking and make the online payment. After the payment has been made a printout of the payment account details and £amount could be attached to the supplier invoice.*	*Implemented*

	ISSUE	RECOMMENDATION	FOLLOW UP
		Due to the high risk of supplier fraud through email, on no account should an email from a supplier requesting a change of account details be implemented unless a signed hard copy notification has been received and the supplier telephoned to confirm details. *If petty cash is established the level of the petty cash float should be stated in the Financial Regulations. If a debit card is implemented the maximum transaction limit, and monthly/annual limits should be established in the minutes. For petty cash or debit card, the payments should be reported to council for approval and VAT invoices should be secured and VAT reclaimed.*	
4	The council has implemented the RBS financial ledger system which enables monthly management accounts reporting. A number of key aims and objectives of the council have also been established.	*The council should consider utilising the RBS management reporting system to develop a medium term financial plan that matches finances to key aims and objectives of the council, and ensure that required earmarked reserves are set aside and adequate general reserves are maintained*	*A Business and operational plan has been developed. A medium term financial pan will be developed when the scope of the aims and objectives of the council require a medium term outlook and financial planning.*
2015/16 audit			

	ISSUE	RECOMMENDATION	FOLLOW UP
1	The Council included creditors of £10204.96 within the 2015/16 accounts of which £1644.68 is VAT. The creditor should be shown net of VAT as the VAT is reclaimable.	*The accounts should be amended to show: Total other payments= £154966 Balance carried forward= £63788 Creditors= £8560*	*Implemented*
2	A review of payroll records found that the clerk does not have a contract of employment.	*The Council should ensure that all employees have a contract of employment.*	*Implemented*
Follow up of 2014/15 audit recommendations			
1	The Council received income of £900 in 2014/15 from advertising in the 'Well Inn' festival booklet. We could see that invoices were raised for all advertising income, however it was difficult to follow individual invoices through to the cash book and bank statement.	*The audit trail could be improved by entering the invoice number in the cash book, entering the invoice number in the paying in book and writing the date paid on the invoice.*	Implemented - Audit trail between cash book and receipts has improved with the cash book and paying in book now recording references.
2	There will be some changes to the annual return for 2015/16 which will include a thematic review each year. For 2015/16 this will include examining councils' arrangements for budget setting and monitoring. We could not see evidence within the minutes that the Council have monitored	*Monitoring of income and expenditure against the budget should be recorded within the Council minutes.*	Outstanding. Formal quarterly budget monitoring reporting has not taken place. Arrangements are in place for this to be introduced in 16/17 with the purchase of an accounts package. **IMPLEMENTED 2016/17**

	ISSUE	RECOMMENDATION	FOLLOW UP
	income and expenditure against the budget during the year.		
	Guidance note for 2015/16 An area of potential risk for the Council in 2015/16 is ensuring they meet the requirements of The Pensions Regulator with respect to auto enrolment, or they may face fines. Even if staff are not eligible to be auto enrolled into a pension scheme, the Council may still have to complete a declaration of compliance.	*The Council should review this risk if they have not already done so and ensure they meet any requirements of The Pensions Regulator.* *See www.thepensionsregulator.gov.uk for further information.*	Noted
Follow up of 2013/14 audit recommendations			
1	The Council have had their interest on the high interest bond paid net of tax rather than gross.	*The Council should notify the bank they are entitled to receive the interest gross and also reclaim the tax that has been deducted.*	Implemented
	Guidance note for 2014/15 Following the repeal of section 150(5) of the Local Government Act 1972 in March 2014, Councils now are not required by law to have cheques or other orders for payment signed by two elected members.	*If the Council decide they would like to make any changes to how payments are made it is important that they review the recent guidance issued by SLCC and ensure that any new internal controls meet these requirements.* *Any changes to internal controls over payments in light of the repeal will be reviewed in future audits.*	Noted