

DEPARTMENT <b>Corporate Services</b>	AUDIT REVIEW <b>Treasury Management</b>	AUDIT REF <b>4216004</b>
PLANNED DAYS <b>7</b>	ACTUAL DAYS <b>7</b>	Frequency of Audit <b>ANNUAL</b>

**BACKGROUND**

The Treasury & Pension Investments section monitors the daily cash-flow and banking transactions of the Authority to identify funds that are surplus to immediate requirements. The surpluses are then lent/ invested to various organisations who are known as Counter Parties. The Treasury Management section within the Corporate Services Department carries out the functions of managing the investments and borrowing of the Authority on a daily basis. Treasury Management is a fundamental system of the Authority and is therefore, subject to annual review, as part of the ongoing Internal Audit Strategic Plan. The system is classified as being of medium risk.

The Mid Year Treasury Management and Prudential Indicator report was presented to the Executive Board on 21<sup>st</sup> November 2016. The report details that at the end of September 2016 the Authority’s investments stood at £54.65m, with a turnover of £632.4m for the half year to 30<sup>th</sup> September 2016. The Authority’s total borrowing was £380.50m as at 30<sup>th</sup> September 2016.

**SCOPE**

The review will cover the controls and procedures in operation to ensure that:

- Investment transactions are properly authorised and recorded;
- Independent reconciliations between the investment register, the Financial Management System and bank statements are carried out;
- Investments are made and performance is reported in accordance with the Statement of Investment Principles (SIP);
- Performance of investments are monitored on a regular basis;
- Payments of balances held on the Dividend Income Statements are promptly transferred;

**SUMMARY OF RESULTS**

The review of Treasury Management has been assessed as being of medium risk to the Authority during the audit planning process due to the value and number of transactions processed annually and the robustness of controls.

It is very pleasing to note that no issues have been identified and that the expected key controls in respect of the management and administration of the Treasury Management function continue to operate to a high standard

<b>NUMBER OF RECOMMENDATIONS</b>		<b>OVERALL ASSURANCE</b>
Priority 1- Fundamental Weaknesses	<b>None</b>	<b>High</b>
Priority 2 – Strengthen Existing Controls	<b>None</b>	
Priority 3 – Minor Issues	<b>None</b>	

DEPARTMENT <b>Corporate Services</b>	AUDIT REVIEW <b>Investments</b>	AUDIT REF <b>4216005</b>
PLANNED DAYS <b>7</b>	ACTUAL DAYS <b>7</b>	Frequency of Audit <b>ANNUAL</b>

**BACKGROUND**

The Treasury & Pension Investments Section within the Corporate Services Department carries out the function of managing investment issues in relation to the Dyfed Pension Fund and the Dyfed Welsh Church Fund. As at 30<sup>th</sup> September 2016, the market value of the Dyfed Pension Fund was £2,171 million whilst the value of the Dyfed Welsh Church Fund was £3.70 million.

During the year, the amounts invested have fluctuated ever so slightly and the main holding is within Overseas Equities. There continues to be five Investment Managers who were appointed to manage the funds on behalf of Carmarthenshire County Council.

**SCOPE**

The review will cover the controls and procedures in operation to ensure that:

- Investment transactions are properly authorised and recorded;
- Independent reconciliations between the investment register, the Financial Management System and bank statements are carried out;
- Investments are made and performance is reported in accordance with the Statement of Investment Principles (SIP);
- Performance of investments are monitored on a regular basis;
- Payments of balances held on the Dividend Income Statements are promptly transferred;

**SUMMARY OF RESULTS**

Whilst the number and value of Investment transactions are significant, the review of Investments has been classified as medium risk to the Authority due to the strength and robustness of controls identified previously.

Results from testing once again highlighted that the procedures for the management and administration of the Authority’s Investment function continue to operate to a high standard and as a consequence no issues were identified.

NUMBER OF RECOMMENDATIONS		OVERALL ASSURANCE
Priority 1- Fundamental Weaknesses	<b>None</b>	<b>High</b>
Priority 2 – Strengthen Existing Controls	<b>None</b>	
Priority 3 – Minor Issues	<b>None</b>	

DEPARTMENT <b>Corporate Services</b>	AUDIT REVIEW <b>VAT</b>	AUDIT REF <b>4216002</b>
PLANNED DAYS <b>8</b>	ACTUAL DAYS <b>8</b>	Frequency of Audit <b>ANNUAL</b>

**BACKGROUND**

VAT is a tax on consumption, essentially a ‘sales tax’. It is payable by all consumers. Since local authorities are also consumers, when they make purchases of goods and services in order to perform their functions, they may find themselves paying VAT. Equally, when they levy charges, such as for services provided by them, they may have to account for VAT to the Commissioners for Her Majesty’s Revenue and Customs (HMRC). However, under EU law, which is ultimately the law governing VAT, the default position is that local authorities – as public bodies – are exempt from paying VAT when they are performing “public functions”. Article 13 of the principal VAT Directive states that an “authority governed by public law” is not liable to pay VAT on purchases which it makes to enable it to perform its public functions. Accordingly, any VAT which has been paid, known as “input tax”, is recoverable from HMRC.

Similarly, the local authority does not need to add VAT (that is, “output tax”) on any charges which it is entitled to make when performing its functions. However, there are a number of problems which make this area of VAT law notoriously difficult, such as where a local authority is doing something under legal rules *applicable to everyone*; it is unlikely to be exempt. The Authority has staff within its Accountancy Section that deal with all VAT queries and who are responsible for the submission of monthly claims to recover VAT.

The Authority submits monthly claims to HMRC to recover VAT to an average value of approximately £1.5m.

**SCOPE**

The review covered the controls and procedures in operation for VAT to assess the extent to which:

- Recommendations in the previous Internal Audit report have been actioned;
- Adequate guidance / documented procedures exist;
- Appropriate controls and procedures are established to ensure compliance with legislation and HMRC requirements.

**SUMMARY OF RESULTS**

The review of VAT has been assessed as medium risk to the Authority during the audit planning process due to the complex nature of VAT and the volume of income and expenditure transactions processed by the Authority.

It is pleasing to report that expected key controls in respect of the management and administration of VAT are operating to an acceptable standard, with only a couple of issues being identified.

<p>The review identified that the procedures adopted meet statutory, best practice and the Authority's Financial Procedure Rules. A couple of improvements are required in order for Internal Audit to place an assurance that systems are operating to a high standard. These improvements have been agreed and have since been implemented by the responsible officers.</p>		
NUMBER OF RECOMMENDATIONS		OVERALL ASSURANCE
Priority 1- Fundamental Weaknesses	None	Acceptable
Priority 2 – Strengthen Existing Controls	2	
Priority 3 – Minor Issues	None	

DEPARTMENT <b>Corporate Services</b>	AUDIT REVIEW <b>Creditors</b>	AUDIT REF <b>4216011</b>
PLANNED DAYS <b>20</b>	ACTUAL DAYS <b>20</b>	Frequency of Audit <b>ANNUAL</b>

**BACKGROUND**

The Creditor Payments system is incorporated within the Authority’s Financial Management System ‘Agresso’. The Accounts Payable module is controlled centrally by the Payments Section based at County Hall. Payments are also processed on-line by staff based within their respective departments for which the Office Manager provides guidance.

The value of payments processed through the Creditor system in 2015 / 2016 was approximately £993million with the number of transactions processed being approximately 358,600. Figures to date for 2016 / 2017 show that the outcome for this year is set to be consistent with these figures. Due to the volume and value of transactions it is considered to be a fundamental accounting system and is essential that there are effective controls over the payments of supplies and services both centrally and by on-line users.

**SCOPE**

A review was undertaken of the system controls over the payment to creditors operated by both the Creditor Payments Section and departmental users. The review will include an assessment of the following:

- Recurring Payments
- Urgent payments

**SUMMARY OF RESULTS**

The review of Creditor Payments has previously been assessed as high risk to the Authority during the audit planning process due to the value and number of transactions processed annually.

The current review only focused on looking at the controls in operation for recurring payments and urgent payments as agreed between the Interim Head of Audit, Risk & Procurement and the Head of Financial Services.

It is pleasing to report that expected key controls are operating to an acceptable standard with only a small minor issue identified and therefore the review of Creditor Payments has been re-assessed as being of low risk to the Authority.

NUMBER OF RECOMMENDATIONS		OVERALL ASSURANCE
Priority 1- Fundamental Weaknesses	<b>None</b>	<b>High</b>
Priority 2 – Strengthen Existing Controls	<b>None</b>	
Priority 3 – Minor Issues	<b>1</b>	

DEPARTMENT <b>Corporate Services</b>	AUDIT REVIEW <b>Main Accounting</b>	AUDIT REF <b>4216001</b>
PLANNED DAYS <b>15</b>	ACTUAL DAYS <b>15</b>	Frequency of Audit <b>ANNUAL</b>

**BACKGROUND**

One of the main objectives of the main accounting function is the maximisation of the Authority's financial resources, and the establishment and monitoring of sound and efficient financial control within the Authority

The systems within the function are fundamental to the Authority and, as such, are subject to an annual review. The systems include budget setting, budget monitoring and final account preparation.

**SCOPE**

The Main Accounting System was reviewed to ensure that:

- Recommendations in the previous Internal Audit report have been actioned;
- Budgets are approved, recorded and controlled appropriately;
- The coding structure is applied in accordance with recognised procedures.

**SUMMARY OF RESULTS**

The review of Main Accounting was classified as medium risk to the Authority but due to evidence that the procedures were operating efficiently and effectively with only minor issues being identified, the risk classification will be reduced to low risk.

The current review has once again identified that the Main Accounting system is generally managed and administered to a good standard thus demonstrating an accurate reflection of the Authority's Financial Position. The controls reviewed have been found to be robust and improvements have been identified.

Minor issues in respect of virements and journals were identified and the implementation of the recommendations detailed in the action plan will ensure improvements on the existing level of control.

NUMBER OF RECOMMENDATIONS		OVERALL ASSURANCE
Priority 1- Fundamental Weaknesses	<b>None</b>	<b>High</b>
Priority 2 – Strengthen Existing Controls	<b>None</b>	
Priority 3 – Minor Issues	<b>2</b>	

DEPARTMENT <b>Corporate Services</b>	AUDIT REVIEW <b>Cash Receipting</b>	AUDIT REF <b>4216013</b>
PLANNED DAYS <b>8</b>	ACTUAL DAYS <b>8</b>	Frequency of Audit <b>ANNUAL</b>

**BACKGROUND**

The Cash Receipting system handles income paid in at the Authority’s cash desks and also processes income centrally as a means of updating the Authority’s financial systems. The Authority operates 3 Cash Desks which are based at Carmarthen, Llanelli, and Ammanford. Customers can also pay bills at numerous locations including Post Offices and Barclays Banks. The cash desks processed roughly 352,928 transactions to a net income value of £1.2 billion.

The Authority closed the cash desk at Llandeilo during the last year and introduced an interim kiosk located in the library for card payments only. The intention is to install a payment kiosk at the Civic Offices which will take cash and card payments once building work has been completed. Two kiosks which take cash and card payments have also been installed at “The Hub” which is the base for the customer services centre in Llanelli town centre.

The Llandysul office closed during May 2016 meaning that the existing partnership agreement with Ceredigion County Council to accept and process income on our behalf no longer exists.

**SCOPE**

A review will be undertaken of the procedures relating to the cash receipting system ensuring that income is secure, banked promptly and completely and accurately recorded. Visits were undertaken at the three cash desks – Carmarthen, Ammanford & Llanelli.

**SUMMARY OF RESULTS**

The review of Cash Receipting was assessed as medium risk to the Authority during the audit planning process due to the level of income received via the cash desk on an annual basis.

Current procedures continue to operate to a good standard and improvements have been made since the last Internal Audit review by addressing the recommendations. Procedures adopted have been re-assessed as being undertaken to a high standard demonstrating a good control over the security, banking and recording of income, thus achieving an overall ‘high assurance level, with minimal issues identified.

NUMBER OF RECOMMENDATIONS		OVERALL ASSURANCE
Priority 1- Fundamental Weaknesses	<b>None</b>	<b>High</b>
Priority 2 – Strengthen Existing Controls	<b>None</b>	
Priority 3 – Minor Issues	<b>None</b>	

DEPARTMENT <b>Corporate Services</b>	AUDIT REVIEW <b>Banking</b>	AUDIT REF <b>4216014</b>
PLANNED DAYS <b>8</b>	ACTUAL DAYS <b>8</b>	Frequency of Audit <b>ANNUAL</b>
<p><b>BACKGROUND</b>                  The Authority's banking arrangements have now been taken over by Barclays Bank. Previously accounts were run concurrently with both Barclays and Santander in order to enable a seamless change over, although all Santander accounts have now been closed. There are 10 main accounts which are classified as follows: Creditors Account; Payroll Account; Pensions Payroll Account; Pensions Expenditure Account; Pensions Income Account; Benefits Social Care Account; Housing Benefits Account; Income Account, Cash Cheque Account and the Money Master Account. This Audit will incorporate a review of 4 main sections:</p> <ul style="list-style-type: none"> <li>• The Administration Section - the administration of cheques such as cheque ordering, receipt of new stock, reconciliation of cheques and receipt of returned cheques;</li> <li>• The Accountancy Section - the reconciliation of the Authority's Bank;</li> <li>• The Creditor Payments Section - the administration and reconciliation of Standing Orders and Direct Debits;</li> <li>• The Treasury and Investments Section - bank mandates.</li> </ul>		
<p><b>SCOPE</b>                  To ensure that there are:</p> <ul style="list-style-type: none"> <li>• adequate, documented, procedures are in place and are complied with;</li> <li>• there are effective controls over banking arrangements which are formally documented;</li> <li>• there are effective controls over cheque stocks, cheques raised and returned cheques;</li> <li>• reconciliation of standing orders and direct debit payments are undertaken to ensure validity of all payments made;</li> <li>• effective, regular reconciliations of all bank accounts are undertaken.</li> </ul>		
<p><b>SUMMARY OF RESULTS</b>                  The review of the systems and procedures associated with the Cheques and Banking System had previously been assessed as being of low risk to the Authority due to the fact there were no significant issues identified during previous Internal Audit reviews. The procedures adopted continue to be undertaken to a high standard demonstrating a good control over banking arrangements including the security of cheques. An issue relating to Direct Debits was identified during the review which was discussed with the staff concerned who have commenced addressing the area of concern.</p>		
<b>NUMBER OF RECOMMENDATIONS</b>		<b>OVERALL ASSURANCE</b>
Priority 1- Fundamental Weaknesses	<b>None</b>	<b>High</b>
Priority 2 – Strengthen Existing Controls	<b>None</b>	
Priority 3 – Minor Issues	<b>1</b>	