

Witney Town Council

Internal Audit Report 2018-19: Final update

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*For and on behalf of
Auditing Solutions Ltd*

Background

All town and parish councils are required by statute to make arrangements for an independent internal audit examination of their accounting records and system of internal control and for the conclusions to be reported each year in the Annual Return. Auditing Solutions Ltd has provided this service to Witney Town Council since 2003.

This report sets out the work undertaken in relation to the 2018-19 financial year, during our visits on 26th September 2018 and 5th & 6th February 2019 and 20th June 2019 together with the matters arising and recommendations for action, where appropriate.

Internal Audit Approach

In undertaking our review for the year, we have had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts/Annual Return. We have employed a combination of selective sampling techniques (where appropriate) and 100% detailed checks in a number of key areas in order to gain sufficient assurance that the Council's financial and regulatory systems and controls are appropriate and fit for the purposes intended.

Our programme of cover has been designed to afford appropriate assurance that the Council's financial systems are robust and operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory regulatory framework. The programme is also designed to facilitate our completion of the 'Annual Internal Audit Report' in the Council's Annual Return, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We have concluded that, on the basis of the programme of work we have undertaken, the Council has maintained adequate and effective internal control arrangements during the year.

We ask that members consider the content of this report and acknowledge that the report has been reviewed by Council.

We are also pleased to record that, in the areas examined, no major issues or concerns have been identified and that we consider the Clerk and her staff continue to operate generally effective control procedures in each relevant area.

We have completed and signed the 'Annual Internal Audit Report' in the year's Annual Governance and Accountability Return, having concluded that, in all significant respects, the control objectives set out in that report were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

Detailed Report

Review of Accounting Arrangements & Bank Reconciliations

The Council maintains its accounting records using Omega software and continues to operate three bank accounts with Barclays, the Current account being used for the receipt of income and processing of high value payments, with the second Imprest account used for all routine payments and the third for retention of surplus funds and to provide funding for the former two accounts.

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. To that end, we have:

- Ensured that the ledger remains in balance at the current date;
- Verified the opening trial balance detail with that reported in the 2017-18 Accounts and Annual Return;
- Checked and agreed transactions in the three bank account cashbooks to the relevant bank statements for August and December 2018 and 31st March 2019 noting that these records continue to be maintained in a timely and accurate manner;
- Checked and agreed all inter account “sweep” transactions between the Imprest and premium accounts, to retain a daily balance on the former of £1,000, for the same month; and
- Checked detail on bank reconciliations as at 31st August and 31st December 2018 and 31st March 2019 for each account to ensure that no long-standing uncleared cheques or other potentially anomalous balancing entries exist.

Conclusions

We are pleased to record that no issues have been identified from work completed in this area for the financial year.

Review of Corporate Governance

Our objective here is to ensure that the Council has robust corporate governance arrangements in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We: -

- Noted previously that the Standing Orders and Financial Regulations were reviewed and formally approved at the Full Annual Council meeting on 4th May 2016;
- Noted previously that General Powers of Competence were adopted at the March 2016 Full Council meeting; and
- Have completed our review of the Council’s minutes and consideration of other governance issues for the year to identify whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council’s future financial stability.

Conclusions

We are pleased to record that no issues have been identified from work currently in this area.

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Payments are supported by appropriate records, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and/or an acknowledgement of receipt, where no other form of invoice is available;
- An official order has been raised for the acquisition of goods or service delivery, where one would be anticipated;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have completed our testing in this area, examining an extended sample of payments including those individually in excess of £4,000 on the current and imprest accounts, together with a more random sample of every 40th cashbook transaction irrespective of value processed in the financial year. Our test sample totals £542,835 and represents 64% by value of all non-pay related expenditure for the year.

We also note that VAT returns continue to be completed in a timely and accurate manner, with electronic "on-line" submission now in place, in line with HMRC requirements. We have examined the quarterly reclaims to March 2019 confirming that the detail correlates to that in the Omega VAT control account.

Conclusions

No matters arise in this area warranting formal comment or recommendation.

Assessment and Management of Risk

Our aim here is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks identified in order to minimise the opportunity for their coming to fruition.

We note that the LCRS based risk assessment documentation was formally re-adopted by Council at its March 2019 meeting.

We have also examined the Council's insurance policy schedule for 2018-19, with cover again provided by Zurich Municipal, noting that Fidelity Guarantee cover is in place at £5 million, Public Liability at £15 million & Employer's Liability at £10 million.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

Precept Determination and Budgetary Control

We aim in this area of our work to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the amount of the precept placed on the Unitary Authority, that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans. We are pleased to note that members continue to receive regular budget monitoring reports with over/under-spends and the level of earmarked reserves the subject of regular review.

We note that the precept of £1,435,067 for 2019-20 was formally approved by Full Council at its meeting on 17th December 2018. We also note that the Council will receive £29,330 by way of a Council Tax Support Grant.

We also note that members continue to receive regular budget monitoring reports with over/under-spends and the level of earmarked reserves the subject of regular review.

Conclusions

There are no matters requiring formal comment or recommendation in this area of our review process.

Review of Income

The Council receives income from a plethora of sources in addition to the annual precept. We have previously agreed a five-year strategic plan of cover of these areas with the Town Clerk and Council, which is subject to ongoing review and update, where necessary, following any changes in service provision: We have

At the interim update visit we reviewed the management controls and processes for the bookings at the Corn Exchange and the Burwell Hall. We were pleased to report that the bookings system utilising the RBS software operates in a satisfactory manner the issuing of invoices and the collection of fees being banked in a timely manner, also noting that several fees are paid by BACS directly in to the bank account.

Also examined the controls in place over the identification and recovery of income due to the Council from the two cemeteries together with the invoicing, tracing detail from the source documents and the burial records to the subsequent receipt and banking of the fees.

At the interim update visit we completed a review of the Sales Ledger and noted that there were a number of unmatched receipts to invoices outstanding. This issue was discussed with the Clerk and the Office Manager and we are again pleased to note the invoices continue to be reviewed, payments received are being matched to invoices and where appropriate payment/settlements requested.

Conclusions

At this final visit we are pleased to report that there are no issues in the areas reviewed. The Council have continued to address the outstanding sales invoices together with the processes and procedures for the collection of debtor balances.

Petty Cash Account

We are required, as part of the annual Internal Audit Certification process on the Annual Governance and Accountability Return, to indicate the soundness of controls in this area of the Council's financial activities and note that there is an Imprest style petty cash scheme with a holding of £500. We have reviewed the Petty Cash file at this visit to ensure that the system continues to operate effectively, also checking the physical cash held against the control record maintained.

At this interim update visit we have reviewed the Fuel Card payments, statements and processes relating to the Council vehicles ensuring that the forecourt receipts are being reviewed to the statement detail and the subsequent payment corresponding to the collection by direct debit from the bank account.

Conclusions

No matters have arisen warranting formal comment or recommendation in this area.

Salaries and Wages

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme, as further revised from 1st April 2015 in relation to employee percentage bandings. To meet that objective, we have checked detail of payroll transactions in August 2018, ensuring that: -

- Gross salaries are paid in accord with the approved NJC scale points;
- The correct PAYE codes and NIC tables were being applied;
- Appropriate rates of superannuation deductions are being applied;
- Timesheets are prepared, signed by the employee and certified as correct for payment by their supervising officer; and
- Net salary payments, via the BACS banking process, were in accord with staff payslips for the month.

Conclusions

We are pleased to record that no issues have been identified in this area of our review warranting formal comment or recommendation.

Fixed Asset Registers

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We have checked and agreed the principles used in the detail, as recorded in the Council's Asset Register following the review by DCK Accounting Limited (DCK), noting that it is prepared using purchase cost values or where that value is unknown at the previous year's return level or uplifted or decreased to reflect the acquisition or disposal of assets or a proxy cost as detailed in the Governance and Accountability Manual (March 2019)

Conclusion

No issues require formal comment or recommendation.

Investments and Loans

Our objectives here are to ensure that the Council is "investing" surplus funds, be they held temporarily or on a longer term basis in appropriate banking and investment institutions, that an appropriate investment policy is in place, that the Council is obtaining the best rate of return on any such investments made, that interest earned is brought to account correctly and appropriately in the accounting records. We also aim to ensure that any loan repayments due to or payable by the Council are transacted in accordance with appropriate loan agreements.

The Council has two specific investments with CCLA Investment Management Limited, a deposit account and a long-term investment in the CCLA Property Fund, with the remaining surplus funds being held in the Barclays Business Premium account.

We also note that the Council have provided a loan to the Witney Town Bowls Club repayable over a ten-year term.

Conclusions

We are pleased to report that no issues have been identified in this area of our review.

Annual Governance and Accountability Return

The Accounts and Audit Regulations required that all Councils prepare a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council's financial affairs.

As part of our year-end review we have checked the March 2019 cash books and nominal ledgers. We have completed our review of the final accounts provided by DCK without any issues to report.

We have also examined the Council's procedures in relation to the preparation of the year-end detailed Annual Governance and Accountability Return data, also reviewing the accounts for the identification of year-end debtors and creditors with no issues arising.

Conclusions

No issues have arisen in this review area and, on the basis of work undertaken during the year, we have duly signed off the Internal Audit Report of the Annual Governance and Accountability Return, assigning positive assurances in each relevant area.