
Totnes Town Council

Internal Audit Report: 2017-18

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*For and on behalf of
Auditing Solutions Ltd*

Background and Scope

The Accounts and Audit Arrangements, introduced from 1st April 2001, require all Town and Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually. The Council complied with the requirements in terms of independence from the Council decision making process appointing a local contractor to provide this service but due to ill health this arrangement came to an end and we, at Auditing Solutions Ltd, were subsequently appointed with effect from 2015-16.

Internal Audit Approach

In completing our review for 2017-18, we have continued to have regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts: this report sets out those areas examined during the course of our recent visit to the Council for the year, which took place on 14th and 15th May 2018.

Our reports and file of work undertaken for the year can be made available, on request, to the Council's external auditors should they require further assistance in gaining the required level of assurance on the adequacy of those Council's systems examined and detailed in this final report.

Overall Conclusion

We are again pleased to report that, on the basis of the work undertaken this year, we are able to conclude that the Clerk and her Deputy continue to operate effective financial control systems, with our testing and examination of the controls in place identifying no significant issues at present.

Consequently, we have duly signed off the Internal Audit Report at Page 3 of the revised Annual Governance and Accountability Return (AGAR in short), assigning positive assurances in all relevant categories.

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Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

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 meet that objective, we have: -

- Previously noted that the Council's banking arrangements were provided by HSBC and, at this current visit we note the merger of the now closed Information Centre account with the Council's principal current account;
- Agreed the opening trial balance detail for 2017-18 with the closing balances in the 2016-17 Statement of Accounts and Annual Return;
- Ensured that the cost centre and income & expenditure ledger coding structure remains appropriate for purpose;
- Checked detail in the cashbooks, examining three sample months' transactions (April & September 2017 and March 2018) and agreeing to the relevant bank statements for the accounts in place at the time; and
- Checked and agreed detail on the bank reconciliations for both accounts as at 30th April & 30th September 2017 and 31st March 2018 with no long standing, unrepresented items or any other anomalous entries arising.

Conclusions

No issues have been identified to warrant formal recommendation in this area.

Review of Corporate Governance

Our objective is to ensure that the Council has a robust series of corporate governance documentation 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 have:

- Reviewed the minutes of the Full Council and its Standing Committees for the financial year to end March 2018 to identify whether or not any issues exist that may have an adverse effect on the Council's future financial stability, either in the short, medium or longer term;
- Noted that the Council had re-affirmed its extant Standing Orders and Financial Regulations in May 2017 and no further comment is considered necessary; and
- We note that the Precept for 2018-19 was formally approved at, and properly recorded in the minutes of, the Full Council meeting in January 2018.

Conclusions

No issues have been identified to warrant formal recommendation 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 documentation, 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;
- 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.

In order to ensure compliance with the above criteria we have again examined a sample of payments, including all those individually in excess of £1,500, together with a more random sample of every 30th cashbook transaction (irrespective of value), for the year to 31st March 2018. Our test sample comprised approximately 50 items in all, totalling just over £142,000 and representing 54% of all non-pay costs for the year.

We have also visually checked the fourth quarters' electronic VAT return submissions to the underlying control account records, also verifying the closing debtor disclosed in the Statement of Accounts.

Finally in this area, we have updated our year-on-year analysis of expenditure incurred across the range of Council activities with no significant, unidentified variances warranting further enquiry or explanation by officers.

Conclusions

No issues have been identified to warrant formal recommendation in this area.

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 in order to minimise the opportunity for their coming to fruition.

- We are pleased to note that detailed Governance and Risk Registers (based on the bespoke LCRS software) were reviewed and re-affirmed by the Operations Committee at its meeting in July 2017 and, by subsequent minute adoption, Full Council in September 2017. We also note there are a plethora of physical / event assessments as retained on a sound control record file; and

- We note that the Council's insurance cover continues to be provided by Aviva (via brokers, WPS) and we have examined the current year's policy schedule (to May 2018) to ensure that appropriate cover is still place noting that both Public and Employer's Liability remain at £10 million, with Fidelity Guarantee cover retained at £393,000 and Loss of Revenue cover in place at £208,000, all of which we consider meets the needs of the Council at present.

Conclusions

No issues have been identified to warrant formal recommendation in this area.

Budgetary Control & Reserves

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and level of precept to be drawn down from the District Council: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

- We are pleased to note that members are provided with regular (generally bi-monthly) I&E budget monitoring reports and we have visually examined that for March 2018 with no significant, un-identified variances to warrant any further enquiry or explanation by officers;
- We are also pleased to note that due and appropriate consideration has been given to the budgetary and precept requirements for 2018-19 resulting in the adoption of a Precept of £355,640, excluding the supplementary Council Tax Support Grant payable of £22,230, at the Full Council meeting in January 2018; and
- Finally in this area, we note that Total Reserves as at 31st March 2018 stood at £345,000, comprising specific Earmarked items of £16,000 and the residual General Fund of £329,000. The latter represents approximately nine months expenditure at current levels, which is considered to be more than acceptable at present.

Conclusions

No issues have been identified to warrant formal recommendation in this area.

Review of Income

In addition to the precept, the Council's principal sources of income includes Guide advertising, Cottage rentals, Cemetery activities, Grants and donations, VAT recoveries and others.

- We are pleased to note that members have again reviewed and approved the scales of fees and charges for 2017-18;
- Cemetery incomes for the period September 2017 to March 2018 (five interments in all) were checked and fees agreed to the published scales;

- We have checked and agreed two sample months manual cashbook ledgers (September 2017 and March 2018) to ensure all funds were properly receipted to customers, that appropriate analysis between cash and cheques was maintained, that VAT was separately accounted for where applicable and that the bankings (generally fortnightly) listed were in accord with the bank statements and Omega records for both the Town Council's main account and the Information Centre's account;
- We are pleased to note the independent control / cross checking of the Guildhall's public donation bankings (generally weekly); and
- We have visually examined the income code transaction reports for those activities where monies could reasonably be expected to have been received, such as the two periodic (generally monthly) property rentals, with no evidence of any errors or omissions.

Finally in this area, we have updated our year-on-year analysis of income arising across the range of Council activities with no significant, unidentified variances warranting further enquiry or explanation by officers.

Conclusions

No issues have been identified to warrant formal recommendation in this area.

Petty Cash Account

As a result of the previously noted transition from the "full code" audit to the "limited assurance" regime, we are now required to express a view on the operation of petty cash accounts as part of the Internal Audit Report within the revised AGAR.

The Council operates a limited, administrative petty cash scheme at the Administrative Office with a maximum holding of £100 "topped up" as and when required. We examined all transactions in the two sample months of February and March 2018 and verified each payment to supporting supplier invoices / till receipts, also ensuring that any VAT (albeit completely immaterial) was separately identified for periodic recovery.

In addition, there is an HSBC corporate debit card available for internet and urgent supply purchases where cheques and / or Bacs payments are not applicable: the separate transactions are properly identifiable in the Omega cashbook records and a few random samples have been checked to supporting documents as part of the supplier payments testing noted earlier in this report.

Conclusions

No issues have been identified to warrant formal recommendation in this area.

Review of Salaries

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 most recently further updated with effect from 1st April 2017 in relation to salary bandings. To meet that objective, we have: -

- Ensured that the Council has again reviewed and approved pay scales for staff for 2017-18;
- Noted that the payroll service continues to be operated by the Clerk "in house", utilising bespoke SAGE software;
- Confirmed, by reference to the March 2018 payslips, that each member of staff has received the correct gross salary in line with the Council's approved scales;
- Checked to ensure that any enhanced overtime or other variable hours are paid in accordance with appropriately prepared and certified time records;
- Checked to ensure that Income Tax and NIC deductions have been made applying the appropriate PAYE codes and NIC Tables;
- Ensured that the appropriate percentage deduction rate has been applied in respect of pension contributions; and
- Verified that the appropriate net pay has been paid to each employee for the month by reference to cashbook and bank statement transactions.

Conclusions

No issues have been identified to warrant formal recommendation in this area.

Asset Register / Inventory

The "Governance and Accountability Manual – The Practitioner's Guide", requires all councils to maintain a detailed register of their assets. We aim in examining this aspect of the Council's documentation to ensure that the Council has complied with that legislation; that an appropriate and comprehensive register is being maintained and that it is subject to periodic review and update.

We are again pleased to note the existence of sound documentation in this area and that the detailed values disclosed at Box 9, Page 5 of the revised AGAR are in accordance with the registers and also verifying that no acquisitions or disposals of note were required for inclusion from the supplier payments testing noted earlier in this report.

Conclusions

No issues have been identified to warrant formal recommendation in this area.

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 and that any loan repayments due to or repayable by the Council are transacted in accordance with appropriate loan agreements.

Conclusions

Currently, the Council holds no “investments” and we have checked and agreed the bi-annual PWLB loan repayments as part of the supplier payments testing above, also verifying the residual capital balance at 31st March 2018 disclosed at Box 10, Page 5 of the AGAR to third party advice notes.

Statement of Account and Annual Return

The Accounts and Audit Regulations require all Councils to prepare annually a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council’s financial affairs.

We again note that the Deputy Clerk has been assisted with the necessary steps to close-down the ledgers and compile the summary AGAR data and supporting Income & Expenditure and Balance Sheet statements with the support of external accountancy contractors from Rialtas (the Omega software supplier) and that at the time of this visit all the documentation was available for audit purposes.

We have checked and agreed the detail of same to the underlying Omega trial balance and other relevant documentation and verified the data for transposition onto Page 5 of the revised AGAR.

Conclusions

As noted in the preamble to this report, there are no further matters arising and we have duly signed off the Internal Audit Report at Page 3 of the AGAR, assigning positive assurances in all relevant categories.