

Didcot Town Council

Internal Audit Report (First interim) 2022-23

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Background

Statute requires all town and parish councils to arrange for an independent Internal Audit (IA) examination of their accounting records and systems of internal control and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR).

This report sets out the work undertaken in relation to the 2022-23 financial year, during our first interim review of the Council's records for the year, which was undertaken on site on 2nd November 2022. We wish to thank the Clerk and her staff for assisting the process, providing all necessary documentation to facilitate commencement of our review for the year.

Internal Audit Approach

In undertaking our review, we have again had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover is designed to afford assurance that the Council's financial systems remain 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 'IA Certificate' in the Council's AGAR, which requires independent assurance over specified internal control objectives.

Overall Conclusion

We are pleased to advise that, based on the work undertaken to date, the Council continues to maintain generally adequate and effective internal control arrangements. This report will be updated as we complete further work for the financial year.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

Officers maintain the Council's accounting records using the Rialtas Omega software with support from contract accountants DCK Accounting. The Council has recently transferred its main operational bank accounts from Barclays to Unity. Five cash books are in use to record banking and investment transactions.

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. We have consequently:

- Verified the accurate carry forward of closing trial balance detail in the 2021-22 AGAR to the current year's Omega records;
- Confirmed the External Auditor raised no issues on the 2021/22 AGAR requiring our follow up;
- Verified that the financial ledger remained "in balance" as at the time of our visit, based on the backup provided;
- Discussed back up arrangements for the Council IT which we understand is done through a cloud;
- Verified the reconciliations on cash book one, current account, at 31st August and 30th September 2022 and agreed the movements in September between the bank statements and the cash book;
- Agreed the reconciliation on cash book two, the Santander deposit to the bank statement at 30th September 2022;
- For cash book four, the Civic Hall current account, agreed the reconciliation at 31st August 2022 and 30th September 2022 and agreed the movements in September between cash book and the Unity and Barclays statements including the balance transfer from Barclays to the Unity account;
- Verified the reconciliation on cash book five, the CCLA Account, to the third-party statement at 30th September and confirmed monthly interest was brought to account during the year to date;
- Agreed the reconciliation on the credit card cash book at 30th September 2022 and 31st August 2022 and the movements in September between the cash book and the Barclaycard statement; and
- Confirmed regular reconciliations were being carried out on all accounts.

Conclusions

We are pleased to record that no issues arise in this area currently, the accounts are in balance with regular reconciliations being completed and no aged or anomalous adjusting entries in the reconciliations.

We will undertake further work in this area at the next stage of our audit.

Review of Corporate Governance & Regulatory Framework

Our objective here is to ensure that the Council has a robust regulatory framework in place, that Council and Committee meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we are reasonably able to ascertain as we do not attend meetings, no actions of a potentially unlawful nature have been or are being considered for implementation. We note that:

- The Council reviewed its standing orders and financial regulations at the annual meeting in May 2022;
- The Council has a ‘Transparency’ page on its website for publishing details of larger payments, although information had not been uploaded recently at the time of our visit. It is a requirement that Councils spending over £500,000 a year publish detail of larger payments over £500 in compliance with the Transparency Code, this is done by Didcot by detailing payments in the minutes of Finance and General Purposes Committee; and
- Confirmed the Council advertised the audit of its 2021/22 accounts by publishing its notice of public rights on its website.

Conclusions

The Council is maintaining its governance arrangements. To improve transparency the Clerk plans to download the automated list of payments from Omega and ensure it is uploaded to the ‘Transparency’ page on the website.

Review of Expenditure & VAT

Our aim here is to ensure that:

- Council resources are released in accordance with the approved procedures and budgets;
- Payments are appropriately supported, 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;
- An official order has been raised on each occasion when one would be expected;
- 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 discussed with officers the controls over the processing of payments noting that DCK prepare a payment schedule which is minuted at Finance and General Purposes Committee, a member initials the paper copy invoice and another member signs off the internet banking list prior to payment.

We selected a detailed sample of cash book transactions for testing in order to provide assurance in this area. We have selected a sample of 62 payments. Our test sample includes all payments greater than

£3,000 plus a more random sample of every 30th payment recorded in the Council and Civic Hall cashbooks and totals £474,421 equating to 75% by value of non-pay related payments processed to 14th October 2022. We are pleased to record that supporting information was provided for all payments except for one for £4,715. This amount related to the Mayoral account, which due to the changes in banking, with accounts being closed, was initially put through the Unity account. The Clerk is to ask DCK to provide a statement supporting this amount and how it was treated.

The Council has recently tendered a contract for the installation of solar panels. We inspected the supporting contract detail and tender report.

We note that VAT reclaims for the Council are prepared and submitted to HMRC for repayment routinely at the close of each month during the course of the financial year. We have test checked the completion of submissions and recovery of payments.

Conclusions and recommendations

No issues arise in the area to date requiring formal recommendations. We will undertake further work later in the year following up on the Mayoral payment and reviewing controls over the authorisation of payments as the new internet banking arrangements bed in.

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 have:

- Reviewed the current insurance policy which runs to 28th November 2022 provided through Council Guard by RSA. Cover includes:
 - Buildings insurance
 - Business interruption insurance
 - Employer's liability £10m
 - Public liability £15m
 - Fidelity insurance £2m; and
- Confirmed that officers are trained to do safety inspections of play equipment and that an annual external inspection is carried out on playgrounds.

Conclusions

No issues arise in this area currently warranting formal comment or recommendation. We will review the annual formal risk assessment as part of our next review.

Review of Income

Our objective in this area is to ensure that the Council identifies and recovers all income to which it is entitled and has appropriate arrangements in place to ensure its prompt recovery. The Council receives income from a variety of sources including the annual precept; Civic Hall hire and bar / catering income; interment and associated cemetery fees; allotments; Section 106 and CIL moneys; bank interest and other miscellaneous sources. At this stage we have:

- Agreed the receipt of the 2022/23 precept accounted for in Omega to the amount set and recorded in the minutes;
- Reviewed the burial register and test checked two interments confirming certificates of cremation or burial were held and that the income recovered agreed to the schedule of charges;
- Test checked income on the Willowbrook Centre agreeing the September 2022 Bookteq report to the income recorded in Omega and discussing controls in this area with officers; and
- Review the unpaid invoices report in Rialtas.

Conclusions

No issues arise from our work in this area to date. We will undertake further work later in the financial year.

Petty Cash Account and Other Cash Holdings

The IA Certificate in the AGAR requires us to assess the Council's approach to and control of the management of petty cash account transactions.

We test checked the office petty cash. The physical cash held on the day of our visit differed to the accounting record by £3.22. This appears to be an historic difference and the accounts were adjusted to reflect this.

Conclusion

No issues arise from our work in this area to date.

Review of Staff 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 HMRC legislation as regards the deduction and payment over of income tax and NI contributions and that payments are processed to meet the rules of the Local Government Pension Scheme.

We note that payroll is administered by DCK payroll. To meet the above objectives, we have:

- Obtained the payroll reports for August and agreed the totals for net pay, pensions and amounts due to HMRC to the amounts recorded in the Omega cash book;
- Test checked the gross pay for one officer to their signed contract;
- Test checked the calculation of tax, national insurance and pension deductions for a sample of five staff;
- Confirmed signed and certified expense claims are on file; and
- Commenced our monthly trend analysis of payroll costs.

Conclusions

No issues arise from our work in this area to date.

Investments and Loans

We aim here to ensure that the Council is maximising its interest earning potential through “investment/deposit” of surplus funds in suitable interest bearing accounts/deposits. We have made previous reference in this report to the placement of surplus funds in the CCLA Deposit Fund agreeing the balance to the third-party statement.

We have checked and agreed the first half-yearly PWLB loan repayment instalments as part of our above payment review process by reference to the relevant PWLB demand notices.

Conclusions

No issues arise in this area warranting formal comment or recommendation at present. We shall undertake further work at our final review ensuring the accurate disclosure of the residual loan liability in the AGAR by reference to the UK Debt Agency website listing of all local government loan balances as at 31st March 2023.