

Didcot Town Council

Internal Audit Report (Interim) 2019-20

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Background

Statute requires all town and parish councils to arrange for an independent internal audit 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 2019-20 financial year, during our two initial visits to the Council for the year, which took place on 26th November 2019 and 8th January 2020.

Internal Audit Approach

In commencing our review, we have had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts/AGAR. Our programme of cover is also 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 'Internal Audit Report' in the Council's AGAR, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We are pleased to report that, in the areas examined to date, the Council operates generally adequate and effective internal control arrangements: we have, however, identified a number of areas where we consider that controls and working practices could and should be further strengthened. Detail of those areas are set out in the following detailed report with resultant recommendations summarised further in the appended Action Plan.

We undertook a review of the management arrangements in relation to the hire of the Civic Hall and operation of the bar on the site in February 2019. We have, during the course of our second day's visit as part of the 2019-20 IA review, re-examined the procedures in place at the venue and are pleased to acknowledge the actions already taken to improve controls in this area: however, we consider that further work is necessary to further strengthen controls and improve the clarity of audit trail in certain areas and have made appropriate reference to those in the following detailed report, with any resultant / residual recommendations again also summarised in the appended Action Plan.

This report will be updated accordingly following our two future visits for the year, the first of which is scheduled for Wednesday 26th February. Our final visit will be timed to follow close-down and preparation of the Council's detailed Statement of Accounts by the contract accountant and will, most probably take place in early June 2020.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

Officers maintain the Council accounting records using the Rialtas Omega software with three separate bank accounts in place at Barclays: two are in place primarily for the Council (Current and Deposit) with a daily sweep arrangement to leave a £2,000 balance in the former at the close of business each day, plus a separate Current account for the Civic Hall. A further very small deposit is in place with Santander (£3.81) the balance of which has not moved during 2019-20 and is, we understand, being retained to defray any mayoral expenses. The main balance of the Council's surplus funds (in excess of £800,000) is held in the CCLA Deposit Fund.

Due to the daily sweep facility in the Council's main Current and Deposit accounts, transactions are recorded in a single cashbook in Omega, with separate cashbooks being maintained for each of the Civic Hall, Santander and CCLA accounts. We understand that the Civic Hall account is due to be closed with all transactions processed through the Council's Current Account in the near future.

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 2018-19 Statement of Accounts & AGAR to the current year's Omega records;
- Verified that the financial ledger remains "in balance" at the present date;
- Verified detail in the Council combined Current & Deposit a/c cashbook for April & September 2019, plus the full year to 30th November 2019 on the Santander and CCLA a/cs agreeing detail to the relevant bank statements;
- Verified detail on the Civic Hall a/c cashbook also for April and September 2019;
- Checked and agreed detail on all account bank reconciliations as at 30th April and September 2019; and
- Reviewed the IT back-up arrangements, noting that the Council is in the process of migrating to a cloud-based arrangement.

Conclusions and recommendation

We are pleased to record that no significant issues of concern arise in this area currently: we shall extend testing at our final visit, including review of a further month's cashbook transactions and verification of the year-end bank reconciliation detail and the accurate disclosure of the combined year-end cash and bank balances in the detailed Statement of Accounts and AGAR.

We note that, whilst minutes indicate that bank reconciliations are reviewed periodically, there appears to be no formal process in place for their sign-off and dating. The latest NALC model Financial Regulations issued in mid-2019 (see also the next report section) require, at paragraph 2.2, that: -

On a regular basis, at least once in each quarter, and at each financial year end, a member other than the Chairman [or a cheque signatory] shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of

verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the council [Finance Committee].

Whilst this requirement is not legally binding, we regard it as an example of best practice and urge the Council to make appropriate arrangements for the future review, sign-off and filing of bank reconciliations.

R1. In line with best practice and the ideology set out in the NALC Model Financial Regulations, bank reconciliations should be subjected to periodic independent (of the payment release and authorisation process) scrutiny and sign-off.

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 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's Standing Orders (SOs) are under review currently and have been and remain the subject of ongoing debate: once finally adopted, we shall examine the final document, but, in the interim, urge members to adopt the document accordingly with content based on the NALC model, which is regarded as "best practice". The former internal auditors highlighted areas where the Council was non-compliant with the required statutory inclusion of detail and we also urge that in finalising the review and adoption of the revised document in the current financial year, all such issues are addressed and included accordingly.

We also note that the Clerk intends to review and update the extant Financial Regulations (FRs) and also bring them into line with the NALC Model document as soon as is physically practicable.

We have commenced a review of the Council and Standing Committee minutes, excluding those relating to planning issues, for the year to date as published on the Council's web site. Our review aims to ensure that the Council has neither considered nor is considering taking any action that may result in ultra vires expenditure being incurred. At this stage we have not examined the hard copy minutes to ensure that the former internal auditors' recommendation that each page of the hard copy documents should be signed as and when the minutes are adopted formally. We shall follow this up at our next visit (the Clerk was on leave during our second visit).

The Council's 2018-19 AGAR has been signed off by PKF Littlejohn, the appointed external auditor, with significant comment in relation to the previous accounting treatment of the Civic Hall and its exclusion from the Council's financial report detail in prior year AGARs. Other issues are also identified in their report, based fundamentally on the findings of the previous internal auditors who issued a fairly damning report on the Council's failure to comply with best practice and, in several cases, legislative requirements (e.g. Transparency Code).

We acknowledge that the Council has suffered from significant staff changes and shortages over the past twelve or more months, not least relating to the Town Clerk's position. We have discussed the position with regard to previous audit reports (both internal and external) with the present Town Clerk and note that she is endeavouring to address the identified issues as quickly as is humanely possible.

Conclusions and recommendation

As indicated above, it is evident from review of prior year external and internal audit reports that the Council has experienced a fairly tortuous period of staff changes and significant concerns in relation to its governance arrangements. Consequently, we will undertake further work in this area at our next interim and final visits monitoring progress on implementation of appropriate remedial measures.

- R2. *The Council must complete its review, update and adoption of revised Standing Orders as soon as is practicable to ensure that it functions within all appropriate legislative requirements. The document must also include appropriate reference to all statutory requirements as set out in the NALC model document (last update issued in 2018).*
- R3. *Similarly, the Council's Financial Regulations should be reviewed, brought into line with the best practice eschewed in the NALC Model document (last update issued in mid-2019), and be adopted formally as soon as practicable.*
- R4. *Appropriate action should be taken to address all issues identified in the 2018-19 internal and external audit reports.*

Review of Expenditure

Our aim here is to ensure that: -

- Council and Trust 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 reviewed, at our first visit for the year, the procedures in place for the placement of orders, approval and release of funds in respect of expenditure and consider them generally sound, although we have some concerns over the controls in place over payments processed on-line, which are set up and effected by the Finance Officer, albeit following scrutiny and approval of the payment schedule by the Town Clerk and members.

We do not wish to imply any impropriety as having occurred in this respect, but consider / suggest that the physical release of the on-line payments should be undertaken by either the Town Clerk and / or one or more nominated members to provide a greater degree of protection to the Finance Officer in the event that the Council's systems are hacked and funds absconded with by an external agent.

We also note that a separate coding /certification slip is prepared and attached to each invoice. Whilst we consider the application of authorising signatures to all invoices / payment documents

essential, the use of separate slips is both wasteful of paper and potentially a risk, as the slips could be detached leaving invoices / documentation bearing no evidence of review or certification / approval for payment and potentially available for resubmission with duplicated payments resulting. Best working practice, as applied by most of our clients, suggests that improved control and reduced risk of inappropriate action is achieved by the acquisition of a suitably designed rubber certification stamp to be placed on every invoice / payment document. Ideally the stamp should include the following information, most of which is already being provided on the separate slips currently in use: -

- Signature of budget holder / Town Clerk confirming receipt of goods and / or services as invoiced and approved for payment;
- Finance Officer's initials confirming arithmetic accuracy of invoice;
- Cost Centre and Nominal account code(s) to be charged;
- Date of entry to Omega and Purchase ledger entry reference number, where applicable;
- Method and date of payment (i.e. cheque number, etc.);
- Signature of Town Clerk or independent councillor and date confirming release of payment.

Where payments are made by Direct Debit, Standing Order or BACS / on-line, we also suggest that a unique sequential number be assigned to each such payment and be recorded on the certificate and used as a cross reference when entering data in the purchase ledger and /or Omega cashbook: this is particularly relevant as standing orders are generally for an identical amount each month / period and it affords a more effective audit trail to individual invoices.

In order to ensure compliance with the criteria set out at the start of this section of the report, we have selected an initial sample of payments processed during the year to 31st October 2019: our 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: in all 44 individual payments through the Council's current account, plus the monthly (*10) Civic Hall NNDR payments, together with 6 payments through the Civic Hall account, have been examined with no issues arising in relation to compliance.

We wish to thank the Finance Officer for her assistance in locating the invoices in our test sample, although it appeared to be a very laborious task with the invoices held loosely in filing cabinets in alphabetical order. Obviously, it is the responsible officer's decision on how the documents are filed, although we suggest that a more appropriate means of filing the invoices be considered easing both her task in finding invoices as and when any query arises (not just from ourselves).

We note that VAT reclaims for the Council are prepared and submitted to HMRC for repayment at the end of each quarter and have checked and agreed detail of the first two quarterly returns prepared and submitted to date to the underlying control account in the financial ledger.

Conclusions and recommendation

Whilst no serious or significant concerns arise in this review area, we consider that improved controls should be put in place to both protect public funds and officers from any potential misappropriation or loss whether accidental or intentional. We shall extend our test sample for the remainder of the financial year applying the same criteria at future visits, also examining and ensuring the accuracy of further quarterly VAT reclaims.

We will also examine the Council's procedures in relation to the letting and management of tenders, noting the concerns expressed over the controls in place over the depot redevelopment.

- R5. *The Council should acquire a suitably designed certification stamp, as per the detail in the body of the report, to be affixed to every payment document and be signed by the Town Clerk and / or a nominated member signing cheques / releasing payments confirming their review of the documents.*
- R6. *All payments made by Direct Debit, Standing Order or on-line should be allocated a unique sequential payment reference number to provide a clear audit trail between the cashbook / Purchase ledger and invoice / payment document.*
- R7. *Consideration should be given to a more efficient / simplified way of filing invoices in future to ease their identification and extraction when required in response to internal queries and / or audit requests.*

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 note that the Chairman presented the Council's 2018-19 Strategic Risk Assessment document to the June 2019 full Council meeting, the document being duly approved, although acknowledged as "a starting point". We also note from the previous year's internal audit report that the LCRS risk software is in use and will undertake further work in this specific area at our next review visit reporting our findings accordingly.

We have also examined the Council's 2019-20 insurance policy, cover being provided by WPS. With Public and Employer's Liability cover both in place at £10 million, together with Fidelity Guarantee cover of £2 million and a raft of furniture and equipment identified as covered on the schedule, we consider that adequate cover is in place and is appropriate to the Council's present requirements.

Conclusions

No issues arise in this area currently: we shall, as indicated above, undertake further work in this area at our next review visit, but take this opportunity to remind the clerk and members that risk assessments should be subjected to ongoing review, update and formal re-adoption at least once annually.

Budgetary Control and 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 South Oxford 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 note that deliberations are under way as regards determination of the 2020-21 budgetary and precept requirements, but that these have not, as yet, been finalised with the detail formally adopted.

Consequently, we shall monitor the outcome at either our next interim or final visit ensuring that the precept value is formally minuted as approved and adopted.

Our examination of minutes for the year to date indicates that members receive regular budget reports throughout the year based on the accounting software and that these are reviewed in depth with several questions being raised on the detail.

Conclusions

No issues arise in this area currently: we shall at future visits, as indicated above, ensure that the 2020-21 budget and precept are formally approved and adopted, also reviewing the year-end budget outturn and seeking appropriate explanations for any significant variances that might exist. We shall also consider the appropriateness of the retained General and Earmarked reserves to meet the Council's ongoing revenue spending requirements and development aspirations.

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 fees; allotments; Section 106 and CIL moneys; bank interest and from other miscellaneous sources.

We have over the course of our two visits to date this year examined income arising from allotments, interments and memorial fees and in relation to the Civic Hall, following up on issues raised in our previous report on the latter. We are pleased to acknowledge the positive action taken to address issues raised in that report, although there remain a few residual areas that require attention to strengthen controls, protect the Council's interests and ensure that a more appropriate audit trail is in place. With regard to allotments, burials and Civic Hall bookings, the Council uses the specifically designed RBS software packages to control the identification and recovery of income from these sources.

We have acquired printed detail of interments taking place during the financial year to date and checked the file of supporting documentation to ensure that all legally required documentation has been provided by undertakers in respect of each interment (i.e. burial and cremation certificates), that an undertaker's application is held for each interment and that the appropriate fees have been charged and recovered for each: we are pleased to record that no issues arise in this respect. We have also examined the file of stonemasons' applications to raise / install new headstones and add further inscriptions to existing memorials for a sample of fifteen such applications also ensuring that relevant documentation is held and that the appropriate fees have been charged and recovered. Whilst no issues of concern arise in this area, we suggest that, to provide a clear audit trail from the Cemetery software through to the Omega accounting records, when entering receipt detail in the latter, more clear referencing to the individual interment, memorial headstone purchaser, etc be included on the Omega documentation.

Similarly, we have examined the allotment records noting that total income in the Omega accounts (code 3282 - £11,680) actually exceeds the total income recorded on the RBS allotment records (£10,302): consequently, we have not undertaken any further work in this respect currently, as, as is frequently the case, a number of tenants will most probably have relinquished their allotments with new holders taking over the tenancies giving rise to duplicate fees being recovered on various plots. We shall, time permitting, undertake further work in this area at our next interim visit endeavouring to establish the reasons for the significant variance between the actual income received in the year

to that anticipated per the RBS allotment records, although we would ask that officers undertake some preliminary work in this respect to establish any obvious / alternative reasons for the financial variance between the two records.

We also note that allotment tenants pay a £40 deposit, the total holding value (£3,500.50) being correctly recorded in the Omega accounts at code 503 as a liability. The RBS allotment system generates a record of all deposits held, which totals £3,620.00. The two records should ideally be in synch and, to avoid any potential future issues, we suggest that officers endeavour to establish the true position and ensure that both records do in fact reflect the same value.

As indicated above, we are pleased to acknowledge the positive action taken to address the issues raised in our earlier report on the Civic Hall. We have provided the current clerk with a copy of the original report and, consequently, have not in this report reiterated those issues where positive action has been taken.

We have selected detail of bookings of the various rooms in the Civic Hall during October 2019, detail being maintained using the RBS bookings software package that generates various documents including a booking diary and invoices. We intended to examine two weeks detail ensuring that, for each booking, a signed booking form was held and an appropriately charged invoice had been raised.

As identified in our previous reports, booking forms are filed either in the month of the booking (casual /one-off hires) or when the booking is taken (regular / block-booking hires, etc). Consequently, we have only been able to trace a small sample of booking forms affecting the bookings in the selected period. Furthermore, as invoices are raised automatically by the software, with direct linking to the Omega accounts Sales Ledger, we understand that copies of the invoices raised are not printed off to assist with credit control. We did not have time during our visit to examine the Sales Ledger detail to ensure that appropriately charged invoices have been raised and will undertake further work in this respect at our next visit.

To provide a more effective audit trail from the booking diaries through to booking forms, we suggest that, other than for casual hires, a separate folder of regular hirer booking forms be maintained with detail filed alphabetically. We also noted, as at the time of our previous review, that more than 50% of the booking forms held for October 2019 did not bear original signatures. Whilst we acknowledge that many bookings are made over the internet, to afford the Council with more effective protection in the event of any damage occurring during a hire, we suggest that the hirers' e-mail request be printed and held with the booking forms: the e-mails should also formally confirm acceptance of the terms and conditions of hire.

We reviewed the security of the Civic Hall bar area, access keys to doors and the safe / till and physical cash holdings at our previous review and are pleased to note the positive improvements made over general security and key handling arrangements, which we now consider generally sound. Whilst we acknowledge that access to the bar area and tills has improved with a CCTV camera now sited in the bar, we noted during our visit that the main till float was held in the till, rather than in the safe.

We are pleased to note that a new very till has been acquired affording comprehensive recording of each transaction and analysis of the individual sales item, also generating stock reporting detail to assist with ordering and effective performance monitoring: we note that an independent stock checker also undertakes periodic reviews and will examine the outcome of those at our next visit

We have examined a sample of 10 till cash-up sheets completed in the run up to the Christmas period noting that only 5 had been signed and then only by one member of the bar staff at the close of the shift with none signed confirming the accuracy of the opening float. Additionally, of the 10 examined 3 identified a surplus against the total till reading (one of £50.37), whilst 3 showed relatively small cash shortages, 3 agreed exactly and one gave no information. As indicated in our previous report, we consider it essential for the opening till float to be checked and recorded at the start of each shift and signed-off as agreed, also for the closing cash-up detail to be signed. Ideally, in both cases two officers should check the physical cash and sign the sheets accordingly to afford protection to each other in the event of any significant cash shortage arising. Where significant variances arise (say £5 or more) they should be investigated further and the sheet annotated accordingly to reflect the outcome of that investigation.

Finally, in relation to income, we have examined the latest available “Sales Ledger - Unpaid Invoices by Date Report” noting that it includes a few uncleared debts dating back as far as 11th March 2017. Further examination of the detail in the report shows that the three “unpaid” 2017 invoices appear to have been offset by a credit note (CN1255) raised in September 2019. A further 6 credit notes have been raised also appearing to offset unpaid invoices – detail of these is attached at Appendix A. The report also identifies further unpaid invoices and unmatched credit notes and over / underpaid amounts dating back as far as February 2018.

Conclusions and recommendations

Examination of the Council’s main variable income streams, as above, has revealed a number of areas where both controls and filing / cross-referencing of documentation is in need of improvement to ensure that a clear audit trail is in place demonstrating that the Council has effectively identified and recovered income due in a timely manner. The following specific recommendations arise from the work we have undertaken in this area to date.

- R8. To provide a clear trail of income arising from interments, memorials and allotment rents, when entering detail of funds received into the Omega accounts, some form of identification / cross-referencing to the source records (e.g. grave or allotment reference number) should be included in Omega.*
- R9. The significant surplus of income from allotment rents in the Omega accounts over the Allotment Register detail should be investigated and explained accordingly.*
- R10. The value of allotment deposits recorded in the Allotments software should match that on the creditor control account in Omega.*
- R11. Civic Hall booking forms should be filed in an appropriate manner to simplify tracing from the Bookings software.*
- R12. Where bookings are made online, a copy of the booking request e-mail, should be filed with the booking form with hirers requested to confirm in their e-mails that they understand and accept the terms and conditions of hire.*
- R13. The till cash float should be securely locked in the bar safe when not in use, rather than be left in the till.*

- R14. Staff manning the bar should be reminded of the need to check opening floats and sign the till cash-up sheets accordingly when that check is undertaken and similarly at the close of each shift.*
- R15. Ideally, 2 officers should undertake these physical checks and sign the cash-up sheets.*
- R16. Where significant (the value to be determined by management) cash shortages or surpluses are identified when cashing up, the reasons should be investigated at that time and the outcome recorded accordingly on the cash-up sheets.*
- R17. The “Sales Ledger - Unpaid Invoices by Date” (Appendix A) should be examined and action taken to clear all credit notes against the relevant invoices: action should also be taken to investigate the reasons for the continued existence of the few long-standing uncleared debts and, if deemed appropriate they should be submitted to Council for formal write-off approval.*
- R18. Where over or under-payments have occurred, appropriate action should also be taken to clear them from the Sales Ledger.*

Petty Cash Account

We are required, as part of the internal audit certificate in the AGAR to assess the Council’s approach to and control of the management of petty cash account transactions.

We note that two petty cash accounts are in place, one for the office, which is operated on an “imprest” basis with a float of £150 and one for the Civic Hall with a float of £250. Further cash floats totalling £600 are held as change floats for the Civic Hall bar.

In order to meet the internal audit reporting arrangements in the AGAR, we have to date examined the office petty cash account ensuring that appropriate documentation is being maintained; that the account is being used for appropriate purchases and that individual purchases are not made for too high value items (i.e. purchases are for “petty” amounts only where it is not practicable for an account to be established with suppliers) and that VAT is being identified accordingly for periodic recovery. To that end, we have: -

- Examined the 20+ transactions in the year to date to ensure that all expenditure has been appropriately supported by a trade invoice or till receipt;
- Ensured that VAT has been identified for recovery, where appropriate; and
- Physically verified the office petty cash held on 8th January 2020.

Conclusions

We are pleased to record that no significant issues have been identified from the work undertaken to date in this area: however, in examining the hand-written petty cash account book, we noted a few instances where till receipts were held bearing a VAT Registration Number, but that the VAT had not been identified in the cashbook for appropriate coding and recovery. We also identified a surplus cash holding of £3.35: in discussion with the Finance Officer, it appears likely that this relates to one of the, as yet, unreimbursed till receipts held for that exact value.

We shall undertake further work in this area at our next interim visit, examining the Civic Hall petty cash account records and checking the till floats.

R19. Where vatable supplies are purchased through the petty cash account and a till receipt bearing a VAT Registration Number is obtained, the Council is entitled to and should identify the VAT (1/6th of the gross value) for inclusion on the quarterly VAT reclaims.

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 HMRC legislation as regards the deduction and payment over of income tax and NI contributions and the implementation of the nationally agreed pay award payable from 1st April 2019 with staff duly assimilated to the revised pay spinal points. To meet the above objective, we have:

- Agreed the gross salaries paid to all staff in October 2019 by reference to the Council's "Establishment record" noting that staff have been assimilated appropriately onto the new NJC spinal points introduced with effect from 1st April 2019;
- Ensured that tax and NI deductions, together with pension contributions, have been calculated applying the appropriate tax code and NI Table, also ensuring that the relevant deductions / contributions have been paid over to HMRC and the Pension Fund Administrators accurately and in a timely manner for the same month; and
- Ensured the accurate physical payment of staff net salaries for October 2019.

Conclusions

We are pleased to report that no issues have arisen from our work in this area warranting formal comment or recommendation. However, we note that the prior year internal audit report made reference to the absence of formal employment contracts for a number of staff: consequently, we shall examine a sample of contracts at our next visit to ensure that they are up-to-date and have been signed by both staff and a Council representative.

Investments and Loans

We aim here to ensure that the Council is maximising its interest earning potential through "investment/deposit" of surplus funds in high interest bearing accounts/deposits. We have made previous reference in this report to the placement of surplus funds in both a Barclays Deposit account and the CCLA Deposit Fund and have no further comment in that respect.

We have checked and agreed the first half-yearly PWLB loan repayment instalments as part of our payment review by reference to the relevant PWLB demand notices with no issues arising.

Conclusions

No issues arise in this area warranting formal comment or recommendation. We will check the second half-year's loan repayments at a future visit, also ensuring the accurate disclosure of the outstanding year-end loan liability at Section 2, Box 10 of the year's AGAR by reference to the UK Debt Agency website, where all council loan balances are disclosed at the close of each financial year.

Rec. No.	Recommendation	Response
Review of Accounting Arrangements and Bank Reconciliations		
R1	In line with best practice and the ideology set out in the NALC Model Financial Regulations, bank reconciliations should be subjected to periodic independent (of the payment release and authorisation process) scrutiny and sign-off.	
Review of Corporate Governance		
R2	The Council must complete its review, update and adoption of revised Standing Orders as soon as is practicable to ensure that it functions within all appropriate legislative requirements. The document must also include appropriate reference to all statutory requirements as set out in the NALC model document (last update issued in 2018).	
R3	Similarly, the Council's Financial Regulations should be reviewed, brought into line with the best practice eschewed in the NALC Model document (last update issued in mid-2019), and be adopted formally as soon as practicable.	
R4	Appropriate action should be taken to address all issues identified in the 2018-19 internal and external audit reports.	
Review of Expenditure & VAT		
R5	The Council should acquire a suitably designed certification stamp, as per the detail in the body of the report, to be affixed to every payment document and be signed by the Town Clerk and / or a nominated member signing cheques / releasing payments confirming their review of the documents.	
R6	All payments made by Direct Debit, Standing Order or on-line should be allocated a unique sequential payment reference number to provide a clear audit trail between the cashbook / Purchase ledger and invoice / payment document.	
R7	Consideration should be given to a more efficient / simplified way of filing invoices in future to ease their identification and extraction when required in response to internal queries and / or audit requests.	

Rec. No.	Recommendation	Response
Review of Income		
R8	To provide a clear trail of income arising from interments, memorials and allotment rents, when entering detail of funds received into the Omega accounts, some form of identification / cross-referencing to the source records (e.g. grave or allotment reference number) should be included in Omega.	
R9	The significant surplus of income from allotment rents in the Omega accounts over the Allotment Register detail should be investigated and explained accordingly.	
R10	The value of allotment deposits recorded in the Allotments software should match that on the creditor control account in Omega.	
R11	Civic Hall booking forms should be filed in an appropriate manner to simplify tracing from the Bookings software.	
R12	Where bookings are made online, a copy of the booking request e-mail, should be filed with the booking form with hirers requested to confirm in their e-mails that they understand and accept the terms and conditions of hire.	
R13	The till cash float should be securely locked in the bar safe when not in use, rather than be left in the till.	
R14	Staff manning the bar should be reminded of the need to check opening floats and sign the till cash-up sheets accordingly when that check is undertaken and similarly at the close of each shift.	
R15	Ideally, 2 officers should undertake these physical checks and sign the cash-up sheets.	
R16	Where significant (the value to be determined by management) cash shortages or surpluses are identified when cashing up, the reasons should be investigated at that time and the outcome recorded accordingly on the cash-up sheets.	
R17	The “Sales Ledger - Unpaid Invoices by Date” (Appendix A) should be examined and action taken to clear all credit notes against the relevant invoices: action should also be taken to investigate the reasons for the continued existence of the few long-standing uncleared debts and, if deemed appropriate they should be submitted to Council for formal write-off approval.	

Rec. No.	Recommendation	Response
Review of Income (Continued)		
R18	Where over or under-payments have occurred, appropriate action should also be taken to clear them from the Sales Ledger.	
Review of Petty Cash Accounts		
R19	Where vatable supplies are purchased through the petty cash account and a till receipt bearing a VAT Registration Number is obtained, the Council is entitled to and should identify the VAT (1/6 th of the gross value) for inclusion on the quarterly VAT reclaims.	