

Didcot Town Council

Internal Audit Report (Second 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 our second visit for the 2022-23 financial year which was took place on 15th February 2023. It does not repeat the findings from our first visit in November, but a consolidated report will be issued after our final review for the year scheduled for the summer.

We wish to thank the Clerk, her staff and DCK Accounting (the Council's contract accountants) for assisting the process, providing all necessary documentation to facilitate our work.

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 'Internal Audit 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.

We request this report is presented to Members.

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. Cash books are in use to record transactions on each operational bank and investment account.

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 that the financial ledger remained "in balance" as at the time of our visit, based on the backup provided, specifically we confirmed the trial balance agreed to the nominal ledger, the main accounting record in Rialtas;
- Verified the reconciliations on cash book one, Unity Trust current account, at 30th November and 31st December 2022 and agreed the movements in December between the bank statements and the cash book;
- For cash book four, the Civic Hall current account at the Unity Trust bank, similarly agreed the reconciliation at 30th November and 31st December 2022 and agreed the movements in December between cash book and the Unity Trust statements;
- Verified the reconciliation on cash book five, the CCLA Account, at 30th November and 31st December 2022 between Rialtas and the CCLA statement and agreed the receipt of interest in December to the cash book from the CCLA statement; and
- Agreed the reconciliation on the credit card cash book at 30th November and 31st December 2022 and agreed the transactions on the Card Statement for December 2022 to the cash book.

Conclusions

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

At our final review stage we will agree the cash balances reported in the AGAR to the third party statements.

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, although it is for the Council to seek legal advice where it feels necessary.

We have continued our review of Council and Committee minutes as posted on the Council website with no matters arising.

The Council needs to post larger payments on to the Transparency Page of its website to comply with the Transparency Code. At the time of our visit this was not up to date, with the latest posting being 2019.

Conclusions and recommendation

The Council is maintaining its governance arrangements. Details of larger payments need to be uploaded to the Council website. This can be done by downloading a report from Rialtas to post to the website.

R1 The Transparency page on the Council's website must be updated to show details of larger payment in the financial year.

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 at our first visit. At this stage we have extended our audit testing of a sample cash book transactions, our sample stands now at 89 payments across the Current Account and Civic Hall cash books. Our test sample includes all payments greater than £3,000 plus a more random sample of every 30th payment and totals £738,594 equating to 61% by value of non-pay related payments processed to 31st January 2023. We are pleased to record that supporting information was provided for all items sampled.

We discussed the Edmonds Park Pavilion project with the Clerk. The Council appointed Ridge and Partners LLP to provide advice on costings and development of the project through a 'Pre-Construction Services Agreement. We understand this appointment was advertised on the Government Contract Finder website. With advice from Ridge the Council tendered a design contract receiving three bids, two were reviewed by Members and Life Build Solutions Ltd appointed. We reviewed the paperwork in relation to the three bids and checked Life's invoices as part of our payment testing. The Council has built in contingencies and is reviewing costs before finalising the PWLB loan application. DCK are assisting with business planning.

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 return for month eight confirming receipt of funds into the current account cash book.

Conclusions

No issues arise in the area to date requiring formal recommendations. At our final review we will consider overall expenditure for the year and extend our testing as necessary.

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 the 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 confirmed that Finance and General Purposes Committee considered the draft 2023/24 budget and precept at their December 2022 meeting. A report was provided to support Member's deliberations which considered earmarked reserves, income and the tax base. Further a detailed analysis was provided at activity level showing budget and spend/income in the current year and projections for the coming year. Full Council approved the budget and precept at their meeting in January 2023

From our review of minutes we can see that Members of Finance and General Purposes Committee receive monthly accounts and query detail as appropriate.

Conclusions

No issues arise in this area to date requiring formal recommendations. We will consider balances and reserves at our final review in the summer.

Review of Income

Our objective in this area is to ensure that the Council identifies 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. We tested income at our initial visit, we have extended our work at this stage as follows, specifically we:

- Confirmed that the Council continues to keep its fees and charges under review;
- Reviewed lettings of the main hall in the Civic Centre selecting five bookings in November 2023 from the electronic booking diary, enquiring whether a booking form was on file and confirming the booking had been invoiced at the correct rate. For one booking the date was incorrect on the

invoice, officers are to speak to DCK to adjust the documentation as the booking was still showing as un-invoiced on the system. The Council does not hold booking agreements for regular hirer's;

- Reviewed the system for managing the Council's allotments and test checked five tenancies to the supporting tenancy agreement and checking the rent had been paid by inspecting the receipt. We confirmed the rents charged were consistent with the published schedule of fees and we compared the income due per the Allotment Ledger to the income in the Nominal Ledger for material consistency; and
- Review the unpaid invoices report in Rialtas.

Conclusions and recommendation

The Council has systems for collecting income and there are no material old unpaid invoices.

We understand the Council has asked regular hirer's re-sign booking forms, but that they have not received them back, the original ones being out and date and could not be located. It is important to obtain signed booking agreements to keep up to date records of the purpose of the hire and the name of the person responsible, also it is useful to obtain details of their insurance where appropriate.

R2 The Council must obtain signed bookings forms annually in respect of regular hirer's and obtain insurance details eg for commercial organisations or for people taking lessons.

Recommendation	Response
Review of Corporate Governance & Regulatory Framework	
R1	The Transparency page on the Council's website must be updated to show details of larger payment in the financial year.
Review of Income	
R2	The Council must obtain signed bookings forms annually in respect of regular hirer's and obtain insurance details eg for commercial organisations or for people taking lessons.