

Didcot Town Council

Internal Audit Report (Final Update) 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 three visits to the Council, which took place on 2nd November 2022, 15th February and 19th June 2023. We wish to thank the Clerk and her staff for assisting the process, providing all necessary documentation to facilitate 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, the Council continues to maintain generally adequate and effective internal control arrangements. We have signed the Internal Audit Certificate in the AGAR assigning positive assurance against the control objectives.

We request that this report is presented to Members and that the Council acknowledges when this has been done.

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 2021/22 balances to the 2022/23 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 three visits, based on the backups provided, specifically that the trial balance agreed and agreed also the nominal ledger;
- Discussed back up arrangements for the Council IT which we understand is done through a cloud;
- Verified the reconciliations on cash book one, Unity Trust current account, at 31st August, 30th September, 30th November, 31st December 2022 and 28th February and 31st March 2023 and agreed the movements in September, December and March 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. We confirmed per the Bank Statement this account was closed on 14th September 2022;
- For cash book four, the Civic Hall current account, now at the Unity Trust bank, agreed the reconciliation at 31st August, 30th September, 30th November and 31st December 2022 and 28th February and 31st March 2023 and agreed the movements in September, December and March between the cash book and the Unity and previously the 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, 30th November, 31st December 2022 and 31st March 2023 between Rialtas and the CCLA statements and confirmed interest was brought to account during the year;
- Agreed the reconciliation on the credit card cash book at 30th September, 31st August, 30th November, 31st December 2022 and 31st March 2023 and the movements in September, December and March 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 based on our work no issues arise in this area. The accounts were in balance with regular reconciliations being completed and no aged or anomalous adjusting entries in the reconciliations.

We have agreed the year end cash and bank balances from the detailed records to the AGAR at line 8.

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 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. Detail for 2022/23 was posted on the website at the time of our final visit. The Council also posts a large amount of financial information on its website, including detail of payments, included in the agendas of the 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.

We have reviewed the minutes of the Council as posted on the website for the financial year and those of standing committees, except for matters pertaining to planning.

Conclusion and recommendation

The Council is maintaining its governance arrangements.

Recommendation from interim review together with the response.

R1 The Transparency page on the Council’s website must be updated to show details of larger payments in the financial year. Council response: This has been done.

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 tested a detailed sample of cash book transactions in order to provide assurance in this area. We initially selected a sample of 89 payments. Our test sample included all payments greater than £3,000 plus a more random sample of every 30th payment recorded in the Current account and Civic Hall cashbooks covering the period to 31st January. At the year-end we selected a random sample covering the final two months of the financial year. Overall, our samples totalled £775,453 equating to 65% by value of non-pay related payments processed in 2022/23. 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 Council's Unity account. Detail of all such payments was recorded on a control account code 505, at the year end this was included in debtors. We have been advised that this balance has been transferred to the Mayor's new account with Unity in 2023/24.

During the year the Council tendered a contract for the installation of solar panels. We inspected the supporting contract detail and tender report.

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. We note that Life has now been appointed to construct the pavilion and that the Council has been awarded a loan from the PWLB.

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

No issues arise in the area requiring formal recommendations.

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 insurance policy which ran till 28th November 2022 provided through Council Guard by RSA. Cover included:
 - Buildings insurance
 - Business interruption insurance
 - Employer’s liability £10m
 - Public liability £15m
 - Fidelity insurance £2m;
 - We noted that the current insurance premium was paid in November 2022;
- Confirmed that officers are trained to do safety inspections of play equipment and that an annual external inspection is carried out on playgrounds; and
- Noted the Finance and General Purposes Committee reviewed the Council’s Strategic Risk Assessment in May 2023. The Risk Assessment identifies the risk, assesses them and outlines the mitigations. It includes a range of financial risks.

Conclusion

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

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.

At the year-end we reviewed outturn income and expenditure comparing to prior years. We note the variances between 2022/23 and the prior year relate to capital expenditure and additional salary costs linked to the new community hall.

At the 31st March 2023 total balances and reserves were £864,773 including earmarked reserves of £786,835 and a general fund of £77,938. Spending in 2022/23 per the AGAR was £1,796,727 or £149,727 a month. Ignoring capital additions in 2022/23 of £307,173 spending was £1,489,554 or

£124,130 a month. The general fund balance is less than a month's spending and is low relative to other councils where often a minimum of 3 months spending is held. Of the earmarked reserves of £786,835 some £276,000 relates to CIL.

Conclusions

The Council's balances are low. This potentially could cause difficulties should additional unexpected cost pressures arise. We understand the Council is working with DCK to develop a medium-term financial strategy to address this risk.

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. We have:

- Agreed the receipt of the 2022/23 precept accounted for in Omega to the amount set and recorded in the minutes and to the list of parish and town council precepts published independently by the Government;
- 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;
- 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 were to speak to DCK to adjust the documentation as the booking was still showing as un-invoiced on the system. The Council did 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;
- Agreed the receipt of Section 106 grants received in the year totalling £15,299 to email correspondence;
- Confirmed that the Council continues to keep its fees and charges under review; and
- Review the unpaid invoices report in Rialtas at each stage of our audit.

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 to re-sign booking forms. 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. Council response: This is now being addressed, a spreadsheet record has been set up to record detail.

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. At the year-end we confirmed petty cash balances were included in the balance sheet.

Conclusion

No issues arise from our work in this area.

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 test checked as follows:

- 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
- Completed our monthly trend analysis of payroll costs for the year.

Conclusions

No issues arise from our work in this area.

Fixed Asset Registers / Inventories

The Practitioner's Guide requires all councils to maintain a register of its assets: the Council has complied with the requirement with an appropriate register in place. The Register is maintained by DCK on a spreadsheet. It categorises assets, eg land and buildings, equipment, infrastructure etc. It identifies individual assets and records the cost of acquisition, or for land and buildings the insurance value, for inclusion in the AGAR.

We have agreed the additions during the year recorded in the Register to the accounts and agreed the total on the Register at the year-end to the AGAR at line 9.

Conclusion

No matters arise from our work in this area.

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 sample 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. At the year-end we agreed the balance reported for loans in the AGAR and the Statement of Accounts to the information on the Government's Debt Management Office website.

Conclusion

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

Statement of Accounts & AGAR

We are required as part of the IA reporting process to provide assurance that the Council's financial records prepared during the year are maintained on the correct accounting basis and are pleased to confirm compliance with that requirement. We have also considered the basis for determining year-end debtors and creditors, which are primarily generated by the Omega Sales and Purchase ledgers, together with journal entries for accruals and prepayments at the financial year-end with no issues arising.

Conclusions

No issues have been identified in this area and based on the satisfactory conclusions drawn from our review programme, we have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

We also take this opportunity to remind the Clerk of the requirements of the guidance notes in the preface to the year's AGAR in relation to the documentation that should be displayed on the Council's website, together with the need to ensure compliance with the timing requirements for publication of the Notice of Public Rights to examine the Council's documentation for the financial year.

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.	<i>This has been done.</i>
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.	This is now being addressed, a spreadsheet record has been set up to record detail.