

Didcot Town Council

Internal Audit Report (Final Update) 2023/24

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For and on behalf of Auditing Solutions Ltd

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 2023/24 financial year during our three visits to review the Council's records for the year, which were undertaken on the 16th October 2023, 14th February and 7th June 2024. We wish to thank the Clerk and DCK, (the Council's contract accountants) 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 a series of internal control objectives.

Overall Conclusions

We are pleased to advise that, based on the work undertaken, the Council continues to maintain adequate and effective internal control arrangements.

We request that 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 cash books set up to record transactions on the main Unity Bank current account, a cash book for recording transactions on the Civic Hall and further cash books for the investment in the CCLA and to record Barclaycard 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:

- Confirmed the External Auditor did not raise any additional matters on the 2022/23 AGAR requiring our follow up;
- Verified the accurate carry forward of closing trial balance detail in the 2022/23 Accounts to the 2023/24 Omega records;
- Verified that the financial ledger remained "in balance" based on the back up provided to us at the time of each of our three visits;
- Discussed arrangements for backing up the Rialtas Ledger, which is done monthly by DCK;
- Verified detail in the Council's Current and Civic Hall account cashbooks for September, December 2023 and March 2024 to the supporting Unity bank statements agreeing the reconciliations at 31st August, 30th September, 30th November, 31st December, 29th February and 31st March 2024;
- Agreed the CCLA cash book reconciliation at 31st August, 30th September, 31st October, 31st December, 29th February and 31st March and sample tested the transactions in September, November, December and March including the receipt of interest and transfers to other accounts between the Omega record and the third party statement;
- Agreed the reconciliation of the Barclaycard statement at 30th September, 31st December and 31st March between the bank and the Omega record and agreed all the transactions in September and March; and
- Noted that members have not been signing off bank reconciliations regularly during the year.

Conclusions

The Omega ledger is being maintained in balance and the bank accounts are being reconciled regularly with no aged or anomalous adjusting items. We note that Member sign-off of bank reconciliations is not up to date at the time of our final review, but we understand this will be addressed by the Clerk.

We have agreed the cash balances reported in the third party statements to the AGAR section 2 line 8 and to DCK's statement of accounts.

Review of Corporate Governance

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 determine the legality of its actions.

- We have completed our review of the Council's minutes as posted on the website, (except for Planning and Development Committee which we regard as outside the scope of our work);
- Confirmed the Council at its annual meeting in May 2023 approved its Financial Regulations and also that it considered its Standing Orders;
- Confirmed the Council annually posts detail of larger payments on its website in compliance with the Transparency Code; and
- Noted the Council advertised the audit of its 2022/23 AGAR by posting the notice of public rights on its website in accordance with the timetable.

Conclusions

We are pleased to record that no issues arise in this area warranting formal comment or recommendation.

Review of Expenditure

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 procedures in place for the approval of payments. To obtain assurance in this area we have tested a sample of transactions. We selected a total of 115 payments in total from the Unity Current account, Civic Hall account and Barclaycard cash books, plus the Non-Domestic rates (NDR) invoices paid during the year. Our test sample includes all payments greater than £3,000 plus a more random sample of every 30th payment recorded in the main current account cashbook and a smaller random sample from the Civic Hall and Barclaycard cash books. Our sample totals £3,347,620 equating to 74% by value of non-pay related payments processed to 31st March 2024. Invoices were provided to support all the payments in our sample.

The Council during the year tendered a contract to construct a splash pad, we reviewed briefly the tender documentation.

We note that monthly VAT reclaims for the Council are prepared and submitted to HMRC and sample checked these during the year. We confirmed the VAT due at 31st March 2023 was recovered in the current financial year and that the balance of VAT due at 31st March 2024 was accounted for in the debtors balances. We note the Council reviewed its de-minimis calculation during the year.

Conclusion

No matters have arisen from our work 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 note that the Finance and General Purposes Committee reviewed the 2023/24 Strategic Risk Assessment in April and again in May 2023. We note the Strategic Assessment describes the risk and the impact and identifies the mitigations. Further that it identifies a range of financial risks.

We reviewed the Council's insurance policy provided by Hiscox running from the 20th November 2023, cover includes:

- Buildings and contents;
- Business interruption loss of income cover of £600,000;
- Employer's liability cover of £10m;
- Public liability cover of £10m;
- Hirer liability cover of £5m; and
- Fidelity guarantee total cover of £1m.

We note there is a separate vehicle insurance policy provided to the Council through Country Wise.

We confirmed with the Clerk that play areas are regularly checked by Council staff to confirm they are safe and that annually an external safety inspection is completed by ROSPA.

Conclusions

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 the Finance and General Purposes Committee considered the draft 2024/25 budget and precept at their November and December 2023 meetings. Members were provided with detailed information including, projections of income and expenditure for the current year and proposals for the coming year, notes setting out assumptions, together with detail about reserve movements and the precept. DCK supported the process. Full Council approved the budget and precept at their meeting in January 2024 setting the latter at £1,470,433.

From our review of minutes and agenda papers we can see that Members of the Finance and General Purposes Committee receive detailed financial information including reports on debtors, detailed income and expenditure reports and balance sheets.

The Council's balances at the 31st March 2024 stood at £959,076. This included a general balance of £350,982. In 2024/25 the Council is budgeting to spend £1,144,014 on revenue, or some £95,000 a month. Therefore, the general balance is some 3.5 months spending and is within the range of 3 to 8 months commonly seen at parish and town councils. The Council is planning to spend some £326,419 on one off capital items to be funded from precept.

As part of our year-end review, we compared income and expenditure to the prior year and sought explanations for material variances. For this year the variances relate principally to the spend on the Pavilion at St Edmonds Park and the relating cash flows.

Conclusion

No issues arise in this area requiring formal recommendations.

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 other miscellaneous sources. Across our three visits we have:

- Confirmed the receipt of the 2023/24 precept into the accounts in accordance with the amount set and approved in the Council minutes and agreed it to the list of 2023/24 precept demands published independently by the Government;

- Confirmed that the Council continues to keep its fees and charges under review;
- Reviewed Civic Hall Lettings. We selected a sample of five bookings for October 2023 confirming the usage had been invoiced at the correct rate with the income recorded in the Rialtas Ledger. Officers were unable to locate 4 of the booking agreements in respect of our five sample lettings;
- Reviewed the arrangements for running the bar. There are two tills which are emptied every night with the floats locked in a safe in the cellar. Users have a log in PIN when signing in to the tills. The alcohol licence been updated recently listing all those licensed to sell alcohol. At the end of each shift a cashing up sheet is prepared, the 'z' reading from the till is run and card payments deducted to calculate the expected cash and to identify any possible overs and unders. The cash sheets are signed by two staff. The manager does the banking's and passes the sheets to DCK who check the income to the bank. We reviewed the cash sheets to ensure they were being completed and signed. Stock takes can be done using the EPOS system, this can be used to prepare trading accounts which is useful for identifying expected stock usage in relation to income. A stock take was underway at the time of our second visit, although this was the first for some years;
- Tested cemetery income. We selected three interments from the Burial Account Book confirming a certificate for burial or cremation was on file and that the fee charged agreed to the schedule of rates and that the income was recorded in the Rialtas Ledger; and
- Reviewed the unpaid invoices report on the Council's sales ledgers to confirm there are no large material aged items; and
- As previously noted, test checked three month's income from the bank statements to the Council cash books with no issues arising.

Conclusions and recommendations

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

Keeping booking agreements up to date is an ongoing challenge, (in common with a number of Councils). The Council may find it helpful to get regular hirer's to simply sign one annual booking agreement for the year confirming their acceptance of the terms and conditions and that they hold insurance. Changes to the detail of usage might be recorded via email from the hirer and attached to the booking agreement.

The Council has arrangements for managing the bar, but they could be strengthened through regular stock takes supplemented by trading accounts.

R1 The Council should continue to seek up to date booking agreements, although might find it helpful to review the approach retaining an annual overall agreement. Response: This is work in progress. Officers are chasing also seeking to ensure detail of insurance is held.

R2 The Council should implement six monthly stock takes and prepare bar trading accounts. Response: Regular stock takes are taking place, monthly at the Civic Hall. Officers are using the EPOS system to record units of alcohol purchase which can then be compared to sales to inform the expected stock to compare to actual stock.

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 note that the Omega ledger indicates the existence of a small petty cash balance plus till floats. We confirmed that DCK are periodically reconciling the cash held to the accounting records. We agreed the balance of cash held on the day of our first visit, £10.47, to the accounting records. At our final visit we confirmed the petty cash and floats were included in the year end reconciliation.

Conclusions

No issues have arisen from our work in this area requiring formal comment or recommendation.

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. We further check the deduction of pension contributions in line with the nationally agreed rates and the employers rate for Didcot Town Council set by the Pension Administrator.

We discussed arrangements for processing payroll which we note is done by DCK, then we:

- Test checked one officer's signed contract to their gross pay per their September payslip;
- Obtained the August summary payroll reports and agreed the totals to the Omega cash book payments;
- Test checked the calculation of tax, national insurance and pension contributions for a sample of staff paid in August;
- Test checked the payment of overtime per a sample of August payslips to the amount authorised by the Clerk; and
- Completed our month on month trend analysis of cash book payroll payments covering 2023/24 to identify any potential anomalies should they arise.

Conclusions

No issues requiring formal comment or recommendation have arisen from our work.

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 and date of acquisition showing also disposals in the year, for inclusion in the AGAR.

We tested 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 section two at line 9. The main addition related to the new Pavilion at St Edmonds Park. For this we compared the cost of the scheme per the accounts and invoices from the contractor to the addition to the Register for reasonableness.

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 interest bearing accounts/deposits. As noted previously in this report we have test checked the transactions on the CCLA account, in addition we:

- Note the Council has an investment policy in place; and
- Checked the receipt of new loan funds from the PWLB to supporting information and agreed the repayments in the year on the PWLB loans statements. At the year end we agreed the balance reported in the AGAR section two line 10 to the balance reported on the Government’s Debt Management Office website.

Conclusions

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.

As stated previously in this report we have agreed key amounts including cash and bank balances, the precept, loans and fixed assets to the year end accounts and AGAR.

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 Income		
R1	The Council should continue to seek up to date booking agreements, although might find it helpful to review the approach retaining an annual overall agreement.	This is work in progress. Officers are chasing also seeking to ensure detail of insurance is held.
R2	The Council should implement six monthly stock takes and prepare bar trading accounts.	Regular stock takes are taking place, monthly at the Civic Hall. Officers are using the EPOS system to record units of alcohol purchase which can then be compared to sales to inform the expected stock to compare to actual stock.