

## **Didcot Town Council**

*Internal Audit Report (Second interim) 2023/24*

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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 2023/24 financial year which was took place on the 14<sup>th</sup> February 2024. It does not repeat the findings in our report from our first visit in October, 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 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;
- Discussed arrangements for backing up the Rialtas Ledger, which is done monthly by DCK;
- Verified the reconciliations on cash book one, Unity Trust current account, at 30<sup>th</sup> November and 31<sup>st</sup> December 2023 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 30<sup>th</sup> November and 31<sup>st</sup> December 2023 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 31<sup>st</sup> October, 30<sup>th</sup> November and 31<sup>st</sup> December 2023 between Rialtas and the CCLA statements and agreed the receipt of interest and the fund transfers to cash book one in November and December to the cash book from the CCLA statements; and
- Agreed the reconciliation on the credit card cash book at 31<sup>st</sup> December 2023 between the card statement and the cash book.

### Conclusions

*We are pleased to record that no issues arise in this area currently. The Chair of the Finance and General Purposes Committee has recently signed the bank reconciliations. 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.

### ***Conclusion***

***The Council is maintaining its governance arrangements.***

## **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 of cash book transactions. Our sample stands now at 94 payments across the Current Account, Civic Hall and Credit Card cash books. Our test sample includes all payments greater than £3,000 plus a more random sample of every 30<sup>th</sup> payment and totals £2,695,122 equating to 70% by value of non-pay related payments processed to 31<sup>st</sup> January 2024. We are pleased to record that supporting information was provided for all items sampled.

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 months seven and eight confirming receipt of funds into the current account cash book. We note the Council reviewed recently its de-minimis calculation.

### ***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.***

## 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.

At this visit we reviewed the current insurance policy provided by Hiscox running from the 20<sup>th</sup> 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.

### *Conclusion*

*No issues arise in this area currently warranting formal comment or recommendation. We will continue to monitor arrangements at our final visit.*

## 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.

## **Conclusion**

*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 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 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
- Review the unpaid invoices report in Rialtas.

## **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.*

*R2 The Council should implement six monthly stock takes and prepare bar trading accounts.*

Recommendation	Response
<b>Review of Income</b>	
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.
R2	The Council should implement six monthly stock takes and prepare bar trading accounts.