

Didcot Town Council

Internal Audit Report (First interim) 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 first interim review of the Council's records for the year, which was undertaken on site on 16th October 2023. We wish to thank the Clerk and DCK for assisting the process, providing all necessary documentation to facilitate commencement of 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 to date, the Council continues to maintain adequate and effective internal control arrangements.

This report will be updated following our second interim review planned for early in the new year and our final review which will be timed to follow closedown of the year's Omega accounts in readiness for preparation and adoption of the year's AGAR.

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 current year's Omega records;
- Verified that the financial ledger remained "in balance" based on the back up provided to us in October 2023;
- Verified detail in the Council's Current and Civic Hall account cashbooks for September 2023 to the supporting Unity bank statements agreeing the reconciliations at 31st August and 30th September;
- Agreed the CCLA cash book reconciliation at 31st August and 30th September and agreed the transactions in September between the Omega record and the third party statement, agreeing also the internal transfers from the Current Account cash book;
- Agreed the reconciliation of the Barclaycard statement at 30th September between the bank and the Omega record and agreed all the transactions in September; and
- Noted that members have not been signing off bank reconciliations yet this year.

Conclusions

The Omega ledger is being maintained in balance and the bank accounts are being reconciled regularly. We note that Member sign-off of bank reconciliations is not up to date, but we understand this will be addressed by the Clerk.

We shall extend our testing at our later visits.

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 commenced 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; 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 currently 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 commenced our testing of transactions. To date we have selected a total of 56 payments from the Unity Current account, Civic Hall account and Barclaycard cash books, including the Non-Domestic rates (NNDR) invoices paid over 10 months 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 cashbooks and totals £1,244,104 equating to 87% by value of non-pay related payments processed to 30th September 2023. Invoices were provided to support all the payments in our sample.

We note that monthly VAT reclaims for the Council are prepared and submitted to HMRC. We confirmed the VAT due at 31st March 2023 was recovered in the current financial year and reviewed the first three monthly re-claims.

Conclusions

No matters have arisen from our work to date. We will extend our test sample at our later visits.

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. The Clerk is continuing to do work on the detail, but we note the Strategic Assessment describes the risk and the impact and identifies the mitigations. It identifies a range of financial risks.

Conclusions

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

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.

We will focus further on income at our next visit, but at this stage 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;
- 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 one month's income from the bank statements to the Council cash books with no issues arising.

Conclusion

There are no issues arising from our work to date requiring formal comment or recommendation. We will extend our testing at our next visit.

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 visit, £10.47, to the accounting records.

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
- Commenced our month on month trend analysis of cash book payroll payments to identify any potential anomalies should they arise.

Conclusions

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

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 to date on pre-existing PWLB loans.

Conclusions

No issues arise in this area warranting formal comment or recommendation at present. We shall undertake further work at our final review ensuring the accurate disclosure of the investment balances and the residual loan liability recorded in the AGAR by reference to the UK Debt Agency website and third party statements.