

Woughton Community Council

Internal Audit Report 2020-21: Interim

Adrian Shepherd-Roberts

*For and on behalf of
Auditing Solutions Ltd*

Background

All town and parish councils are required by statute to make arrangements for an independent internal audit examination of their accounting records and system 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 2020-21 financial year to date which was completed on 14th October 2020. Due to the impact of the Covid-19 pandemic, we have again undertaken our initial review for the year remotely: we wish to thank the Responsible Finance Officer/Operations Manager and Finance Assistant in assisting the process, providing all necessary documentation in electronic format to facilitate completion of our review for the year to date. We have, in the circumstances, reduced the volume of transactions examined, whilst still ensuring governance and financial controls remain effective.

Internal Audit Approach

In undertaking our review for the year to date, we have had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts/AGAR. We have employed a combination of selective sampling techniques (where appropriate) and 100% detailed checks in a number of key areas in order to gain sufficient assurance that the Council's financial and regulatory systems and controls are appropriate and fit for the purposes intended.

Our programme of cover has been designed to afford appropriate assurance that the Council's financial systems are 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 'Annual Internal Audit Report' in the Council's AGAR, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We have concluded that, on the basis of the programme of work we have undertaken to date the Council has maintained adequate and effective internal control arrangements. However, at this interim visit we identified one area where we considered that further improvements in the overall internal control environment are required. Detail of the matter identified during the course of this interim audit is set out in the body of the report, with the recommendation arising further summarised in the appended Action Plan. We acknowledge that due to the current Covid restrictions this recommendation cannot be effectively implemented,

We ask that members consider the content of this report and acknowledge that the report has been reviewed by Council.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Council uses the Omega accounting software to maintain its accounting records with a single cash book in place covering the Barclays Current and Deposit accounts, the former of which is maintained automatically by the bank at a “close of business” balance of £15,000.

Our objective in this area 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:

- Ensured that the closing balances, as reported in the 2018-19 Annual Governance and Accountability Return have been correctly carried forward as the opening balances in the current financial year;
- Checked that a full and effective cost centre and nominal account code structure remains in place;
- Checked detail of transactions recorded on the combined cashbook for two bank accounts and the savings account to supporting bank statements for April and August 2020;
- Agreed detail of all inter-account transfers between the three bank accounts for the same sample month;
- Checked and agreed detail on the bank reconciliations on the combined cashbook as at 30th April 2020 and 31st August 2020 noting that Councillors have been receiving and signing copies of reconciliations.

Conclusions

We are pleased to report that no significant issues have been identified in this area to date. We will undertake further work at our final review.

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 and that, as far as we are able to ascertain, no actions of a potentially unlawful nature have been taken nor are such being considering currently.

We note that both Standing Orders (SOs) and Financial Regulations (FRs) were reviewed by the Council in accordance with the latest revised NALC model documents, copies of which are displayed on the website.

We have commenced our review of the minutes of the Full Council and its Standing Committees meetings for the year to date in order to ensure that no issues affecting the Council’s financial stability either in the short, medium or long term exist: no such matters were identified.

Conclusions

We are pleased to report that no significant issues have been identified in this area. We will undertake further work at our final review.

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and approved budgets;
- Payments are supported by appropriate documentation, 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;
- Official orders are raised wherever deemed appropriate;
- All potential prompt payment discounts have been identified and taken;
- 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 and that the annual submission has been returned in a timely manner.

We have commenced our testing in this area, examining a sample of payments processed in the year to date of the non-pay related spending. Our sample has again been determined to ensure compliance with the above criteria.

We have also examined the periodically prepared VAT returns which have been or are in the process of being submitted to HMRC for the financial year to September 2020 reimbursement of which are yet to be received by The Council.

Conclusions and recommendations

We have reviewed the Cash books and bank reconciliations for the various bank accounts and are pleased to report that they are well maintained. We would however, consider that there is one point for general housekeeping which should be applied to ensure that Council funds are managed and controlled efficiently. We fully understand that the current Covid controls make the use of this stamp difficult to implement and will note this for future reference. We will undertake further work at our final review.

R1. A suitably designed rubber stamp should be used on all purchase invoices and direct debit statements indicating the relevant cost centre and nominal ledger codes. As noted above we will give consideration to this when the situation becomes more practical.

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: -

- Noted that the Council's Operational Risk assessments and Financial Risk Register was reviewed for the 2020-21 financial year; and
- Obtained and examined the Council's current year insurance policy with Zurich to ensure that appropriate cover is in place and that members have reviewed its content and determined that cover in each area is appropriate to the Council's needs.

Conclusions

We are pleased to report that no issues warranting formal comment or recommendation have been identified in this area.

Precept Determination and Budgetary Control

We aim in this area of our work to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the amount of the precept placed on the Unitary Authority, that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans. We are pleased to note that members continue to receive regular budget monitoring reports with over/under-spends and the level of earmarked reserves the subject of regular review.

The Council will commence consideration of the 2021-22 budgetary requirements later this year and we shall consider the action taken and outcomes, together with the approved level of precept at a future visit.

We are pleased to note that members continue to receive regular budget monitoring reports with over/under-spends and the level of earmarked reserves the subject of regular review.

Conclusions

We have been advised that the Council are to formally consider and finalise its budget and precept requirements for 2021-22 later in the financial year. Consequently, we shall review this area further at our final visit, also examining the year's budget outturn, following up any significant variances and obtaining appropriate explanations: we shall also consider the appropriateness of retained reserves to meet the Council's ongoing revenue spending requirements and any development aspirations.

Review of Income

The Council receives income from a relatively limited number of sources including meeting room and hall hire fees, interest, grants, donations and recoverable VAT.

Our objective is to ensure that robust procedures are in place to ensure that all income due to the Council is identified and invoiced (where applicable) appropriately with recovery effected within a reasonable time span. Consequently:

- We were advised previously that members would be reviewing the fees and charges for hire of the meeting rooms, however due to the current restrictions there is no indication in the minutes that fees have been reviewed.
- We have examined the nominal ledger transaction reports for the current year's income in respect of the hall hires for the Coffee Hall, Tinkers Bridge, Eaglestone and Netherfield; due to the current Covid restrictions income has been significantly reduced and we will undertake further work at our year-end review when the operations have effectively resumed; and
- We are also pleased to note that the Sales Ledger has now been reviewed and the long outstanding entries have been written off and the payments are now being allocated to the sales invoices. We have as part of this audit also reviewed the Sales Ledger unpaid invoices report and noted the clearance of the long outstanding debts.

Conclusions

We are pleased to report that no significant issues have been identified in this area to date. We will undertake further work at our final review.

Petty Cash and “Debit & Fuel Cards”

We are required, as part of the annual Internal Audit Reporting process on the AGAR, to indicate the soundness of controls in this area of the Council's financial activities and note that the Petty cash is now being operated at both the Council office and the Youth Centre.

We have not physically checked the cash but have reviewed the holdings from the information that we have been provided and we consider that it continues to operate effectively. As we are working remotely, we suggest that where possible a Council Member should confirm that the cash has been checked and the accounts balance. This should be minuted accordingly.

We have also reviewed the cash books in respect of the “All Star” fuel card and the use of Debit Cards and are pleased to report that the processes are controlled in a satisfactory manner.

Conclusions

No issues have been identified in this area warranting 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 HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme, as further revised from 1st April 2018 in relation to employee percentage bandings.

We have reviewed the procedures in place for the assessment and calculation of salaries which are completed in house. Consequently, we have:

- Checked and agreed the gross payments for each of the Council's employees for August 2020 against the Council Manager's establishment record;
- Checked the computations for net pay, tax, NI contributions and superannuation deductions for the same sample month by reference to the relevant HMRC and Pension Fund contribution tables; and
- Verified the physical net payments to staff, together with payments to HMRC and the Pension Fund Administrators.

Conclusions

There are no matters requiring formal comment or recommendation in this area of our review process.

Investments and Loans

The Council has specific funds in investments, the "surplus" funds available being held in a Barclays Premium interest-bearing bank account and circa £202k in a CCLA deposit account

The Council have two PWLB loans We have as part of our above expenditure review checked the current cash book entries to the PWLB statements and ensured that the capital and interest payments have been correctly reported in the accounts.

We also note that The Council have approved an Investment Strategy in September 2020,

Conclusions

There are no matters requiring formal comment or recommendation in this area of our review process. We will undertake further work at our final review.

Rec. No.	Recommendation	Response
Review of Expenditure		
R1	A suitably designed rubber stamp should be used on all purchase invoices and direct debit statements indicating the relevant cost centre and nominal ledger codes.	As noted above we will give consideration to this when the situation becomes more practical.