
Swaffham Town Council

Internal Audit Report: 2019-20 (Interim Update)

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*For and on behalf of
Auditing Solutions Ltd*

Background and Scope

The Accounts and Audit Arrangements introduced from 1st April 2001 require all Town and Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually. The Council complied with the requirements in terms of independence from the Council decision making process from the outset, appointing Auditing Solutions Ltd to provide the function to the Council annually for several previous years and re-affirming this decision for 2019-20. This report sets out those areas examined during the course of our recent interim update visit to the Council, which was undertaken on 10th February 2020, supplements the initial work on 5th November 2019, and will be subject to further update following the final visit at a date yet to be arranged after the year-end close down of the Accounts in May or June 2020.

Internal Audit Approach

In continuing our review of the Council's processes and records for 2019-20 we have again examined a selection of the Council's fundamental central financial control functions in order to provide assurance to members and the electorate that the systems continue to operate in accordance with best practice and approved Council procedures: we have also had regard to the materiality of those transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts.

As in previous years, we have assessed the risks associated with each financial system, based on previous experience of the extent of potential for those risks coming to fruition and tailored our review programme accordingly.

Overall Conclusion

We are pleased to conclude that, in the areas examined to date, the Council continues to have effective systems in place to ensure that transactions are free from material misstatement. The Responsible Finance Officer (RFO) and her colleagues are again to be commended on the quality of work produced and the high standards of documentation provided for the purposes of our audit visits

We are also pleased to report that no issues have been identified from the work completed to date to warrant formal comment or recommendation: consequently, it has not been considered necessary to append an Action Plan currently.

Detailed Report

Review of Accounting Arrangements & Bank Reconciliations

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. The Council remains a full Rialtas (Omega) software user, with four Current, Deposit, MUGA and Capital Reserve accounts operated at Unity Bank with separate cashbooks for each in the nominal ledger records. There are currently no supplementary Term deposits or other form of longer term investment holdings.

- We have again verified that an appropriate cost centre and nominal ledger structure remains in place for 2019-20;
- We have checked the opening Trial Balance in the accounting software for 2019-20 to the closing Financial Statements for 2018-19 to ensure that all the detailed balances have been properly rolled forward with no matters arising;
- We have checked and agreed two sample months' receipts and payments transactions (April & September 2019) from the various bank account statements to the appropriate accounting cashbooks; and
- We have checked and agreed the software based bank reconciliations as at 30th April and 30th September for all four accounts with no outstanding or anomalous entries therein.

Conclusions

There are no matters arising in this area to warrant formal recommendation currently.

Review of Corporate Governance

Our objective in this area 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 Financial Regulations and that, as far as we are able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation.

- We have previously noted during 2018-19 that the Council's Standing Orders and Financial Regulations had been the subject of periodic review and re-adoption and note that this continues to be the case with both documents considered "fit for purpose" with no revisions necessary at the Finance / Council meeting in April 2019;
- We have extended our examination of the minutes of Full Council and its new extant Standing Committees' meetings (with the exception of Planning) held to end January 2020 to ensure that, as far as we can practically be expected to be aware no issues exist affecting the Council's financial stability in the short, medium or long-term exist. We note that the on-going confidential process with Breckland DC in relation to asset transfers will not be concluded in the current municipal year and shall consider further progress in this area as part of the final visit; and

- We are pleased to note that Full Council has appropriately re-considered the criteria for the General Power of Competence at its first relevant meeting in 2019-20 and formally recorded that all areas were met.

Conclusions

There are no matters arising in this area to warrant formal recommendation currently.

Review of Expenditure

Our objective here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- An official order has been raised for supply of goods and services on each occasion where one would be anticipated;
- 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;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- 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 have extended testing in this area and examined a sample of payments in the year to 31st December 2019, including all those individually in excess of £1,500 together with a further selection of every 20th cashbook transaction (irrespective of value) during the period. Our test sample comprised approximately 45 payments, totalled more than £168,000 and represented 68% of all non-pay expenditure incurred during the year to that date.

With regard to VAT, we note that the RFO continues to make timely, electronic return submissions: we have previously examined the detail of the March 2019 debtor and return and verified the disclosure in the Statement of Accounts, and subsequently at the first interim visit we have noted the appropriate conclusion of the September 2019 submission in accord with the underlying Omega control account balances as required.

Conclusions

There are no matters arising in this area to warrant formal recommendation currently.

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 / safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage any risks identified in order to minimise the opportunity for their coming to fruition.

- We have noted previously that the Council's insurance cover is provided under a long term agreement by Zurich and we have considered the current year's policy schedule (to May 2020). Public Liability stands at £15 million, Employer's Liability stands at £10 million, Fidelity Guarantee stands at £250,000 and there is adequate Loss of Revenue cover in place at £485,000; and
- We again note that the Council has a formal Strategic Risk Assessment Register, based on the bespoke software, and the most recent "scores on the doors" were adopted by Finance / Full Council in April 2019. Consequently, no further work was considered in this area at present.

Conclusions

There are no matters arising in this area to warrant formal recommendation currently.

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 to be precepted on the District Council, 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. Consequently:

- We note from examination of current Council and Committee minutes that periodic budget monitoring reports and accompanying variance analyses continue to be considered by members of the Finance Committee (most recently to 31st October 2019), minutes of which are subsequently affirmed by Full Council, and there are no significant, un-explained variances arising therein; and
- We also noted from examination of minutes for meetings held in December 2019 and January 2020 that members had been provided with the proposed budgets and Precept for 2020-21 and, subsequently, their deliberations were concluded at Full Council on 15th January 2020 with the Precept for 2020-21 being formally adopted and properly recorded at £419,500.

Conclusions

There are no matters arising in this area to warrant formal recommendation currently.

Review of Income

In considering the Council's income streams, we aim to ensure that robust systems are in place to ensure the identification of all income due to the Council from its various sources, to ensure that it is invoiced in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council.

- We are pleased to note that members continue to review the Council's scales of fees and charges annually, those for 2019-20 having been re-affirmed in the previous municipal year with subsequent revisions to Cemetery charges with effect from May 2019;

- As noted earlier in this report, we have checked and agreed two sample months' receipts transactions from cashbooks to relevant bank statements;
- We have examined a sample of Cemetery activities (May to October 2019) by reference to the detailed Burial Registers maintained by the appropriate officer to ensure that the fees charged for each interment were in accord with the published scales depending on Ashes or Full Burial, with or without Exclusive Rights and so on and that there was no undue delay in settlements of funds and relevant entries in the Omega nominal ledgers;
- A sample of two months' weekly market trader activity (October and November 2019) was tested by reference to the sales ledger invoicing and the very sound registers maintained to reflect pitch size, funds charged, date and methodology of settlements with no matters arising to warrant further enquiry or explanation by officers; and
- We have visually examined all other income code nominal ledger transactions for the year to 31st December 2019 to ensure that there were no obvious errors or omissions where income could have reasonably expected, such as monthly property lettings and quarterly bank interest and no such cases were identified.

Conclusions

There are no matters arising in this area to warrant formal recommendation currently.

Petty Cash and Credit Card Usage

We are required, as part of the Internal Audit Certification process in the AGAR to assess and give a view on the effectiveness of control over any petty cash account in use by the Council.

- The Council operates a limited petty cash account with an Imprest "float" of £400 and we have tested a sample month's transactions (December 2019) to ensure that each was supported by appropriate invoices or till receipts, that any recoverable VAT had been separated and that the cashbook re-imburement was posted correctly; and
- The Council also holds a Lloyds Bank corporate charge card with an overall credit limit of £10,000 and settlement in full by monthly direct debit. We have tested the operation of the card by reference to the expenditure transactions in August 2019, verifying that payments were properly supported by appropriate invoices or till receipts and that the goods and services were relevant to the Council's activities.

Conclusions

There are no matters arising in this area to warrant formal recommendation currently.

Salaries and Wages

In examining the Council's payroll function, we aim to confirm that extant legislation was being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HM Revenues 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 2019 in relation to the employee contribution percentage bandings. To meet those objectives, we have:

- Ensured that the Council reviews and approves pay scales for staff annually and has duly implemented the NJC award for the current year;
- Noted previously that the Deputy Clerk continues to produce the payroll detail "in house" using bespoke software known as Brightpay and this remains the case in 2019-20;
- Agreed the amounts paid to employees by reference to the approved pay scales on the council's establishment list, examining a sample of all those salary payments made in September 2019;
- Ensured that Tax and National Insurance deductions for all employees have been made applying the appropriate PAYE code and NIC Table;
- Checked that the correct superannuation percentage deductions are being applied where applicable;
- Ensured that any variations to standard payments, such as overtime and sickness and mileage, have been subject to formal timesheet records and approval by senior officers;
- Verified the net payments to staff from payslips to the summary settlement reports and cashbook transactions; and
- Checked and agreed the payment over of deductions to HMRC and Norfolk County Council from copy payroll reports to cashbooks and have, as part of the supplier payments testing noted earlier, summarised the month by month total payments

Conclusions

There are no matters arising in this area to warrant formal recommendation currently.

Investments and Loans

Our objectives here are to ensure that the Council is "investing" surplus funds, be they held temporarily or on a longer term basis, in appropriate banking and investment institutions, that an appropriate investment policy is in place, that the Council is obtaining the best rate of return on any such investments made and that interest earned is brought to account correctly and appropriately in the accounting records. We also aim to ensure that any loan repayments due to or payable by the Council are processed in accordance with the respective and relevant loan agreements.

- The Council currently has two outstanding PWLB liabilities and we have checked and agreed the first instalment repayments in May and July 2019 from their third party “demand notices” to cashbook entries as part of the higher value supplier payments testing noted earlier in this report; and
- As noted earlier in this report, the Council does not hold any periodic Treasury term deposits or any other forms of long term investments.

Conclusions

No matters warranting formal comment or recommendation arise in this area currently.