
Thame Town Council

Internal Audit Report 2015-16 (Interim update)

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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 has complied with this requirement re-appointing Auditing Solutions Ltd to provide the service in 2015-16 following a retendering exercise. To ensure that an appropriate level of cover is provided across all the Council's financial systems, an updated strategic internal audit plan covering the five financial years from 2015-16 was agreed with the Town Clerk and Council.

This report sets out those areas examined during the course of our visits for the financial year, to date, for 2015-16, which took place on 7th October 2015 and 12th January 2016.

Internal Audit Approach

In continuing our review for 2015-16 we have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts, also paying due heed to the potential for inappropriate actions in relation to governance issues. Consequently, as and when we examine each individual financial system, we consider the key controls built into the system and update our documentation accordingly.

As the Council's Internal Auditor and under the revised audit arrangements, we have a duty to complete the internal audit certificate in the Council's Annual Return, which covers the basic financial systems and requires assurances in ten separate areas. All aspects of our review work are aimed at providing an appropriate level of assurance to members and the electorate as to the soundness of the controls in place and to inform our opinion on the internal audit certificate in the Annual Return.

Overall Conclusion

We are pleased to confirm that, in the areas examined to date, the Council continues to operate effective control systems that help ensure that transactions are free from material misstatement and will be reported accurately in the detailed Statement of Accounts and Annual Return for 2015-16. Consequently, no issues arise warranting formal comment or recommendation at this stage.

Detailed Report

Maintenance of Accounting Records & 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. We have: -

- Agreed the opening Omega trial balance detail with that in the final Statement of Accounts and certified Annual Return for 2014-15;
- Verified that the ledger remains “in balance” at the present date;
- Ensured that the cost centre and nominal ledger coding structure remains appropriate for purpose;
- Checked detail of transactions in the current account cashbook, agreeing three months’ (April, August and November 2015) transactions to the relevant Lloyds Bank account statements;
- Checked and agreed the daily “sweep” transfers to and from the Current account to maintain the Lloyds Bank Business Extra account balance at circa £2,500 for the same three months;
- Checked and agreed detail of receipt and payment transactions in the Barclays account cashbook for the year to date to 30th November 2015; and
- Checked and agreed detail on bank reconciliations prepared using the Omega accounting software, as at 30th April, 31st August and 30th November 2015 Lloyds and Barclays accounts.

Conclusions

We are pleased to report that no issues have been identified in this area of our review process at present: we shall undertake further work in this area at future visits, including ensuring that the March 2016 cashbook and bank reconciliation detail corresponds appropriately to the relevant bank statements and that the year-end balance is disclosed accurately in the detailed Statement of Accounts and annual Return.

Review of Corporate Governance

Our objective 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 are pleased to note that the Standing Orders were re-adopted by the Council in July 2015 with the Financial Regulations also submitted for approval to Full Council and adopted at the May 2015 meeting.

- We have continued our review of minutes of the Council and it’s Standing Committees for the current year against the above criteria with no issues arising at present.
- We note the continued development and adoption of various governance policies, including those on Financial Management, Anti-Fraud and Corruption, Debit Card, together with an Investment Strategy, all of which we consider further enhance the Council’s governance controls; and

- In the light of new Procurement Guidelines issued in April 2015 we have been advised that the value for formal tender action is to be considered by Full Council and encompassed in both the Standing Orders and Financial Regulations to meet the requirements of the 2015 updated EU Procurement Regulations.

Conclusions

We are pleased to report that no issues have been identified in this area warranting further comment. We have discussed the requirement for revisions to SOs and FRs following changes in EU legislation in relation to the advertising of contracts over £25,000 and have been advised that the revised wording is awaited from NALC to enable the corrections to be implemented and approved by Full Council.

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and 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;
- 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 examined the procedures in place for the authorisation and release of funds in this respect, ensuring that appropriate controls are in place and that members are undertaking appropriate reviews and checks on payments in order to ensure the effective discharge of their fiduciary responsibilities.

We have selected a sample of payments for examination to 30th November 2015 in order to ensure compliance with the above criteria and the Council's approved working practices: our test sample includes 32 individual payments in excess of £4,000 also including every 40th payment recorded in the cashbook in order to provide a more random sample and totals £417,619 equating to 71% of non-pay related payments to the above date.

We have also reviewed the management controls and procedures in respect of the authorisation and issue of grants to various local events and organisations.

Finally, in this area, we have examined the first two quarter's VAT reclaims, now submitted on-line, as required by HMRC agreeing detail to the underlying Omega control account detail.

Conclusions

We are pleased to record that no issues have been identified warranting formal comment or recommendation in this area. We shall undertake further work in this area at future 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. To meet that objective, we have:-

- Noted that the Council reviewed its extant risk assessments in March 2015, including those relating to financial control: we understand that these will be reviewed and submitted for re-adoption by the Council before the financial year-end;
- Also noted that a full review of the Health & Safety and Human Resources requirements has been undertaken by Ellis Whittam with the contract approved by Full Council and renewed for a further three-year term; and
- Examined the Council's current insurance schedule for the year to May 2016 with cover again provided by Aviva together with a separate policy for motor vehicles. We are pleased to record that cover in all areas appears appropriate for the Council's current requirements and have also reviewed the Asset Inventory comparing, where possible, the valuation figures to the policy.

Conclusions

No issues have arisen in this area warranting formal comment or recommendation: we shall continue to monitor the Council's approach to risk management at future visits.

Budgetary Control & 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 the 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 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 2016-17 later in January 2016: consequently, we shall review this area at our next visit, also examining the year's budget outturn at our final visit 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

In this area of our review process, we aim to ensure that all income due to the Council is identified, invoiced (where applicable) and recovered at the appropriate rate and within a reasonable time scale; also that it is banked promptly in accordance with the Council's Financial Regulations.

We have reviewed the controls in place over the hire of Town Hall facilities, examining a sample of transactions for November 2015 to ensure that all diarised bookings are recorded and have been invoiced at the appropriate approved fee and that payment has been received and banked accordingly.

We have also reviewed the Chipside parking procedures in relation to the recording of excess charge car parking fees examining the reports in respect of those tickets issued from October to December 2015 and the processes for the recovery of the fines.

Similarly, we have examined the processes and procedures in respect of the recovery /collection of income from the Christmas Market and Farmers Markets to ensure that the correct fees are collected in relation to the number of stall holders present.

We have also reviewed the Sales Ledger, as it stands currently, and are pleased to report that no significant or long-standing debts are in existence.

We are also pleased to note that members have considered and approved increases in fees and charges in certain areas in accordance with the requirements of the approved Financial Regulations.

Conclusions

We are pleased to record that no issues arise in this area: we will update our year-on-year analysis of income across the various budget headings at our final visit.

Petty Cash Account

Whilst the amount of spending involved by way of petty cash is very limited, we are required, as part of the annual Internal Audit Reporting process on the Annual Return, to indicate the soundness of controls in this area of the Council's financial activities. Consequently, we aim to ensure that petty cash payments are appropriately supported by a trade invoice or relevant till receipt; that, where applicable, VAT has been identified for recovery and appropriate entries are made in the Omega expenditure codes.

The Council operates an "imprest" account with an approved maximum float of £300, payment detail being summarised in a monthly spreadsheet analysing expenditure accordingly to the relevant nominal codes. We have examined payments in September 2015 and are pleased to report that all were supported appropriately, that VAT had been identified accordingly for recovery from HMRC and that monthly reimbursements made from the Barclays current account have been accounted for appropriately.

At our first visit we also checked the physical cash held, agreeing detail to the supporting trade invoices and till receipts for expenses incurred subsequent to the last "top-up" to the imprest holding of £300; we have also checked and agreed the petty cash and cash float held in the reception till.

We have, at this interim update visit, checked the cash held in the Tourist Information till to the printout provided and cross referenced the takings to include income and receipts in respect of the Farmers Market.

At our first visit, we noted that the Council had opened a debit card facility with the Clerk being sole operator of this card. We have reviewed the payment checking procedures and consider them satisfactory; subsequently at this interim update visit we reviewed the payments from September 2015 to January 2016 including the purchase orders and relevant supporting invoices.

Conclusions

No matters arise warranting formal comment or recommendation.

Review of 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 2015 in relation to employee percentage bandings.

The Council continues to use the services of an external payroll bureau (Moorepay Limited) to service its payroll requirements: in order to meet the above objectives, we have: -

- Ensured that the Council reviews and approves pay scales for staff annually, noting that all employees are on formal SCP scales;
- Agreed the gross salaries payable to individuals in September 2015 by reference to the Council's approved pay scales;
- Checked and agreed detail of all enhanced payments processed with the September salaries to supporting and appropriately certified time sheets / travel expense claims;
- Ensured that Tax and NIC deductions and employer's contributions have been calculated appropriately and been paid over to HMRC in an accurate and timely manner; and
- Ensured that the appropriate employee and employer contributions to the pension scheme have been determined.

Conclusions

We are pleased to report that no issues have been identified in this area of our review process.

Investments and Loans

The Council has a range of investments managed by an external fund manager (Rathbones Investment Management). We previously noted re-adoption of the Annual Investment Strategy by the Policy and Resources Committee in October 2014 and by Council in March 2015 with members agreeing that no changes in content were necessary at that time. We have subsequently examined the performance of the investment portfolio managed by Rathbones with no issues arising.

The Council has three outstanding PWLB loans currently: we have verified detail of the two half-yearly repayment instalments for 2015-16 to the PWLB repayment demands.

We also noted that the Council had agreed and provided a two third party loans, which were repayable over 5 years and 12 years respectively, secured by a charge over land and/or buildings. We note that the 5 year loan has been fully repaid ahead of the agreed loan period. The 12 year loan has yet to be drawn down as the charge and loan agreement are still in the process of registration by the Council's solicitors.

Conclusions

No matters arise in this area of our review for the year to date. We shall undertake further work in this area at future visits to ensure that the loan security documentation has been completed accordingly.