AUDITING SOLUTIONS LTD

Thame Town Council

Internal Audit Report 2020-21: Final update

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 Return. Auditing Solutions Ltd has provided this service to Thame Town Council since 2005.

This report sets out the work undertaken in relation to the 2020-21 financial year to date which was completed by 26th November 2020 and 22nd February and 10th June 2021. Due to the impact of the Covid-19 pandemic, we have undertaken our reviews for the year remotely: we wish to thank the Responsible Finance Officer and staff 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, in some areas, the volume of transactions examined, whilst still ensuring governance and financial controls remain effective.

Internal Audit Approach

In undertaking our reviews for the year, 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/Annual Return. 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 Annual Return, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We are pleased to conclude that, in the areas examined to date, the Council continues to have effective systems in place to help ensure that transactions are free from material misstatement and will be reported accurately in the Annual Governance and Accountability Return for the financial year.

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

We are also pleased to record that Council members and officers continue to operate a sound, pro-active approach to risk management and corporate governance issues, together with the development and management of effective internal controls and procedural documentation.

This report has been prepared for the sole use of Thame Town Council. To the fullest extent permitted by law, no responsibility or liability is accepted by Auditing Solutions Ltd to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

We have completed and signed the 'Annual Internal Audit Report' in the year's Annual Governance and Accountability Return, having concluded that, in all significant respects, the control objectives set out in that report were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

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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 Rialtas/Omega trial balance detail with that in the final Statement of Accounts and certified Annual Return for 2019-20;
- 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 a sample of transactions in the current account cashbook, agreeing two months' transactions (April & September 2020 & January and March 2021) 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;
- Checked and agreed detail of receipt and payment transactions in the Barclays account cashbook for the year to 30th April & 30th September 2020 & 31st January and 31st March 2021; and
- Checked and agreed detail on bank reconciliations prepared using the Rialtas/Omega accounting software, as at 30th April & 30th September 2020 & 31st January and 31st March 2021 for the Lloyds and Barclays accounts.

Conclusions

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

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 and Financial Regulations were re-adopted by the Council at the May 2019 meeting.

- We have completed our review of minutes of the Council and it's Standing Committees for the year against the above criteria with no issues arising at present; and
- We note that the Standing Orders and Financial Regulations were adopted at the Full Council meeting on 14th May 2019. They were due to be reviewed at the March 2020 Annual Town Meeting, however due to the Covid 19 restrictions this meeting was cancelled.

Conclusions

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

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.

Following the implementation of electronic payments, we previuosly 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 completed the testing of our sample of payments to January 2021 in order to ensure compliance with the above criteria and the Council's approved working practices:

We have also examined the quarterly VAT reclaims to March 2021 which are submitted on line as required by HMRC and also reflected in the debtor figures at the financial year end.

Conclusions

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

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 Internal Controls and Financial Risk assessments which were approved by Full Council in March 2021.

- Also noted that the Health & Safety and Human Resources requirements provided by Ellis Whittam was approved by Policy & Resources in July 2019 and renewed for a further term; and
- Examined the Council's current insurance schedule for the year to May 2021 with underwriting cover provided by Local Councils 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.

Conclusions

No issues have arisen in this area warranting formal comment or recommendation.

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 note that, on 19th November 2020, a precept of £807,268 be raised for the precept for 2021-22 which was formally approved by Full Council.

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

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

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.

At this interim update visit we reviewed the Chipside parking procedures in relation to the recording of excess charge car parking fees examining the data in respect of those tickets issued from November & December 2020 and the subsequent recovery of the fines.

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

We also previously reviewed fees and charges for the meeting rooms and SRRG football pitch hire in accordance with the requirements of the Financial Regulations for 2019-20

noting that they were approved at the April meeting of the Policy and Resources Committee and are to remain the same as previously recorded.

Conclusions

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

Petty Cash Account

Our aim in this area is to ensure that appropriate controls are in place; that all expenditure incurred is adequately supported by trade invoices or till receipts; that the expenditure is appropriate for the Council's requirements; that VAT has been separately identified for periodic recovery and that cheque encashments from the main cashbooks are properly recorded.

We have not physically checked the cash but have reviewed the holding from the information that we have been provided. We note that an independent check has been undertaken to confirm the account balances which has been minuted accordingly.

At the interim update audit we reviewed a sample of the fuel card transactions.

Conclusions

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

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 2018 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 October 2020 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.

Fixed Asset Registers

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We will check and agree the principles used in the detail, as recorded in the Council's Asset Register using purchase cost values or where that value is unknown at the previous year's Return level or uplifted or decreased to reflect the acquisition or disposal of assets. This register is updated by DCK Accounting Solutions, their accountants and we will review this register along with the year-end figures once they have been finalised with the Council.

Conclusion

No issues require formal comment or recommendation at this present time.

Investments and Loans

The Council has a range of investments managed by an external fund manager (Rathbones Investment Management). We have noted re-adoption of the Annual Investment Strategy by the Policy and Resources Committee in February 2020.

We have also noted the current reduction in the Lloyds 32-day account and that the Unity Bank deposit was not reinvested partly due to the funding of a sports project. We have been advised that these investments may be reviewed again in May 2021, Currently the balances are £22,519.

The Council has two outstanding PWLB loans: we have verified detail of the half-yearly repayment instalments for 2020-21 to the repayment demands.

We have also noted, as in a previous report, that the Council agreed and provided a third-party loan, which was repayable over 12 years, secured by a legal charge over land and/or buildings. The 12-year loan was registered by the Council's solicitors and it has been drawn down with capital repayments, excluding interest, being made monthly.

We have also noted from the accounts that The Council has provided an unsecured loan of £40,000 to Thame Cricket Club for a 12-year term.

The accounts also reflect a secured loan to Thame Sports Club Limited on a 12-year term for £40,000. The loan is interest bearing after an initial free two-year term.

Conclusions

No matters arise in this area of our review for the year.

Annual Governance and Accountability Return

The Accounts and Audit Regulations required that all Councils prepare a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council's financial affairs.

As part of our year-end review we have checked to the March 2021 cash books and nominal ledgers. We have also reviewed the accounts completed by DCK Accounting Solutions including the year-end figures.

We have also examined the Council's procedures and data in relation to the preparation of the year-end detailed accounts and Annual Governance and Accountability Return data and are satisfied that there are no issues arising.

Conclusions

No issues have arisen in the review areas and on the basis of work undertaken during the year, we have duly signed off the Internal Audit Report of the Annual Governance and Accountability Return, assigning positive assurances in each relevant area.