

Banbury Town Council

Internal Audit Report 2018-19 (Final)

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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 examination of their accounting records and systems of internal control and for the conclusions to be reported each year in the Annual Return. This report sets out the work undertaken during our visits to the Council on 11th September, 15th January, 12th March and 24th June 2019.

Internal Audit Approach

In completing our review 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. Our programme of cover is 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 'Internal Audit Report' in the Council's Annual Return, which requires independent assurance over a series of internal control objectives.

Overall Conclusion

We have concluded that, on the basis of the programme of work we have undertaken, the Council has maintained adequate and effective internal control arrangements during the 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, in the areas examined, no major issues or concerns have been identified and we consider the Clerk and staff continue to operate generally effective control procedures in each relevant area.

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.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Council uses the Omega software to maintain its accounting records. Three bank accounts are operated with NatWest (Disbursements; Salaries and Special Interest) with transactions on each recorded in separate cashbooks in Omega. Further surplus funds are deposited with Santander and Barclays in a selection of term deposit accounts.

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: -

- Verified the accurate carry forward of the prior year's closing Trial Balance detail in the financial software into the accounts for 2018-19 by reference to the 2017-18 closing Trial Balance;
- Ensured that the financial ledger remains "in balance" for the year;
- Ensured that an appropriate cost centre and nominal ledger income and expenditure coding structure is in place;
- Checked and agreed a sample of transactions on the Salaries and Special Interest accounts for the year to March 2019;
- Checked and agreed detail on the latest disbursement account reconciliation as at March 2019;
- Checked and agreed detail of the other two account reconciliations as at 31st March 2019.

Conclusions

We are pleased to report that no significant issues have been identified in this area.

Review of Corporate Governance

Our objective here is to ensure that the Council has developed an appropriate approach to the management of corporate governance; 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 or are being considered for implementation.

We have completed our review of the Council's minutes, examining those for the Full Council and its Standing Committee meetings (excluding Planning) for the year to determine, as far as we may reasonably be expected, whether any issues exist that may have an adverse effect on the Council's financial or other operational stability in the short, medium or long term.

A full review of the Council's existing Standing Orders and Financial Regulations was undertaken and approved in January 2018, ensuring compliance with and reference to extant contracting legislation.

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;
- An official ordering process is in place and operated for all appropriate purchases, acknowledging that a range of goods and services are provided under contractual requirements (e.g. Grass Cutting) or legislation (e.g. non-domestic rates);
- 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.

To ensure compliance with the above criteria, we have examined a sample of 76 payments processed in the financial year. Our test sample provides a broad cross section of expenditure and traders' invoices totalling £1,024,882 and equates to 68% of total non-pay related expenditure.

Finally, in this area, we have examined the content of the quarterly VAT reclaims to March 2019, submitted to HMRC, with no issues arising.

Conclusions

We are pleased to report that no significant issues have been identified 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 to minimise the opportunity for their coming to fruition.

A Financial Risk Assessment is in place, which was approved by Council at its June 2018 meeting. Corporate risk assessment, which is also subject to annual review, was adopted by the Council in September 2018.

The Council's insurance is provided by Aviva plc: we have reviewed the current year's schedule noting that Employers and Public Liability cover are in place at £10 million in each case, together with Fidelity Guarantee cover of £5 million and Business Interruption

together with a raft of individual premises and contents cover, all of which we consider appropriate for the Council's present requirements.

Conclusions

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

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.

We note that Full Council approved, at its January 2019 meeting, a precept level of £1,846,320 for 2019-20.

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

The Council receives income from a variety of sources in addition to the annual precept, including monies received from burial and associated fees, allotment and premises rents, Town Hall room hire, special events, grants and donations and bank interest.

- We note that members continue to review annually the scale of fees and charges for the various amenities, with appropriate revisions approved for the current financial year;

We have undertaken work in this area, specifically examining management controls and income arising from Town Hall Room Hires and the Cemeteries for 2018-19 with no issues identified.

At the second interim visit we completed a review of the management controls and the fees collected for the allotments in Sinclair Avenue and Grange Road and we were satisfied that they were well managed with no issues arising. We also noted that the allotments will be managed through the Rialtas allotments operating software for 2019-20.

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.

Conclusions

We are pleased to report that no significant issues have been identified in the areas reviewed.

Petty Cash Account

We are required, as part of the annual Internal Audit Certification process on the Annual Return, to indicate the soundness of controls in this area of the Council's financial activities and note that there is an Imprest style petty cash scheme with a holding of £250. We reviewed the Petty Cash file at this first visit to ensure that the system continues to operate effectively, also checking the physical cash held against the control record maintained.

Conclusions

No matters have arisen warranting formal recommendation in this area, however, we consider that an independent check of the petty cash operated by the Council is undertaken by a nominated officer at least twice a year.

Review of Staff Salaries

The Council employs a number of staff preparing the monthly payroll in-house using the Sage payroll software. 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 most recently updated from April 2018 as regards employee contribution bandings.

To meet these objectives, we have, by reference to the payroll run for June 2018: -

- Ensured that the Council reviews and approves pay scales for staff annually;
- Examined a sample of employment contracts ensuring that gross pay is in accordance with that detail or, where superseded by a subsequent letter confirming a change in employment terms, in line with that letter;
- Checked the tax and NI deductions being applied in June 2018 to the relevant HMRC tables;
- Similarly, ensured that the appropriate pension percentage contribution is being applied to those employees contributing the LGPS scheme;
- Checked to ensure that appropriate signed and certified time sheets or travel expense claims support any enhanced hours / expenses paid with salaries for June 2018; and
- Agreed the gross amounts paid to all individuals in June 2018 by reference to the supporting payslips.

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Conclusions

We are pleased to record that no issues have been identified in this area.

Fixed Asset Registers

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We have checked and agreed the principles used in the detail, as recorded in the Council's Asset Register, noting that it has been prepared 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.

Conclusion

No issues require formal comment or recommendation.

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, that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with the relevant loan agreements.

We are pleased to note that the Council has an appropriate Treasury Management Policy in place.

The Council currently has £3.9 million held on deposit with Santander bank: we have verified the holding by reference to current statements held at the Council's offices.

There are no loans outstanding currently repayable either by or to the Council.

Conclusions

No issues require formal comment or recommendation.

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.

We have examined the Council's procedures in relation to the preparation of the year-end detailed Annual Governance and Accountability Return data, also reviewing the arrangements for the identification of year-end debtors and creditors with no issues arising.

Conclusions

No issues have arisen in this review area 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.