
Abingdon-on-Thames Town Council

Internal Audit Report 2019-20 (Interim Update)

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*For and on behalf of
Auditing Solutions Limited*

Background and Scope

Statute requires all Town and Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually. The Council complied accordingly, in terms of independence from the Council decision making process, appointing a local practice to provide the service for the Council from the outset. Subsequently however, we at Auditing Solutions Limited, were appointed for 2010-11 and beyond.

This report sets out those areas examined during the course of our recent interim update visit to the Council, which took place on 23rd and 24th January 2020, supplements the initial work undertaken on 16th October 2019 and will be subject to further update following the final visit to the Council on a date yet to be arranged subsequent to the year-end closedown and annual accounts production in May / June 2020.

Internal Audit Approach

In continuing our review for 2019-20, 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, employing a range of selective sampling techniques (or 100% substantive testing if appropriate) across a range of the Council's activities in accord with our previously circulated and agreed Programme of Work for five years commencing with 2016-17.

Overall Conclusion

We are pleased to report that no significant issues have been identified in our review for the year to date that warrant formal recommendation and the RFO and her colleagues are to be commended for the quality of work and documentation provided for the purposes of these interim audit visits.

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Detailed Report

Review of Accounts and Accounting Arrangements

Our objective has been to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers, which continue to be maintained in bespoke (Omega) software with two bank accounts still operated at NatWest supplemented by a Reserve Saver account at Santander. We have to date: -

- Ensured that an appropriate cost centre and nominal ledger coding structure remains in place;
- Checked and agreed the opening Trial Balance detail in the Omega software for 2019-20 to the closing Accounts and certified Annual Governance Return for 2018-19 to ensure that all balances have been properly rolled forward;
- Checked and agreed three sample months transactions (April, August and December 2019) in the main, combined cashbook to the relevant NatWest Current and Liquidity Manager bank statements, including the daily “sweep” transfers;
- Similarly, checked and agreed the only one transaction to date (end December 2019) in the appropriate cashbook to the Santander bank statements; and
- Verified that regular, monthly bank reconciliations continue to be undertaken on all accounts, noting that appropriate hard copies are retained on file, that members are regularly provided with same and that these are signed off by appropriate officers and lead members. We have checked and agreed those as at 30th April, 31st August and 31st December 2019 on all accounts with no matters arising.

Conclusions

No issues requiring formal recommendation have arisen in this area currently.

Review of Corporate Governance

Our objective here is to ensure that the Council has robust Corporate Governance documentation 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 or are being considered for implementation.

We have: -

- Examined the minutes of meetings of the Full Council and its Standing Committees (except Planning) held throughout the current financial year to December 2019 to ensure that no issues affecting the Council’s financial stability either in the short, medium or long term exist, also that no other issues are in existence whereby the Council may potentially be considering or have taken decisions that might result in ultra vires expenditure being incurred. We note the continuing confidential matters in relation to the Guildhall and Abbey Hall improvements and do not consider it necessary to add further comment at this stage; and

- 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 (July 2016 in accord with revised contract regulations) and discussions with the RFO at the first interim stage confirmed that the latter had just been revised in September 2019. Subsequently, at this update visit, we note from examination of minutes that these were duly approved by F&GP Committee and also that Standing Orders were approved without further revision as part of the Council's Core Document review at their meeting in September 2019.

Conclusions

No issues requiring formal recommendation have arisen in this area currently.

Review of Purchasing and Payment Procedures

Our testing strategy in this section aims to ensure compliance with the following criteria to ensure that each payment is:

- Supported by a trade invoice or other appropriate form of supporting documentation;
- Supported by an official order, where appropriate;
- Supported by proper quotations and / or a formal tender process, where applicable under the terms of the Council's Financial Regulations;
- Posted accurately to the Omega software nominal ledger expenditure headings;
- Authorised as seen by members during the course of the cheque approval process and subsequently summarised for adoption by Full Council; and
- That the calculation and recording of VAT to the relevant control account for subsequent recovery has been actioned appropriately.

We have selected a sample of supplier payments made during the financial year to 31st December 2019, examining all those individually in excess of £4,000 together with a further selection of every 40th cashbook transaction, irrespective of value. Our test sample comprised of 55 payments (covering approximately 80 separate supplier invoices), which totalled just over 3377,000 and represented 53% of all non-pay related expenditure processed to that date.

We note that VAT Returns continue to be submitted electronically as required by extant legislation and have verified the Q2 (September 2019) submission to the underlying control account balances.

Conclusions

No issues requiring formal recommendation have arisen in this area 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 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: -

- Previously noted that an appropriate review of the risk assessment register for all principal areas of the Council's activities was undertaken and that formal, detailed risk registers utilising the bespoke LCRS software package were re-adopted by the Full Council at its meeting in March 2019 and have not considered it necessary to examine this aspect again at present; and
- Examined the current year's insurance policy schedule (to March 2020), cover continuing to be provided by Zurich, noting that both Public and Employer's Liability remain unchanged at £15 million and £10 million respectively, that Fidelity Guarantee cover remains at £5 million and that there is Loss of Revenue cover in place at £100,000.

Conclusions

No issues requiring formal recommendation have arisen in this area currently.

Budgetary Control and Reserves

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 local District Council (or Unitary Authority where applicable), 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. To meet this objective:

- We note from our examination of minutes that early deliberations had been undertaken in relation to Revenue budgets for 2020-21, with subsequent recommendations arising from the F&GP Committee meeting on 14th January 2020 but, at the time of this update visit and writing of this report, a further meeting of the F&GP Committee had been held on 21st January 2020 with full Council yet to formally consider or adopt the budgets and Precept for next year (planned for 29th January 2020); and
- We are pleased to record that members continue to be provided with sound, periodic and comprehensive management accounting information in order to provide an appropriate means for monitoring budgetary performance during the current year (most recently to end of November 2019 at the F&GP Committee in January 2020).

Conclusions

No issues requiring formal recommendation have arisen in this area currently.

Review of Income

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

- We note that the schedules of Council's fees and charges continue to be reviewed and adopted annually, those for the Cemetery, fishing permits, weekly markets, etc for 2019-20 having been formally considered by the relevant committee and full Council during the previous municipal year;
- We have, as noted earlier in this report, verified all receipt transactions from Omega cashbook ledgers to relevant bank statements for three sample months in the combined Current / Liquidity Manager account and all interest on the Santander Reserve account for the year to December 2019;
- We have checked and agreed a sample month's sales ledger invoicing (December 2019) in relation to the weekly Monday Market to ensure that all traders had been charged correctly in accordance with their stall sizes and that settlements had been received without undue delay;
- We have checked and agreed a sample of Cemetery activities (for the three months of October to December 2019) from the underlying burial registers to sales ledger invoicing and subsequent receipts to ensure that all were supported by appropriate application forms and certifications, that the fees charged were in accordance with the current levels of published fees for 2019-20 and that settlements had been received without undue delay; and
- We have checked a sample week's cash sheet summary for both the Museum and Café (week commencing 16th December 2019) to ensure consistency with the cashbook and bank statement entries and that appropriate separation of cash, cheques and debit cards is recorded with no matters arising.

Conclusions

No issues requiring formal recommendation have arisen in this area currently.

Petty Cash Account and Debit Card Usage

The Council continues to operate limited petty cash accounts in the Administration Office, The Café and the Museum on an "Imprest" basis with floats of £100, £100 and £290 respectively, "topped-up" periodically. It does not operate any form of debit / charge card.

At the first interim visit we have checked and agreed sample transactions for Administration (01/04 to 24/06/19), for the Café (07/06 to 05/07/19) and for the Museum (October 2018 to April 2019) to ensure that each payment was supported by appropriate trader invoices or till receipts and that the goods and services were fit for the purpose of the Council's activities with no matters arising.

Conclusions

No issues requiring formal recommendation have arisen in this area currently.

Salaries and Wages

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 recently amended with effect from 1st April 2019 as regards employee contribution bandings. To meet that objective, 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 a payroll bureau provider (DCK Accounting Solutions) was engaged to provide the service 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 August 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, and
- Checked and agreed the payment over of deductions to HMRC and Oxfordshire 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 with explanations obtained for any variances arising therein.

Conclusions

No issues requiring formal recommendation have arisen in this area 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, 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 appropriate loan agreements.

The Council currently has no funds in any formal investment vehicle with all monies held in readily accessible bank accounts at NatWest and Santander, which we have tested as detailed elsewhere in this report.

Similarly, the Council has no loans either repayable by, or to, it.