
Abingdon-on-Thames Town Council

Internal Audit Report 2020-21 (Final update)

Prepared by Adrian Shepherd-Roberts

*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.

This report sets out the work undertaken in relation to the 2020-21 financial year which was completed by 9th December 2020 and 8th February and 18th June 2021. Due to the impact of the Covid-19 pandemic, we have again undertaken our final review remotely: we wish to thank the Deputy Town Clerk in assisting the process, providing all necessary documentation in electronic format to facilitate completion of our reviews for the year. 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 have concluded that, on the basis of the programme of work we have undertaken, the Council has maintained adequate and effective internal control arrangements.

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

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.

This report has been prepared for the sole use of Abingdon-on-Thames 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 on, for any reason whatsoever, this report, its content or conclusions.

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 closing Trial Balance detail in the Omega software for 2019-20 to the opening Accounts for 2020-21 to ensure that all balances have been properly rolled forward;
- Checked and agreed three sample months transactions (April, September and December 2020 and March 2021) in the main, combined cashbook to the relevant NatWest Current and Liquidity Manager bank statements, including the daily “sweep” transfers; 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, 30th September and 31st December 2020 and 31st March 2021 on all accounts with no matters arising.

Conclusions

No issues requiring formal recommendation have arisen in this area.

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 to March 2021 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; and
- The Council’s Standing Orders and Financial Regulations were revised and approved by Full Council in November 2020 and September 2020 respectively.

Conclusions

No issues requiring formal recommendation have arisen in this area.

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 order has been raised for all purchases and service delivery where one would be expected;
- 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 continued testing in this area, examining a sample of payments individually to 31st December 2020.

We note that VAT Returns continue to be submitted electronically as required by extant legislation and have verified the submissions to the underlying control account balances as well as ensuring the year-end debtor disclosed in the Statement of Accounts was in accord with the detailed Omega trial balance for 2020-21.

Conclusions

No issues requiring formal recommendation have arisen 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. We have:

- The Council adopted an appropriate Corporate Risk Management Policy and financial risk assessment policy in 2020-21; and
- Examined the current year's insurance policy schedule (to March 2021), 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.

Conclusions

No issues requiring formal recommendation have arisen in this area.

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, on 27th January 2021, a precept of £1,737,703 be raised for 2021-22 which was approved by Full Council and noted in the draft minutes.

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.

Conclusion

No issues require formal comment or recommendation.

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 2021-22 having been formally considered by the relevant committee and Full Council;
- We have checked and agreed a sample of Cemetery entries and fees (for the three months of June to October 2020) from the underlying burial registers to sales ledger invoicing and subsequent receipts that the fees charged were in accordance with the current levels of published fees for 2020-21 and that settlements had been received without undue delay; and
- As noted elsewhere in this report, we have tested a sample of cashbook receipts from Omega records to relevant bank statements for three sample months; and

- Examined the “Aged debtors schedule” generated by the accounting software and are pleased to record that there are no significant long-standing debts exist of which officers and members are unaware

Conclusions

We have undertaken a review of the Cemetery income and there are no issues requiring formal recommendation in this area of our audit 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. As we are working remotely, we suggest that where possible an independent check is undertaken to confirm that the cash has been checked and the account balances. This should be minuted accordingly.

Conclusions

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

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 2020 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 2020-21;
- 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 2020;
- Ensured that Tax and National Insurance deductions for all employees have been made applying the appropriate PAYE code and NIC Table; and

- Checked that the correct superannuation percentage deductions are being applied where applicable.

Conclusions

No issues requiring formal recommendation have arisen 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 and 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 have, checked the detail of the interest bearing CCLA to the trial balance and the Santander account to the third party advice note.
- We also note that the Council have approved an Investment Strategy for 2020-21.

Conclusions

No issues have currently arisen in this area to warrant any formal recommendations.

Statement of 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.