



Market Drayton Town Council

Internal Audit Report 2018-19: Final

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*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 Governance and Accountability Return (AGAR).

This report sets out the work undertaken in relation to the 2018-19 financial year, during our visit on 27th November 2018 and 8th May 2019, together with the matters arising and recommendations for action, where appropriate.

Internal Audit Approach

In undertaking 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/AGAR. 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 AGAR, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We are pleased to again report that the accounts and Council records are maintained to a high standard, together with supporting documentation which was provided for the purposes of our review.

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.

Detailed Report

Review of Accounting Arrangements & Bank Reconciliations

The Council uses the Omega accounting software to maintain its day to day financial records and provide the basis for production of year-end accounts and AGAR detail. 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. To that end, we have:

- Ensured that the ledger remains in balance at the present date;
- Agreed the opening trial balance detail for 2018-19 with that in the 2017-18 Statement of Accounts and certified AGAR;
- Examined and ensured that the coding structure remains appropriate for purpose and provides sufficient detail to assist in the preparation of the Council's year-end AGAR and more detailed Statement of Accounts presented to members;
- Checked and agreed transactions in the Council's Handelsbanken Current and Deposit accounts cashbooks to the relevant bank statements for September 2018 and March 2019; and
- Checked detail on the bank reconciliations for the Current & Deposit accounts as at 30th September 2018 and 31st March 2019 relating to the aforementioned accounts to ensure that no long-standing uncleared cheques or other anomalous entries exist.

Conclusions

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

Review of Corporate Governance

Our objective here is to ensure that the Council has robust corporate governance documentation and processes in place, that Council and Committee (where appropriate) 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: -

- Noted that the Council reviewed Standing Orders (SOs) and Financial Regulations (FRs) which were adopted in October 2018. We have been advised that they have again been reviewed by Council in this financial year and we await confirmation when the Council minutes have been signed;
- Examined the Council's minutes for the current year to determine whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability and are pleased to note that all Council Minutes are signed and initialled on each page;
- Noted that members continue to be provided with and approve a schedule of payments, together with details of petrol card purchases and Direct debits and periodic bank reconciliation detail; and
- Noted that the council has now adopted General Powers of Competence.

Conclusions

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

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;
- We note that the Council are approving some payments by BACS which are approved, in most cases, prior to the funds being transmitted.
- 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 continues to be reclaimed quarterly.

We have selected a sample of payments to examine for compliance with the above criteria, including all those individually in excess of £3,500, together with a more random sample of every 35th Current Account cashbook transaction irrespective of their value totalling £192,758 to 31st March 2019. The sample totals 47% of all non-pay related items processed in the year.

We have also examined the content of the quarterly VAT reclaims submitted to HMRC and agreed detail to the underlying control account balance in Omega.

Conclusions

We are pleased to record 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 / safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks identified in order to minimise the opportunity for their coming to fruition.

- We note that the Financial Risk Assessment programme was adopted by the Council in July 2018; and

- Zurich Municipal continues to provide the Council's insurance cover: we have examined the current year's schedule and are pleased to note that asset insurance cover has recently been reviewed, together with Employer's and Public Liability cover, both of which are in place at £10 million and £15 million respectively, with Fidelity Guarantee cover at £1 million.

Conclusions

No issues have arisen in this area warranting formal comment or recommendation currently with appropriate insurance cover in place.

Precept Determination and Budgetary Control

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 note that the Council, at its 17th January 2019 meeting, approved a precept of £462,240 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.

We also note that total Reserves at 31st March 2019 stood at £467,060 with specific earmarked items totalling £252,121 leaving a General Fund balance of £214,939: at current spending levels, this represents circa five months' expenditure, which is considered satisfactory to meet the ongoing needs of the Council at the present time.

Conclusions

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

Review of Income

In considering the Council's income streams, we aim to ensure that robust systems are in place to ensure the identification of all income due to the Council from its various sources, to ensure that the income is invoiced in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council.

The main sources of income are the annual precept, cemetery and related fees, together with CIL money.

We are pleased to note that members have considered and approved the fees and charges for cemetery & memorial activities for 2018-19 in line with the requirements of the Council's Financial Regulations.

At the interim visit, we again reviewed the procedures in relation to the control of the Burial and Graves Register, together with the income collection and banking procedures, also examining a sample of interment applications together with the receipt and banking records covering July to September 2018. We have also verified that this income is being recovered appropriately and banked in a secure manner.

Conclusions

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

Petty Cash Account

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

Conclusions

No matters arise warranting formal comment or recommendation.

Review of Staff 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. Consequently, we have:-

- Checked and agreed the computation of staff gross and net pay and salary deductions for October 2018, as compiled using Sage software, also verifying that the net payments corresponded to the Payflow settlement for the month;
- Checked to ensure that the correct Tax codes, National Insurance tables and LGPS salary banding pension rates have been accurately applied and that the deductions arising therefrom have been paid over in a timely manner; and
- Checked and agreed a sample of enhanced payments to supporting timesheets for October 2018 ensuring that the latter were appropriately checked and certified for payment.

Conclusions

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

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 appropriate loan agreements.

The Council has two PWLB loans in place, the combined balance being repaid in half-yearly instalments. We have verified the instalment repayments for the year as part of the above referenced expenditure testing.

Conclusions

There are no issues arising in this area for this financial 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.

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.