

Berkhamsted 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 Return. Auditing Solutions Ltd has provided this service to the Council since 2008-09.

This report sets out the work undertaken in relation to the 2018-19 financial year, during the course of our visits to the Council, which took place on 16th November 2018 and 24th May 2019.

Internal Audit Approach

In undertaking our review for the year to date, 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/Annual Return. Our programme of cover has again been designed to afford appropriate assurance that the Council's financial systems remain 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 number of internal control objectives.

Overall Conclusion

We have concluded that, on the basis of the programme of work undertaken this year, the Council has maintained more than adequate and effective internal control arrangements. We thank the Clerk her assistance, which has ensured the smooth progress of our review.

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 note that Sage software continues to be in use with two operating bank accounts operated at NatWest supplemented by savings accounts with Santander, Cambridge Building Society and Shawbrook. We also note that there is a savings bond issued by the Saffron Waldon Building Society. We understand that these savings accounts were opened to ensure a certain spread of risk following the previous banking “crisis”. We have:

- Ensured that an appropriate nominal coding structure remains in place;
- Verified the opening trial balance detail with the closing balances disclosed in the 2017-18 Statement of Accounts and Annual Return;
- Ensured that the financial ledger remains in balance at the present date;
- Checked and agreed transactions in the Nat West Bank account cashbook for the months of August 2018 and March 2019 to the relevant bank account statements.
- Checked and agreed two months’ transactions in the Council’s NatWest Current and Interest Bearing Accounts for the months of August 2018 and March 2019. Agreeing detail to the relevant bank statements, including all inter account transactions;
- Reviewed the detail on bank reconciliation as at 31st March 2019 on all accounts to ensure that no long-standing cheques or other anomalous reconciling entries are apparent.

Conclusions

We are pleased to report that no matters have arisen in this area of our review process warranting formal comment or recommendation; we have ensured the accuracy of the year-end balances reported in the detailed Statement of Accounts and AGAR.

Review of Corporate Governance

Our objective is to ensure that the Council has robust corporate governance documentation and processes in place, and that, as far as we may reasonably be expected to ascertain (as we do not attend Council or Committee meetings) all meetings are conducted in accordance with the adopted Standing Orders and no actions of a potentially unlawful nature have been or are being considered for implementation. We have: -

- We have examined the minutes of the Full Council and its Standing Committees (with the exception of Planning) for the current year to 31st March 2019 to identify whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council’s future financial stability;
- Noted that Financial Regulations were reviewed and adopted by Council at their meeting on 18th March 2019 (minute Ref FC 24/19).
- Further noted that Standing Orders were previously revised and re-adopted by Council at their meeting in 18th March 2019 (minute Ref FC 24/19).

- We are pleased to note that both documents incorporate the requirements of the revised EU Regulations in relation to contracting and tendering, specifically in the need to formally advertise any contractual work in excess of £25,000 in the Government "Contract Finder" website.

Conclusions

We are pleased to report that no matters have arisen in this area of our review process warranting formal comment or recommendation.

Conclusions

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and approved 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 payments are being reported to Council;
- VAT has been calculated correctly for periodic recovery;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount; and
- That all payments have been coded appropriately.

To confirm compliance with the above criteria, we have selected a sample of 44 payments processed to 31st March 2019 including all those individually in excess of £1,500, together with a more random selection of every 25th payment irrespective of value. Our test sample totals £75,910 in value and equates to 62% of all non-pay related payments in the year.

We note that Council continues to receive a copy of details of all payments made in excess of £500 which details, to comply with the requirements of the Local Government Transparency Code 2015, are also published on the Town Council website. The Finance & Policy Committee continues to receive a full list of receipts and payments at each meeting and this is also published on the Town Council website as an addendum to the publishing of the agendas for those meetings.

We further note that VAT Returns have been submitted electronically to HMR&C in respect of the quarters to 31st March 2019.

Conclusions

We are pleased to report that no matters arise in this area of our review process warranting formal comment or recommendation and we have verified the accurate disclosure of the year-end VAT debtor in the AGAR.

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 identified in order to minimise the opportunity for their coming to fruition.

- We have noted that the Risk Assessment was reviewed, approved and adopted approved by Full Council at their meeting on 28th January 2019 (minute Ref FC 13/19).
- We further note that the Council's insurance cover has again been provided by Ecclesiastical: we have examined the current year's policy schedule which is effective to 31st May 2019 and consider that appropriate cover is in place with Employer's and Public Liability both set at £10 million. We note that Fidelity Guarantee cover has been increased to £600k. We consider these levels of cover to be appropriate for a Council of this size.

Conclusions

We are pleased to report that no matters have arisen in this area of our review process 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 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.

We note that, in addition to the precept and concurrent service payments from Dacorum Borough Council, the Council receives income from their allotments and rental income in respect of Happy Days Pre-School, based at Lagley Meadow Youth Centre.

The Council currently operates four allotment sites and the allotment year commences on 1st September each year. We understand that the allotment records are kept on bespoke allotment software and that allotment rental invoices are issued by the Finance officer on Colony Enterprise Allotment System and the posted to Sage. We note that a reconciliation has been carried out between the bespoke allotment software and Sage.

We note that the Happy Days Pre-School invoice for the forthcoming year is issued at the beginning of the year for the full year's rent and that this invoice is paid by twelve monthly instalments. We have checked the instalments received to 31st March 2019.

Conclusions

We are pleased to report that no matters have arisen in this area of our review process warranting formal comment or recommendation.

Petty Cash Account

A limited petty cash account is in operation at the Council's office which holds a main petty cash float and also has a supplementary petty cash float both of which are operated on a "topped up as and when" basis with independent control and approval by the Clerk, subsequent to the Finance Officer's transaction processing and cash counting, on a monthly basis. The cash balance was verified on our visit on 16th November 2018.

Conclusions

We are pleased to report that no issues have been identified in this area of our review process warranting formal comment or recommendation.

Salaries and Wages

We note that the Council outsources production of its monthly payroll for all its employees to Messrs David Lindon & Co. In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the requirements of HM Revenue and Customs (HMRC) legislation and 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 further amended as regards employee contribution bandings. To meet this objective, we have examined the August 2018 & March 2019 salary documentation as below:

- Checking that staff gross pay is calculated accordingly by reference to the approved pay scales;
- Checking to ensure that the correct Income Tax codes and National Insurance Tables are being applied correctly, the latter dependent on whether or not the employee is contributing to the LGPS;
- Checking to ensure that the appropriate percentage superannuation deductions have been applied in accord with the updated salary bandings where applicable; and
- Reconciling the net pay and employer's "on costs" to that recharged by the bureau provider.

Conclusions

We are pleased to report that no issues have been identified in this area of our review process warranting 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 have previously noted that the Council has invested the balances of its "surplus" funds in varying banking institutions currently Santander Bank, Shawbrook Bank, Cambridge Building Society and Saffron Waldon Building Society.

The Council currently has no loans outstanding either from or with third parties.

Conclusion

We are pleased to report that no issues have been identified in this area of our review process warranting formal comment or recommendation.

Asset Register

The 1996 Accounts and Audit Regulations required all councils to maintain a record of all assets owned. The asset register submitted to us at the end of the previous financial year showed that it contained an inventory of all assets and had been appropriately updated for the minor acquisitions during the year.

We are further pleased to note that the Asset Register was has been updated to include one additional purchase within the 2018/2019 Financial Year.

Conclusion

We are pleased to report that no matters have arisen in this area of our review warranting formal comment or recommendation; we have ensured that the correct value of fixed assets has been recorded in the AGAR.

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 of the precept to be submitted to the parent Council and 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, at their meeting held in 28th January 2019, Council agreed the detailed budget for 2019-20 and also agreed that the precept for 2019-20 be set at £197,164 (minute ref FC 10/19 (iii)).

Finally, we note that, as at 31st March 2019, the balance of general reserves of £166,039 equates to slightly more than eight months expenditure and is above the guidelines of between three and six months revenue spending.

Conclusions and recommendations

We are pleased to report that, there are no issues arising in this area of our review process warranting formal comment or recommendation.

Statement of Accounts and Annual Return

The Accounts and Audit Regulations require all Councils to prepare annually a Statement of Accounts in the AGAR, which now forms the statutory Accounts subject to external audit scrutiny and certification.

We have checked and agreed entries in the Statement of Accounts generated by the accounting software to the underlying Trial Balance and other documentation provided. Similarly, we have checked and agreed the financial data reported to the AGAR.

Conclusions

No issues have been identified in relation to the verification of detail in the Statement of Accounts and AGAR this year.

On the basis of our detailed work during the course of the year on the Council's systems of financial control and content of the detailed Statement of Accounts and that summarised detail set out in the AGAR, we have signed off the Internal Audit Report of the AGAR assigning positive assurances, in each relevant area.