
Berkhamsted Town Council

Internal Audit Report 2018-19(Interim)

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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 first interim visit to the Council, which took place on 16th November 2018.

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 to date, the Council has maintained more than adequate and effective internal control arrangements. We thank the Clerk and her staff for their 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”. To date 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 a sample of one month's transactions in the Council's NatWest Current and Interest Bearing Accounts for the months of August. Agreeing detail to the relevant bank statements, including all inter account transactions;
- Reviewed the detail on bank reconciliation as at 31st August 2018 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 issues have been identified in this area of our review process warranting formal comment or recommendation: we shall undertake further work in this area at our final visit, including verifying the accurate disclosure of year-end balances in the Annual Return.

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: -

- Commenced our examination of minutes of the Full Council and its Standing Committees (with the exception of Planning) for the current year to 30th September 2018 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 24th July 2017. We understand it is proposed to review these again before year end
- Further noted that Standing Orders were previously revised and re-adopted by Council at their meeting in December 18th 2017 and it is intended to review these again before the year end.
- 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 issues have been identified in this area of our review process warranting formal comment or recommendation: We shall continue to consider the Council's approach to governance at future visits, including the continued review of minutes.

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 18 payments processed to 30th September 2018 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 £33,880 in value and equates to 43% of all non-pay related payments in the year to date.

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 HMRC in respect of the quarters to 30th June and 30th September 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. We are pleased to record that all payments in the sample examined met the above criteria with no issues arising. We shall extend our testing in this area at the final visit to include a similar sample of payments and will also review the content of the quarterly VAT reclaims prepared and submitted to HMRC, also verifying the value of the VAT debtor disclosed in the Accounts and Annual Return for the year.

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 completed and approved by Council at their meeting on 22nd May 2017 and it is intended to review this document again before the year end.
- 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 issues have been identified in this area of our review process warranting formal comment or recommendation. We shall continue to monitor the Council's approach to risk management at future visits.

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 for the seven months to 31st October 2018.

Conclusions

In view of the above, there are no issues in this area of our review warranting formal comment or recommendation. We shall at our final visit review the income stream relating the allotments. We shall also include the preparation of our standard year-on-year analytical review, as part of the final audit work.

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 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.

Conclusions which

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