

Berkhamsted Town Council

Internal Audit Report 2019-20 (Interim)

Sally King

*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 2019-20 financial year, during the course of our visit to the Council, which took place on 15th November 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 RBS accounting software is now being used and the Council continues to operating bank accounts 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 have:

- Ensured that an appropriate nominal coding structure remains in place;
- Verified the opening trial balance detail with the closing balances disclosed in the 2018-19 Statement of Accounts and Annual Return;
- Ensured that the financial ledger remains in balance at the present date;
- Checked and agreed two months' transactions in the Council's NatWest Current and Interest Bearing Accounts for the months of July and August 2019. Agreeing detail to the relevant bank statements, including all inter account transactions;
- Reviewed the detail on bank reconciliations as at 31st July 2019 and 31st August 2019 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, warranting further comment. Further work will be undertaken at or final visit.

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 commenced examination of the minutes of the Full Council and its Standing Committees (with the exception of Planning) for the current year. 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).
- Reviewed the external auditor's report, issued since our last visit, to confirm they are raising no matters regarding the Councils accounts and governance.

Conclusions

We are pleased to report that no issues have been identified in this area, warranting further comment. Further work will be undertaken at or final visit.

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 16 payments processed to 30th September 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 £49,131 in value and equates to 64% of all non-pay related payments in the year to September 2019.

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 30th September 2019.

Conclusions

We are pleased to report that no issues have been identified in this area, warranting further comment. Further work will be undertaken at or final visit.

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 been provided by Hiscox: we have examined the current year's policy schedule which is effective to 31st May 2020 and consider that appropriate cover is in place with Employer's and Public Liability both set at £10 million. We also note that Fidelity Guarantee cover is £600k, which we consider 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 on Colony Enterprise Allotment System and the posted to Sage. A paper system, with copy invoices held in files is also being run in parallel.

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 30th September 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. The cash balance was verified on our visit on 15th November 2019.

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 July 2019 and August 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.

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.

The Council has commenced consideration of the 2020-21 budgetary requirements and we shall consider the action taken and outcomes, together with the approved level of precept our final visit.

Conclusions

We have been advised that the Council are to formally consider and finalise its budget and precept requirements for 2020-21 later in the financial year. Consequently, we shall review this area further at our final visit, also examining the year's budget outturn, following up any significant variances and obtaining appropriate explanations: we shall also consider the appropriateness of retained reserves to meet the Council's ongoing revenue spending requirements and any development aspirations.