

Berkhamsted Town Council

Internal Audit Report 2021-22 (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 2021-22 financial year, during the course of our visit to the Council, which took place on 23rd November 2021.

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, based on the satisfactory completion of our programme of work undertaken during our interim visit, the Council has again maintained more than adequate and effective internal control arrangements. We are pleased to acknowledge the continued quality of records maintained by the Clerk and his staff and thank them for their assistance, which has ensured the smooth progress of our review process. We are pleased to report that there are no issues arising in the year to date warranting formal comment or recommendation.

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 also a Corporate savings account with the Saffron Waldon Building Society. DCK accounting provide support with the year-end close-down and accounts.

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 2020-21 Statement of Accounts and Annual Return;
- Ensured that the financial ledger remains in balance at the present date;
- Checked and agreed three months' transactions in the Council's NatWest Current and Interest Bearing Accounts for the month of April 2021 & August 2021. Agreeing detail to the relevant bank statements, including all inter account transactions;
- Reviewed the detail on bank reconciliations to ensure that no long-standing cheques or other anomalous reconciling entries are apparent.
- The Council changed from Cheques to online banking in November 2020. We are pleased to note that robust approval and payment procedures have been implemented. The Finance Officer posts the payments to Nat West, they are then approved by 2 Councillors on a rota basis and finally they are released by Clerk or Deputy Clerk.

Conclusion

We are pleased to report that no matters have arisen in this area of our review process warranting formal comment or recommendation; further work in this area will be undertaken at our 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 are being reviewed and amended to include a corporate credit card which was approved by the Council at the meeting held on 8th November 2021.

- Further noted that Standing Orders were reviewed and re-adopted by Council at their meeting on 4th May 2021.
- 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.

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 35 payments processed to 30th September 2021 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 £112,673 in value and equates to 84.6 % of all non-pay related payments in the financial year to September 2021.

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.

Conclusions

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

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 29th March 2021 minute Ref FC 40/21 (ii).
- 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 2022 and consider that appropriate cover is in place regarding Employer's and Public Liability both set at £10 million; Fidelity Guarantee cover has been increased to £800k, which we consider adequate.

Conclusions

We consider that the Council has effective risk management processes in place.

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.

The Council currently operates four allotment sites and the allotment year commences on 1st September each year. Allotment records are kept on bespoke allotment software and allotment rental invoices are issued on Colony Enterprise Allotment System and the income is posted to RBS accounting software.

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 & Fuel Cards

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 on a "topped up as and when" required. A physical check of the cash held was undertaken at this visit.

The Council holds a fuel card, we are pleased to note the receipts are attached the invoice when received.

We also note that at the meeting held on 8th November 2021 application for a corporate credit card was approved.

Conclusions

We are pleased to report that no matters have arisen 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 2021 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. We are pleased to note Council has an investment strategy in place.

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 to be precepted on the District Council; 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 have;

- Noted from our review of the minutes that members continue to be provided with regular management accounting information;

Conclusions

We are pleased to report that no matters have arisen in this area of our review process warranting formal comment or recommendation; further work in this area will be undertaken at our final visit.