

## **Witney Town Council**

*Internal Audit Report 2023-24: Interim Update*

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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 Witney Town Council since 2003.

This report sets out the work undertaken in relation to the 2023-24 financial year to date which was undertaken on 5th & 6th October 2023 and 7<sup>th</sup> March 2024. We wish to thank the Clerk the Responsible Finance Officer and staff for assisting the process, providing all necessary documentation to facilitate completion of our review for the year to date. We have ensured that governance and financial controls remain effective.

## **Internal Audit Approach**

In undertaking our review for the year to date, 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/Annual Return. 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 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 we have undertaken, the Council has maintained adequate and effective internal control arrangements during the year.

We are also pleased to record that, in the areas examined, no major issues or concerns have been identified, we did at the last audit identify one area that we considered should be addressed by the Council which is set out later in this report and recommendations made. We are pleased to report that the recommendations have been addressed.

We consider the Clerk and her staff continue to operate generally effective control procedures in in most areas. We ask that members consider the content of this report and acknowledge that the report has been reviewed by Council.

# Detailed Report

## Review of Accounting Arrangements & Bank Reconciliations

The Council maintains its accounting records using Omega software and continues to operate three bank accounts with Barclays, the Current account being used for the receipt of income and processing of high value payments, with the second Imprest account used for all routine payments and the third for retention of surplus funds and to provide funding for the former two accounts.

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 current date;
- Verified the opening trial balance detail with that reported in the 2022-23 Accounts and Annual Return;
- Checked and agreed transactions in the three bank account cashbooks to the relevant bank statements for April and August 2023 and January 2024 noting that these records continue to be maintained in a timely and accurate manner;
- Checked and agreed all inter account “sweep” transactions between the Imprest and premium accounts, to retain a daily balance on the former of £1,000, for the same months; and
- Checked detail on bank reconciliations as at 30<sup>th</sup> April 2023 and 31<sup>st</sup> August 2023 and January 2024 for each account to ensure that no long-standing uncleared cheques or other potentially anomalous balancing entries exist.

### *Conclusions*

*We are pleased to record that no issues have been identified from work completed in this area for the financial year. We will undertake further work at our final audit.*

## Review of Corporate Governance

Our objective here is to ensure that the Council has robust corporate governance arrangements in place; that Council and Committee 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: -

- Noted previously that the Standing Orders and Financial Regulations were reviewed and formally approved by Full Council in February and April 2023 respectively;
- Noted previously that General Powers of Competence were adopted at the May 2019 Full Council meeting; and
- Have undertaken our review of the Council’s minutes and consideration of other governance issues for the 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.

### *Conclusions*

*We are pleased to record that no issues have been identified from work currently undertaken in this area.*

## **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 records, 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;
- An official order has been raised for the acquisition of goods or service delivery, where one would be anticipated;
- 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 coded to the control account for periodic recovery.

We have commenced our testing in this area, examining a sample of payments.

We also note that VAT returns continue to be completed in a timely and accurate manner, with electronic "on-line" submission now in place, in line with HMRC requirements. We have examined the quarterly reclaims to December 2023 confirming that the detail correlates to that in the Omega VAT control account.

### *Conclusions*

*No matters arise in this area warranting formal comment or recommendation. We will undertake further work at our final audit.*

## **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 note that the LCRS based risk assessment documentation was formally re-adopted by Council in 2022-23 financial year and will again be adopted for this financial year. We have been advised that it is being presented to Policy Governance & Finance Committee in March 2024.

We have also examined the Council's insurance policy schedule for 2023-24, with cover again provided by Zurich Municipal, noting that Fidelity Guarantee cover is in place at £5 million, Public Liability at £15 million & Employer's Liability at £10 million.

### ***Conclusions***

*No matters arise in this area warranting formal comment or recommendation. We will undertake further work at our final audit.*

## **Precept Determination and Budget 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 from the Full Council minutes that the Council, at its 8th January 2024 meeting approved a precept of £1,984,834 for 2024-25.

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.

### ***Conclusions***

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

## **Review of Income**

The Council receives income from a plethora of sources in addition to the annual precept including allotments, cemeteries, sports pitches and the Corn Exchange. We have previously agreed a five-year strategic plan of cover of these areas with the Town Clerk and Council, which is subject to ongoing review and update, where necessary, following any changes in service provision. We have: -

- Examined the controls in place over the identification and recovery of income due to the Council from the two cemeteries together with the invoicing, tracing detail from the source documents and the burial records to the subsequent receipt and banking of the fees.
- We note that fees for the Cemeteries, Hall hire and sports related facilities have been reviewed and approved by Council.
- We have also reviewed the Corn Exchange and Burwell Hall primarily in respect of the bar stock and subsequent sales at these venues.

The Corn Exchange has an EPOS till which is used in the café for both food sales and alcoholic beverages. This has a listing system on the till which identifies with both the café and bar sales, however the till is not used to its full potential and especially the holding of the bar stock. The bar stock can be input and new deliveries added when received so that when sales are entered it can be assessed for stock levels and usage. This information can also be cross referred to the independent, quarterly stock audits.

Burwell Hall holds a small amount of bar stock which is primarily retained for functions such as parties, weddings or wakes. The hall is used on a limited basis and therefore the bar stock is not turned over regularly which could lead to stock becoming out of date. The till is a register only and does not hold an EPOS system. This till is used to reconcile drink totals and the PDQ (Card Reader). We have been advised that no cash is taken at Burwell Hall.

We have also reviewed the unpaid invoices relating to the outstanding debtor position. We have discussed this debtor position with the Responsible Finance Officer and we consider that there is satisfactory monitoring in respect of these invoices.

### *Conclusions and recommendations*

*With out adequate stock control this could financially expose the Council due to over ordering and/or wastage. At this update audit we are pleased to report that the areas identified have been addressed.*

- R1. *The Council should consider the input of bar stock and deliveries for both the Corn Exchange and Burwell Hall on to the EPOS system at the Corn Exchange. **This has been implemented.***
- R2. *Consideration for stock not being stored at Burwell Hall due to becoming 'out of date'. When there is a function at Burwell Hall stock should be taken to the hall and the excess stock returned to the Corn Exchange. It should be possible to indicate stock removal and return on a 'no sales' basis. **This has been resolved***

## **Petty Cash Account**

Our aim in this area is to ensure that appropriate controls are in place; that all expenditure incurred is adequately supported by trade invoices or till receipts; that the expenditure is appropriate for the Council's requirements; that VAT has been separately identified for periodic recovery and that cheque encashments from the main cashbooks are properly recorded.

We have checked the cash at both the Town Hall and the Corn Exchange cafe and reviewed the holdings from the information that we have been provided.

We have also reviewed the fuel Card accounts data and consider that the controls regarding its use are satisfactory.

### *Conclusions*

*There are no matters requiring formal comment or recommendation in this area of our review process.*

## **Salaries and Wages**

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 1<sup>st</sup> April 2021 in relation to employee percentage bandings. To meet that objective, we have checked detail of payroll transactions in September 2023, ensuring that: -

- Gross salaries are paid in accord with the approved NJC scale points;
- The correct PAYE codes and NIC tables were being applied;
- Appropriate rates of superannuation deductions are being applied;
- Timesheets are prepared, signed by the employee and certified as correct for payment by their supervising officer; and
- Net salary payments, via the BACS banking process, were in accord with staff payslips for the month.

### *Conclusions*

*We are pleased to record that no issues have been identified in this area of our review.*

## **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. We also aim to ensure that any loan repayments due to or payable by the Council are transacted in accordance with appropriate loan agreements.

The Council has two specific investments with CCLA Investment Management Limited, a deposit account and a long-term investment in the CCLA Property Fund, with the remaining surplus funds being held in the Barclays Business Premium account.

We also note that the Council have provided a loan to the Witney Town Bowls Club repayable over a ten-year term.

### *Conclusions*

*We are pleased to report that no issues have been identified in this area of our review. We will undertake further work at our final audit.*

Rec. No.	Recommendation	Response
<b>Review of Income</b>		
R1	The Council should consider the input of bar stock and deliveries for both the Corn Exchange and Burwell Hall on to the EPOS system at the Corn Exchange.	<b>This has been implemented</b>
R2	Consideration for stock not being held at Burwell Hall due to becoming 'out of date'. When there is a function at Burwell Hall stock should be taken to the hall and the excess stock returned to the Corn Exchange. It should be possible to indicate stock removal and return on a 'no sales' basis.	<b>This has been resolved</b>