

## **Witney Town Council**

### ***Internal Audit Report 2019-20: First Interim***

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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 2019-20 financial year to date, during our visits on 19<sup>th</sup> November 2019 together with the matters arising and recommendations for action, where appropriate.

## **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 to date, the Council has maintained adequate and effective internal control arrangements during the year.

We ask that members consider the content of this report and acknowledge that the report has been reviewed by Council.

We are also pleased to record that, in the areas examined, no major issues or concerns have been identified and that we consider the Clerk and her staff continue to operate generally effective control procedures in each relevant area.

# 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 2018-19 Accounts and Annual Return;
- Checked and agreed transactions in the three bank account cashbooks to the relevant bank statements for September 2019 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 month; and
- Checked detail on bank reconciliations as at 30<sup>th</sup> September 2019 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 to date. We will undertake further work at future update visits.*

## 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 at the Full Annual Council meeting in March and September 2016;
- Noted previously that General Powers of Competence were adopted at the May 2019 Full Council meeting; and
- Have commenced 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 in this area. We have, however, discussed with the Clerk the requirement to review the Standing Orders and the Financial Regulations in conjunction with the latest model documents issued by NALC.***

## **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 an extended sample of payments including those individually in excess of £4,000 on the current and imprest accounts, together with a more random sample of every 40<sup>th</sup> cashbook transaction irrespective of value processed in the financial year to date. Our test sample totals £343,900 and represents 67% by value of all non-pay related expenditure for the year to date.

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 reclaim to September 2019 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 future update visits.***

## **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 at its March 2019 meeting and will be reviewed again for this financial year.

We have also examined the Council's insurance policy schedule for 2019-20, 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 issues arise in this area warranting formal comment or recommendation. We will undertake further work at future update visits.***

## **Precept Determination and Budgetary Control**

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 placed on the Unitary Authority, 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 members continue to receive regular budget monitoring reports with over/under-spends and the level of earmarked reserves the subject of regular review.

The Council will commence consideration of the 2020-21 budgetary requirements later this year and we shall consider the action taken and outcomes, together with the approved level of precept at a future visit.

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***

***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.***

## **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 not completed a review of the various sources of income at this first visit but we will undertake a review of the cemeteries, and the Corn Exchange at our interim update visit.

We have, however, reviewed the unpaid invoices relating to the sales ledger and note that there are a number of long-term debts outstanding. We have discussed these and are satisfied that the debts outstanding are in the process of review or have been written off. We will do a further check of debtors at our next interim visit.

### **Conclusions**

***We will undertake a review of the income sources at our next interim visit, including a further review of the Sales Ledger.***

## **Petty Cash Account**

We are required, as part of the annual Internal Audit Certification process on the Annual Governance and Accountability Return, to indicate the soundness of controls in this area of the Council's financial activities and note that there is an Imprest style petty cash scheme with a holding of £500 and a small float at the Corn Exchange for £30. We have reviewed the Petty Cash files at this visit to ensure that the system continues to operate effectively, also checking the physical cash held against the control records maintained.

At this interim visit we have reviewed the Fuel Card payments, statements and processes relating to the Council vehicles ensuring that the forecourt receipts are being reviewed to the statement detail and the subsequent payment corresponding to the collection by direct debit from the bank account.

### **Conclusions**

***No matters have arisen warranting formal comment or recommendation in this area.***

## **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 2018 in relation to employee percentage bandings. To meet that objective, we have checked detail of payroll transactions in October 2019, 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 future update visits.***