

CTC 11/1/22 7a)



Costessey Town Council

Internal Audit Report: 2021-22 (Interim)

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for Auditing Solutions Ltd

Background and Scope

There is a statutory requirement for all town and parish councils to make arrangements for an independent internal audit examination of their accounting records and system of internal control each year, and for the conclusions to be reported in the Annual Governance and Accountability Return (AGAR). Auditing Solutions Ltd has been appointed to provide this service to Costessey Town Council for the 2021-22 financial year.

This report sets out the results of our interim audit visit in relation to 2021-22, which was undertaken on 8th and 9th December 2021. We wish to thank the Town Clerk and her colleagues for their assistance in helping us complete our work.

Internal Audit Approach

In carrying out our internal audit work 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, operating a mix of 100% substantive or selected sampling techniques, where considered applicable.

Our audit programme is 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 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 AGAR, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

On the basis of the programme of work we have undertaken for the year to date, we have concluded that the Council continues to maintain an adequate and effective system of internal control. The records held in support of the accounting transactions continue to be of a high standard and provide an effective audit trail, with clear cross-referencing of all relevant documentation.

In the sections below, we have explained the objectives of each area of our audit, summarising the work undertaken and our findings. We are pleased to report that there are no matters arising that require a formal recommendation for further action. We ask that Members consider the content of this report.

This report has been prepared for the sole use of Costessey Town Council. To the fullest extent permitted by law, no responsibility or liability is accepted by Auditing Solutions Ltd to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions

Detailed Report

Accounting and Banking Arrangements

Our objective in this area is to confirm that the accounting records are being maintained accurately and kept up to date, that no anomalous entries appear in cashbooks or financial ledgers, and that appropriate banking arrangements are in place.

As in previous years, the Rialtas Omega accountancy package is used to maintain the financial records, with accounting support provided by DCK Accounting Solutions Ltd. We note that the Council has recently purchased the phased budget module for the Rialtas accounts package, which will be implemented for the 2022-23 financial year.

Banking services continue to be provided by Barclays Bank Plc. Two main accounts are used, a Business Current Account and a Business Premium (instant access savings) Account. These are supplemented by a separate Salaries Current Account and two small imprest accounts for administrative and grounds maintenance “operational” expenditure.

In 2021-22, the Council has opened a current account with Unity Trust Bank, which will be used to facilitate the introduction of on-line banking for hall hire deposits. We have confirmed that the account will be in use from December 2021 and that funds have been transferred to enable this to happen.

In the course of our interim audit, we have:

- Confirmed that the ledger remained in balance at the time of our interim audit;
- Confirmed that the cost centre and nominal ledger coding structure remains appropriate for the Council’s needs;
- Checked and agreed the detail on the Omega combined cash book for the Business Current Account and Business Premium Account, examining the transactions for two sample months (May and October 2021), agreeing these to the supporting bank statements and also verifying the detail of all inter-account “sweep” transfers in those months;
- Similarly, checked and agreed the detail of transactions on the Salaries cashbook, agreeing these to the supporting bank statements for the sample months;
- Checked and agreed the bank reconciliations as at 31st October 2021 on all accounts, confirming that reconciliations continue to be prepared routinely at the close of each month and that there is evidence of independent review, and
- Confirmed, through discussion with the Deputy Town Clerk, that the Rialtas accounts and booking system are regularly backed up to the Council’s server, which is itself backed-up to the ‘Cloud’ each evening by the Breakwater IT Support Team.

Conclusion

There are no matters arising from our audit work in this area to date that require any formal comment or recommendation.

Costessey TC: 2021-22 (Interim)	10 th December 2021	Auditing Solutions Ltd
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Corporate Governance

Our objective is to confirm that the Council has robust corporate governance arrangements in place and that, as far as we may reasonably be expected to ascertain (as we do not attend Council meetings), all meetings are conducted in an appropriate manner and no actions of a potentially unlawful nature have been, or are being, considered for implementation

During the course of our interim audit, we have confirmed the following:

- Our review of the minutes of the Council and Committee meetings for the year to date did not identify any issues that we consider may have an adverse effect, through litigation or other causes, on the Council's future financial stability;
- The Council's Financial Regulations and Standing Orders continue to be the subject of periodic review. The Financial Regulations are due to be discussed at the Finance Committee meeting on 10th December with recommendations made for the Council to consider on 14th December 2021. The Standing Orders were revisited and updated at end of the 2020-21 financial year and formally approved by the Council on 6th April 2021. The 'Covid Appendix' to the Standing Orders was subsequently amended on 12th October 2021 to reflect changes to Government guidance, and
- Following the 2019 local government elections, the Council formally re-adopted the General Power of Competence at its meeting on 14th May 2019 and this has continued to be applicable in 2021-22.

Conclusion

On the basis of our audit work to date, we are satisfied that the Council continues to adopt a sound approach to its corporate governance responsibilities.

The one matter that we did raise with the Town Clerk was a potential change to the contract value above which formal tendering requirements should apply, as set out in Financial Regulation 11.2. We suggested that this should be set at £25,000, in line with the NALC guidance. This is the level above which the Public Contracts Regulations 2015 apply, which require Councils to use the Contracts Finder website to advertise contract opportunities, set out the procedures to be followed in awarding new contracts and to publicise the award of new contracts.

We have confirmed with the Town Clerk that this point was drawn to the attention of the Finance Committee at its meeting on 10th December 2021 and that the suggested amendment has been included within the recommended changes to the Financial Regulations which will be considered by the Council on 11th January 2022.

Expenditure

Our objective in this area is to ensure that:

- Council resources are released in accordance with approved procedures and 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 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 of expenditure for 2021-22. In total, we examined a sample of 46 payments for the period to 31st October 2021. Our sample included all individual payments in excess of £2,000, together with a more random sample of every 20th cash book transaction, as recorded in the accounts. The total value of items in our sample was £249,783, including VAT, which equated to 74%, by value, of non-pay related expenditure in the financial year to date.

Our testing included a sample of transactions relating to the charge cards which are used by the Clerk and the Head Groundsman to assist with urgent and/or immediate purchases via the internet. Separate Omega “cashbooks” are used to record the transactions on each card. We did not identify any issues with either the level or type of expenditure incurred.

We have confirmed that VAT returns continue to be completed in a timely and accurate manner, with electronic “on-line” submission in place, in line with current HMRC requirements. We have examined the reclaims for the first two quarters, confirming that the submissions agreed to the Omega VAT control account.

We also considered the approach followed in the award of the contract for play equipment to replace the Breckland Park trim trail. The minutes confirm that the Council was satisfied that the contract met the requirements of the Financial Regulation 11.1 (a) (vi) [i.e., it was for the purchase of goods which are proprietary articles and/or only sold at a fixed price] and, as such, did not require formal tendering as set out in the Public Contracts Regulations 2015. In our view, this appears reasonable.

Conclusion

There are no matters arising from our audit work in this area to date that require any formal comment or recommendation.

Assessment and Management of Risk

Our objective is to confirm that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health & safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks in order to minimise the opportunity for their coming to fruition.

From our review of this area, we confirmed that.

- The Financial Risk Assessment (FRA) has recently been reviewed and approved by the Council, at its meeting on 9th November 2021, following scrutiny by the Finance Committee;
- In May 2020, the Council entered into a 4-year agreement with Zurich Municipal for the provision of insurance cover. We examined the insurance schedule for the year to May 2022, which was updated in November 2021 to include new play equipment at Breckland Park. This includes Public Liability of £15 million; Employer’s

Costessey TC: 2021-22 (Interim)	10 th December 2021	Auditing Solutions Ltd
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Liability of £10 million, Fidelity Guarantee at £1 million and Loss of Revenue at £200,000 loss of income, all of which appear appropriate to meet the needs of the Council.

- Zurich Municipal also continues to be contracted to undertake 6-monthly inspections of the Council's play equipment each year to confirm compliance with health and safety requirements. We noted that the latest inspections were completed in October 2021 and reported to the Property & Environment Working Group on 23rd November 2021, and also that the inspection reports continue to be published on the Council's website. We confirmed that there were no high-risk matters arising, and
- In addition, Council staff continue to carry out a visual check of the playgrounds as they undertake litter picking and deal with issues as they arise. They also complete inspection reports on a weekly basis throughout the year, which are submitted to the Town Clerk with timesheets and signed off as reviewed, with action taken, as appropriate.

Conclusion

There are no matters arising from our audit work in this area to date that require any formal comment or recommendation.

Budget setting, budgetary control and reserves

Our objective here is to confirm that the Council has robust procedures in place for identifying and approving its future budgetary requirements and the level of Precept to be drawn down from District Council: also, that an effective reporting and monitoring process is in place. We also aim to confirm that the Council retains sufficient funds in earmarked and general reserves to finance its ongoing spending plans and to cover any unplanned expenditure that might arise.

From our review of the minutes, we confirmed that Members continue to be provided with budget monitoring reports and formal bank reconciliations during the year, with the detail considered by the Finance Committee and summary information then provided to the full Council, for approval.

It is evident that Covid-19 has made budget forecasting for 2021-22 very difficult, with the impact on both income and proposed expenditure in the year hard to predict. We note that the most recent outturn forecast for the year (based on the accounts to the end of October 2021) indicates that the Council may well have a surplus of £76,000 at the year-end, having originally budgeted for a deficit of £53,000 which was to be funded from the 2020-21 underspending.

The annual budget and Precept requirements for 2022-23 are due to be considered by the Council on 14th December 2021, with a final decision made at the Council meeting on 11th January 2022. We will review the process followed, together with the final 2021-22 budget outturn and the overall reserves position, at our end of year audit visit.

Conclusion

There are no matters arising from our audit work in this area to date that require any formal comment or recommendation.

Costessey TC: 2021-22 (Interim)	10 th December 2021	Auditing Solutions Ltd
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Income

In considering the Council's income streams, our objective is to confirm that robust systems are in place to ensure the identification of all income due to the Council from its various sources, that invoices are raised in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council.

In our interim audit, we undertook the following work:

- We confirmed that the Council formally reviewed its fees and charges for 2021-22 as part of the budgetary process, following initial consideration by the "Fees and Charges Working Group" in September 2020;
- As noted earlier in this report, we have checked and agreed two sample months' receipts transactions from cashbooks to relevant bank statements;
- We examined the Cemetery-related activity (interments, grants of exclusive rights of burial and memorials/inscriptions) for the period 1st April to 31st October 2021, by reference to the detailed Burial Register and associated records. We confirmed that all of the appropriate records were held, that the invoices raised were in order and that the income due was received and banked on a timely basis;
- We examined a sample of hall hires for the week commencing 27th September 2021, by reference to the diary entries for the halls and the sales ledger invoicing, confirming that the rates charged were in accordance with the published scales and that, as required, fees had been paid in advance; and
- We examined the Sales Ledger "Aged Debtors Report" as at the time of our interim audit. We were pleased to note that the overall value of long-standing debts remains very low and confirmed that effective control arrangements remain in place, with appropriate action being taken in relation to all outstanding payments.

Conclusion

There are no matters arising from our audit work in this area to date that require any formal comment or recommendation.

Petty Cash

When completing the 'Annual Internal Audit Report' in the AGAR, we are required to confirm that there are effective controls over the petty cash account operated by the Council.

The Council operates a limited petty cash scheme, with a maximum Imprest holding of £300 which is "topped up" monthly. A small Excel control sheet is maintained and acts as both the Omega nominal ledger posting document and the approval for re-imburement "invoice". We confirmed that the petty cash is subject to regular independent review and that this review is evidenced. During our interim audit, we undertook a physical check of the petty cash held and reconciled this to the underlying records, confirming that everything was in order.

Conclusion

There are no matters arising from our audit work in this area to date that require any formal comment or recommendation.

Costessey TC: 2021-22 (Interim)	10 th December 2021	Auditing Solutions Ltd
---------------------------------	--------------------------------	------------------------

Salaries and Wages

In examining the Council's payroll function, our objective is to confirm that extant employment legislation is being adhered to, that the requirements of HM Revenue and Customs (HMRC) legislation are satisfied regarding the deduction and payment over of income tax and NI contributions and that the requirements of the local government pension scheme are met.

The Moneysoft "Payroll Manager" package continues to be used to compute the four-weekly payroll (i.e., 13 Pay Periods in the year), which includes the production of the pay slips.

To check compliance with the above criteria, we reviewed the salary payments made for Pay Period 8 (paid in October 2021), confirming:

- The amounts paid to employees agree to the approved pay scales on the council's establishment list;
- Tax and National Insurance deductions for all employees have been made by applying the appropriate PAYE code and NIC Table;
- The correct local authority pension scheme percentage deductions are being applied, where applicable (both for employees and the Council);
- Any variations to standard payments, such as overtime and mileage, have been subject to formal timesheet records and approval by senior officers;
- The net payments to staff were in accordance with the payslips and the summary BACS settlement reports; and
- The payments to HMRC and the Norfolk Pension Fund were correct and were made on a timely basis.

Conclusion

There are no matters arising from our audit work in this area to date that require any formal comment or recommendation.

Investments and Loans

Our objective is to confirm that an appropriate investment/treasury management policy is in place, that any funds not required for immediate use, whether temporarily or on a longer-term basis are invested in line with that strategy and that interest earned is brought to account correctly and appropriately in the accounting records. We also confirm that any loan repayments due to or payable by the Council are transacted in accordance with the relevant loan agreements.

The Council has a 'Treasury Strategy and Treasury Management Policy' in place. The latest version of the Policy was adopted at the Council meeting on 23rd February 2021, following consideration by the FB&S Committee,

At present, the Council does not hold any long-term investments, with all "surplus" funds currently held within the Barclays Business Premium account, which is an instant access account. From our discussions with the Town Clerk, we understand that the Council does

Costessey TC: 2021-22 (Interim)	10 th December 2021	Auditing Solutions Ltd
---------------------------------	--------------------------------	------------------------

not intend to consider any longer-term investments until there is an improvement in the interest rates available.

We have checked and agreed the half-yearly repayments of principal and interest on the Council's three Public Works Loans Board (PWLB) loans to the third party "demand" notices.

Conclusion

There are no matters arising from our audit work in this area to date that require any formal comment or recommendation.