
Bletchley & Fenny Stratford Town Council

Internal Audit Report 2019-20: 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 Bletchley & Fenny Stratford Town Council since 2013.

This report sets out the work undertaken in relation to the 2019-20 financial year to date, during our visits which took place on 7th November 2019, together with the matters arising and recommendations for action, where appropriate.

Internal Audit Approach

In undertaking our review for the financial 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

No significant issues have been identified during the course of the visit and we are able to conclude that, in the areas examined, effective systems of financial control continue to operate and help to ensure that transactions will be reflected accurately in the year-end Annual Governance and Accountability Return for 2019-20.

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

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: -

- Checked and agreed the opening Trial Balance for 2019-20 to the closing Financial Statements for 2018-19 to ensure that all the detailed balances have been accurately rolled forward;
- Ensured that the coding structure is appropriate for purpose and provides appropriate detail to assist in the preparation of the Council's year-end Annual Return;
- Checked and agreed transactions in the Council's Unity Bank Current and Deposit account cashbooks to the relevant bank statements for September 2019;
- Checked and agreed all transactions, comprising inter account transfers and other sundry receipts and payments on the Unity Trust bank account cashbooks to the relevant bank statements for the year to date; and
- Checked detail on the bank reconciliations and nominal ledgers for the Current & Deposit accounts as at September 2019 to ensure that no long-standing uncleared cheques or other anomalous entries exist.

Conclusions

We are pleased to report that no significant issues have been identified in this area. We will undertake further work at our final visit.

Review of Corporate Governance

Our objective here is to ensure that the Council has robust corporate governance documentation and processes in place; that Council and Committee (where appropriate) 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 have: -

- Noted that the Standing Orders and Finance Regulations have been reviewed and re-adopted by the Council in May 2019; and
- Examined the Council's minutes for the current year to date to determine 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 report that no significant issues have been identified in this area. We will undertake further work at our year end review.

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 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;
- All payments have been reported to Council; and
- VAT has been appropriately identified and continues to be reclaimed quarterly.

We have selected a sample of payments for examination to ensure compliance with the above criteria including all those individually in excess of £3,000, together with a more random sample of every 40th Current Account cashbook transaction, excluding salary related payments, irrespective of value processed in the year to October 2019 totalling £158,298 and represents 53% of all non-pay related payments made in the year to date.

We have also reviewed the outstanding purchase invoices to ensure that there are no long outstanding payments.

We are pleased to note that members are provided routinely with and approve a schedule of payments, including detail of petrol card purchases and Direct Debits, together with monthly bank reconciliation detail, also that the Council's cheque signatories sign the schedule of cheques presented for payment as confirmation that they have reviewed and agreed the content to the supporting invoices, etc.

Finally, in this area, we have examined the content of the VAT reclaims submitted to HMRC for the year to September 2019 agreeing the returns to the underlying control account detail.

Conclusions

We are pleased to record that no significant issues have been identified in this area of review. We will undertake further work at our 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 note that the Financial Risk Assessment programme was reviewed and adopted by the Council in March 2019 and will be reviewed again before the financial year end;

- We also note that the Council has contracted with Ellis Whittam as a provider for both Health & Safety and Human Resources support.; and
- We have examined the current year's insurance with the Zurich noting that Employer's and Public Liability cover are each in place at £10 million, with Fidelity Guarantee cover at £2 million.

Conclusions

No issues have arisen in this area warranting formal comment or recommendation currently with appropriate insurance cover in place. We will review the Financial Risk assessment at our year end visit.

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.

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

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 the 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 have;

- At this interim visit, reviewed the systems, management procedures and processes in respect of the allotments and the Newton Leys Pavilion;
- Reviewed the collection of rentals, the management controls and the subsequent banking of fees for both the allotments and Newton Leys Pavilion;

- Also noted that members had reviewed the fees and the method of calculation for the allotments for 2019-20 and we have been advised that fees are in the process of review for both the allotments and the Newton Leys Pavilion room hire; and
- Ensured that the ledger controls are operating satisfactorily.

Conclusions

There are no issues arising from our examination of the operational controls and testing undertaken in this area. We will as part of our year end procedures ensure that income is correctly reported in the Annual Return.

Petty Cash Account

We note that the Council continues to operate a limited petty cash account in the administration office and at Spotlight. We have checked the Council petty cash and agreed a sample of transactions from the petty cash and the monthly control summary sheets maintained to ensure that all payments were supported by an appropriate supplier invoice / till receipt, that VAT has been identified for inclusion in the periodic reclaims and that reimbursement cheques and payments were being authorised in accord with the process for all other supplier payments.

We note that a payment card is now being used and we have completed a sample check of the statements. We have also checked a sample of the petrol statements and receipts.

Conclusions

No matters arise in this area warranting formal comment or recommendation.

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 1st April 2017 in relation to employee percentage bandings; we have

- Ensured that the Council reviews and approves pay scales for staff annually;
- Agreed the gross salary payment to each individual on the payroll as compiled by Payroll Options for September 2019 by reference to the Council's approved pay scales. Also verifying that the net payments corresponded to the salary return settlement statement for the month; and
- Checked to ensure that the correct Tax codes, National Insurance tables and LGPS salary banding pension rates have been accurately applied and that the deductions arising therefrom have been paid over to the respective agencies in a timely manner.

Conclusions

No significant matters arise warranting formal comment or recommendation.

Investments and Loans

The Council has no investments requiring separate disclosure, any “surplus” funds being held are deposit accounts with Unity Trust Bank: we have, as noted above, verified detail of transactions for the year from bank statements to the cash books. We have also reviewed the deposits held with the CCLA. We will review the Nationwide Building Society account at the year end.

The Council has no loans in place, either repayable by or to it.

Conclusions

No matters arise in this area of our review for the year. We will undertake further work at our final visit.