

## **Leighton-Linslade Town Council**

*Internal Audit Report 2018-19: Final 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 Governance and Accountability Return (AGAR).

This report sets out the work undertaken in relation to the 2018-19 financial year to date, which took place on 8<sup>th</sup> November 2018 and 24<sup>th</sup> & 25<sup>th</sup> January and 16<sup>th</sup> May 2019 together with the matters arising and recommendations for action, where appropriate.

## **Internal Audit Approach**

In undertaking our review for the year, 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/AGAR. 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 AGAR, which requires independent assurance over a number of internal control objectives.

## **Overall Conclusion**

We are pleased to conclude that, in the areas examined to date, the Council continues to have effective systems in place to help ensure that transactions are free from material misstatement and will be reported accurately in the AGAR and detailed Statement of Accounts for the financial year.

However, we identified one area at the interim update visit where we consider that further improvements in the overall internal control environment are required. Details of the matter identified during the course of the audit visit is set out in the body of the report, with the recommendation arising from our visit further summarised in the appended Action Plan.

We are also pleased to record that Council members and officers continue to operate a sound, pro-active approach to risk management and corporate governance issues, together with the development and management of effective internal controls and procedural documentation.

# 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 ensured that the closing balances have been correctly rolled forward as opening balances for 2018-19 in the Omega software;
- Checked to ensure that a comprehensive, meaningful and appropriate nominal ledger coding schedule remains in place;
- Checked and agreed transactions in the Council's main combined Current and Reserve account cashbook to the relevant NatWest bank account statements for September and December 2018 and March 2019 including the daily "sweep" transfers;
- Similarly, checked and agreed all transactions in the Council's supplementary NatWest Special Interest-Bearing account cashbook to the relevant bank statements for September and December 2018 and March 2019; and
- Checked detail on bank reconciliations for all accounts as at 30<sup>th</sup> September and 31<sup>st</sup> December 2018 and 31<sup>st</sup> March 2019 to ensure that no long-standing uncleared cheques or other anomalous entries exist.

### *Conclusions*

*We are pleased to report that no issues worthy of formal note have been identified in this area.*

## Review of Corporate Governance

Our objective is to ensure that the Council has robust corporate governance documentation and processes 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 an "ultra vires" nature have been or are being considered for implementation. We have: -

- Examined the minutes of the Full Town Council and its Standing Committee meetings (except Planning) for the year to March 2019 to ensure that no issues affecting the Council's financial stability either in the short, medium or long term exist;
- Noted that Standing Orders (SOs) approved in January 2015 have been under review and we note that the review was deferred until the April 2019 meeting.
- Also noted that The Council completed a Risk Management and Internal Control Statement at its meeting on 28<sup>th</sup> January 2019; and
- Noted that revised Finance Regulations (FRs) were approved on 30<sup>th</sup> April 2018 by Full Council.

### *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 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;
- An official order has been raised for all purchases and service delivery where one would be expected;
- 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 continued testing in this area, examining all those payments individually in excess of £5,000, together with a more random selection of each 60<sup>th</sup> cashbook transaction irrespective of value to December 2018. Our test sample includes 80 payments totalling £679,843 and equating to 49% of all non-pay related payments for the year to date.

We note that the submission of the VAT Returns to March 2019 have been undertaken in a timely manner utilising HMRC's "on-line" facility and have we verified the details therein to the ledger control account.

### *Conclusions*

*We are pleased to record that no significant control issues have been identified from our testing in this area, with all criteria met.*

## **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 Council:

- Revised financial risk assessments for 2018-19, based on the LCRS software, was made earlier this year and approved by Full Council; and
- Maintain their insurance with Ecclesiastical and Chubb: We have examined the current year's policies schedule to June 2019, noting that Public and Employer's

Liability both stand at £10 million, with Fidelity Guarantee cover at £3 million for any one loss.

### *Conclusions*

*No issues arise in this area warranting formal comment or recommendation.*

## **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 and that effective arrangements are in place to monitor budgetary performance throughout the financial year. We will also confirm that the Council has identified and retains appropriate reserve funds to meet future spending plans.

We note that the Council, at its January 2019 meeting, approved and adopted the precept for 2019-20 at £2,162,328.

We also 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*

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

## **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 (where applicable) in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council. We have: -

- We have inspected a sample of the limited number of nominal ledger entries posted to the Omega control account to ensure their completeness;
- Also noted that a review of the fees for 2019-20 were undertaken by the Grounds and Environmental Committee in September 2018;
- As noted elsewhere in this report, we have tested a sample of cashbook receipts from Omega records to relevant bank statements for two sample months and have checked and agreed all interest arising on periodic Bank Term Deposits;
- At this interim update visit we have reviewed the procedures and management process in relation to Astral Park together with the payment and subsequent banking of fees and consider that it is managed in a satisfactory manner.
- Reviewed the controls and income generated from the Vandyke Road and Old Linslade Cemeteries examining a sample of the burial records for both locations to ensure that they were full and complete, that they were appropriately supported by

funeral director applications and other legal documentation, that the fees and charges levied were correct for each interment. No matters arise in this area;

- In relation to Market activity we have reviewed the procedures and note that the Manager collects stall holder monies routinely on each market day (Tuesday or Saturday). Pre-printed, sequentially numbered duplicate receipts are issued, with a spreadsheet acting as a control document of attendees and their payments: this is supported by copies of the receipts issued with the cash collected appropriately cross-checked and banked in a timely manner; and
- Examined the “Aged debtors schedule” generated by the accounting software and are pleased to record that there are no significant long-standing debts exist of which officers and members are unaware

### ***Conclusions and recommendation***

***We have reviewed the management processes and controls at both Astral Park, Cemetery and the Markets and consider that in all areas they are operated in a satisfactory manner, We have, however, when reviewing the bookings at Astral Park noted that there are a number of evening and week end bookings which would involve increased costs for managing the events. The same fee is levied for these bookings and the additional cost of overtime and additional expenditure is not accounted for when charging the hirer.***

*RI. Due to the additional cost of managing the evening and weekend room bookings Council should consider increasing the fees for such events.*

## **Review of Petty Cash and Fuel Cards**

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.

Petty cash accounts are operated at several locations: we have at this interim update visit examined the procedures in place for the main petty cash account holding at The White House and Astral Park, both are operated on an Imprest basis with a float of £250 respectively. Our test sample covered transactions for the period for January 2019 and are pleased to report that all were appropriately supported by a copy invoice or till receipt. We have also verified the physical cash holdings with no issues arising.

We have as part of our “Review of Expenditure”, examined a sample of payments made through use of Fuel Cards and noting that fuel card forecourt receipts are checked and are attached to the relevant statements.

We have also, as part of our “Review of Expenditure”, examined a sample of payments made through use of the credit cards and noting that receipts are checked and are attached to the relevant statements and VAT posted appropriately.

## *Conclusions*

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

## **Review of Staff Salaries**

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) in relation to the deduction and payment over of income tax and NI contributions and LGPS pensions. To meet these objectives, we have examined the payroll procedures in place and the physical payments made to staff in 2018-19 by reference to the September 2018 payroll documentation taking into account the revised pay scales approved for April 2018. The payroll continues to be produced by third party, external bureau providers utilising appropriate bespoke payroll software. Our work included: -

- Ensuring that the Council had approved employee pay rates for the financial year and that these have been duly and accurately applied;
- Checking to ensure that appropriate PAYE tax codes are being applied in 2018-19;
- Checking to ensure that national insurance deductions have been computed accurately depending on whether the employee was a member of the pension scheme or not;
- Checking that the correct scales of superannuation deductions, based on the revised LGPS arrangements, were being applied where appropriate;
- Ensuring that appropriately signed and approved timesheets and mileage claims are submitted by all employees in support of any flexible hours worked or claimed as overtime or for expenditure re-imburement;
- Verifying detail of the net salary payments made by comparison with the summary reports and payslips to the monthly BACS settlement; and
- Ensuring that payment to third parties of Tax, National Insurance and Pension deductions are made in a timely and accurate manner;

## *Conclusions*

*We are pleased to report that no issues arise from our testing in this area warranting formal comment or recommendation.*

## **Fixed Asset Registers**

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We have checked and agreed the principles used in the detail, as recorded in the Council's Asset Register, noting that it has been prepared using purchase cost values or where that value is unknown at the previous year's Return level or uplifted or decreased to reflect the acquisition or disposal of assets.

### *Conclusion*

*No issues require 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 and that the Council is obtaining the best rate of return on any such investments made and that interest earned is brought to account correctly and appropriately in the accounting records.

- We have, checked the detail of the interest bearing accounts and agreed all relevant maturities, re-investments and interest arising to March 2019 to their third party advice notes, bank statements and other appropriate correspondence; and
- We have also checked and agreed the instalment repayments of the existing PWLB loans from the cashbook payments to their third party, direct debit advice notes.

### *Conclusions*

*No issues have currently arisen in this area to warrant any formal recommendations.*

## **Annual Governance and Accountability Return**

The Accounts and Audit Regulations required that all Councils prepare a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council’s financial affairs.

We have examined the Council’s procedures in relation to the preparation of the year-end detailed Annual Governance and Accountability Return data, also reviewing the arrangements for the identification of year-end debtors and creditors with no issues arising.

### *Conclusions*

*No issues have arisen in this review area and, on the basis of work undertaken during the year, we have duly signed off the Internal Audit Report of the Annual Governance and Accountability Return, assigning positive assurances in each relevant area.*

<i>Rec. No.</i>	<i>Recommendation</i>	<i>Response</i>
<b>Review of Income</b>		
R1	Due to the additional cost of staffing the evening and weekend room bookings Council should consider increasing the fees for such events.	