



## **Highworth Town Council**

*Internal Audit Report 2021-22 (Final year-end up-date)*

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*For and on behalf of  
Auditing Solutions Ltd*

## **Background and Scope**

The Accounts and Audit Regulations require all Town and Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually. The Council complied with the requirements in terms of independence from the Council decision making process appointing Auditing Solutions Ltd to provide the service.

This report sets out those areas examined during our review of the Council for 2021-22, which took place on the 6<sup>th</sup> and 7<sup>th</sup> December 2021, with a final review on the 16<sup>th</sup> May 2022, together with our preparatory work. We wish to thank the officers for providing all the records to facilitate our work.

## **Internal Audit Approach**

In undertaking our review for the year, we have again had regard to the materiality of transactions and their susceptibility to potential miss recording or misrepresentation in the year-end Statement of Accounts and Annual Governance and Accountability Return (AGAR). Our programme of cover is designed to afford reasonable assurance that the Council has appropriate and robust financial systems in place that operate in a manner to ensure effective probity of transactions and to provide 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 'Internal Audit Report' which is part of the Council's AGAR and which requires independent assurance over specified internal control objectives.

## **Overall Conclusion**

We are pleased to conclude that, in the areas examined for the year, the Council continues to have systems in place to ensure that transactions are free from material misstatement.

We have signed the Internal Audit section of the Council's AGAR assigning positive assurance against the control objectives.

We request that this report is presented to Members.

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# Detailed Report

## Review of Accounting Arrangements & Bank Reconciliations

The Council uses the Rialtas accounting system to record its financial transactions. Five cash books have been set up. Cash book one records transactions on the Co-op Community Directplus (current) account for daily transactions. A second cash book records transactions on the Co-op Corporate PSR (deposit) Account. There are three further cash books, one for recording transactions on the CCLA account, one for petty cash and one for donations to the Mayoral Account.

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:

- Reviewed the balances brought forward into 2021/22 to ensure they were consistent with the prior year closing balances;
- Ran a data check on the Rialtas system at our interim and final stage audits to ensure it was in balance at the time of the review;
- Verified that an appropriate cost centre and nominal ledger structure is in place;
- Discussed with the Clerk arrangements for processing journals, manual adjustments to the Rialtas system;
- Discussed with the Clerk the Council's arrangements for backing up its IT systems. We understand the Council's IT provider backs up the systems daily to a Cloud. The Rialtas system is also backed up after any up-date;
- Confirmed that the External Auditor had no matters to report on the prior year's accounts;
- As a sample, agreed the reconciliation of Cash Book one, current account, at 30<sup>th</sup> September, 31<sup>st</sup> October 2021, 28<sup>th</sup> February and 31<sup>st</sup> March 2022 and agreed the movements in October 2021 and March 2022 per the bank statements to the Cash Book;
- Agreed the reconciliation on Cash Book two, deposit account, at 30<sup>th</sup> September, 31<sup>st</sup> October 2021 and 28<sup>th</sup> February and 31<sup>st</sup> March 2022 and agreed the movements in October and March to the bank statements and the Cash Book;
- Agreed the year end reconciliation on the Mayoral Account to the cash book; and
- Confirmed the arrangements for Member review of bank reconciliations.

Our work on the CCLA account and petty cash is detailed in later sections of this report.

### *Conclusions*

***The Accounts are in balance and reconciliations are being completed regularly. There were no anomalous entries in the reconciliations at the time of our reviews.***

***We have agreed the year end cash balances to the AGAR.***

## **Review of Corporate Governance**

Our objective in this area is to ensure that the Council has a robust regulatory framework 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 have:

- Completed our examination of the minutes of Full Council and its standing Committees for the municipal year, as posted on the website covering the period to the end of March 2022;
- Noted that the Council re-adopted Standing Orders and Financial Standing Orders at the Meeting held on 15<sup>th</sup> June 2021;
- Noted that the Council adopted the General Power of Competence at its Meeting in June 2021;
- Noted the Council posts details of payments over £500 on its website in compliance with the Transparency Code; and
- Confirmed the Council advertised the availability of its 2020/21 accounts for public inspection by publishing the notice of public rights.

### ***Conclusion***

***No matters have arisen from this area of our work requiring recommendations.***

## **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 ledger 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 examined the supporting invoices for a sample of payments selected from the main current account cash book covering the period April 2021 to March 2022. Our sample comprised all payments over £2,000 and randomly every 25<sup>th</sup> payment in the Cash Book. We looked at 52 payments which totalled £259,938, representing 52% of non-payroll costs in the period to March 2022. All payments were supported by invoices which were scanned over to us by the officers.

We further discussed with officers the controls over the processing of payments. We note that all payments are reported to Members and a Member further authorises payments via the internet banking system after they have been set up by officers. Two members sign the cheques. Further, that official orders are used as required.

We note also that VAT returns continue to be submitted quarterly. We confirmed the VAT due to be recovered at the end of the prior financial year was paid to the Council in 2021/22 as recorded in the cash book. We have reviewed the first three quarterly VAT re-claims for 2021/22 in Rialtas confirming the funds were subsequently receipted into the cash book.

### ***Conclusion***

***Our audit sample of payments confirmed they are suitably supported by invoices.***

## **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 are pleased to acknowledge that risk assessments have continued to be undertaken annually, the most recent financial risk assessment being re-adopted by the Finance and General Purpose Committee in June 2021. The risk assessment is in summary form and less detailed than is common at many councils, but identifies the risks and the actions to address them;
- Insurance cover continues to be provided by Zurich. We have examined the current year's policy schedule (running to June 2022) noting it provides:
  - Property insurance
  - Business interruption insurance. loss of income cover up to £15,000
  - Public liability cover of £15m
  - Hirer's liability of £2m
  - Employer's liability cover of £10m
  - Motor vehicle cover
  - Fidelity guarantee cover of £0.5m; and
- We have discussed arrangements for carrying out safety inspections of play areas. We understand the grounds team are RoSPA trained and carry out weekly inspections and findings are reported formally. Further that an annual external inspection is carried out by RoSPA

### ***Conclusions***

***There are no issues arising in this area to warrant formal comment or recommendation. We noted that the Council's cash and investment balances at the time of our interim review totalled some £750,000, reflecting cash flow arising from receipt of the precept. Many councils ensure their cover for fidelity guarantee is equal to their regular cash holdings and the Council may wish to consider adjusting their level of cover to follow this good practice.***

## **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 to be precepted on the Borough Council, 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 have confirmed that Members are provided regularly with financial information to facilitate budget monitoring;
- Following initial discussions at the Finance and General Purpose Committee, Full Council discussed the budget at their November meeting. The 2022/23 precept was finalised at the Full Council meeting in January 2022. A detailed spreadsheet was prepared to support the budget setting process showing income and expenditure at committee level;
- We note Finance and General Purpose Committee considered the Council's reserves policy in March 2022;
- Spending in 2021/22 was £775,789 or £64,649 a month. At 31<sup>st</sup> March 2022 total reserves were £306,626 of which the general reserve was £183,416. The general reserve represents some 3 months spending which is within the normal range of 3-8 months spending for a town council; and
- We reviewed the full year's income and expenditure making comparisons to the budget and prior years and taking account of the explanation of variances provided by the Clerk. We note the additional one-off spending on the skate park which was audited in our payments testing referred to earlier in this report.

### ***Conclusion***

***Based on our work there are no matters arising in this area requiring formal comment or recommendation.***

## **Review of Income**

In considering the controls in place over 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 identified and invoiced in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council. To meet this objective, we have:

- Noted the Council continues to keep its fees and charges under review, up-dating market charges in September 2021, further Full Council considered fees and charges in November 2021;
- Reviewed miscellaneous income. We tested larger items to supporting documentation relating to the disposal of a tractor and the funding for the skate park;

- Obtained an extract from the Burial Register and tested a sample of three burials confirming certificates of cremation were held. We then confirmed the fees charged agreed to the approved schedule of charges and tested the income through to Rialtas to ensure it was brought to account;
- Reviewed the unpaid invoices report on the Rialtas sales ledger (at the time of our interim and final review) noting there were no aged items; and
- Agreed the instalments of precept received as recorded in the cash book in April and September 2021 to the amount set and recorded in the minutes of the Finance and General Purpose Committee at their meeting in November 2020. We further agreed the precept received to the list of 2021/22 precept demands published by the Government.

### *Conclusion*

*There are no issues arising in this area to warrant formal comment or recommendation.*

## **Petty Cash Account**

We are required in the AGAR certificate to comment on the Council's arrangements for administering petty cash. The Council operates a limited petty cash account with a maximum approved holding of up to £250, which is topped up "as and when" with periodic reimbursements: we have:

- Test checked payments from petty cash in September 2021 to supporting vouchers;
- Confirmed VAT is separately recorded for periodic recovery; and
- Confirmed the petty cash is being reconciled, although as the work was done remotely we did not physically count the petty cash.

### *Conclusions*

*There are no issues arising in this area to warrant formal comment or recommendation. We have confirmed petty cash balances are included in the year-end reconciliation and the AGAR balance.*

## **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 requirements of HM Revenue and Customs (HMRC) and other 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.

We have discussed controls over the processing of payroll, which is now done by a payroll bureau, Monahan's, with payments approved by Members. We sample checked payroll transactions, specifically we:

- Agreed the Clerk's gross pay, per her August payslip, to a copy of her contract;

- Test checked the calculation of tax and national insurance for six staff as recorded on their August payslips;
- Test checked the calculation of pension contributions as recorded on August payslips;
- Agreed the payments in August to the staff, HMRC and the pension provider to the summary payroll reports; and
- Completed our month-on-month trend analysis of payroll costs to identify any unusual variances should they occur. We agreed the payment in February 2022 in respect of pension costs arising from a redundancy to correspondence between the Council and the Pension Administrator.

### ***Conclusions***

***There are no issues arising in this area to warrant formal comment or recommendation. At the interim audit we noted some minor variations in the calculation of pensions and tax, we understand this was due to minor problems with data transfer when the new arrangements were set up with Monahan's requiring later adjusting items.***

## **Asset Register**

Councils are required, in accordance with the Governance and Accountability manual – “The Practitioner’s Guide” to maintain a detailed asset register and to report the value of assets held in Section 2 of the AGAR.

We note that the Council complies with this requirement and maintains such a register of assets on a spreadsheet. The Register analyses assets showing equipment and buildings etc and provides insurance values for management purposes as well as the cost value for the AGAR. We reviewed movements between the opening and closing value of fixed assets as recorded in the Register for consistency with expenditure recorded in the cash book. We note the main movement relates to the expenditure on the Skate Park. We then agreed the total to the fixed asset value disclosed at Box 9, Section 2, of the AGAR.

### ***Conclusions***

***There are no issues arising in this area to warrant formal comment or recommendation.***

## **Investments & Loans**

Our objective here is 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 and that any loan repayments due to or payable by the Council are transacted in accordance with appropriate loan agreements.

We have agreed the balance in the CCLA account as recorded in the Rialtas Cash Book and the year-end AGAR to the CCLA statement dated 31<sup>st</sup> March 2022.

The Council has no loans either repayable by, or to, it at the time of our review.

### *Conclusion*

*There are no issues arising in this area to warrant formal comment or recommendation.*

## **Annual Governance and Accountability Return**

The AGAR Section two comprises the Council's statutory accounts and was prepared by the Council's accountant on an income and expenditure basis as required. We have agreed the amounts reported in section 2 of the AGAR to the underlying records, specifically to the Rialtas system, the cash book and bank and the asset register. We confirmed that the prior year comparative amounts and brought forward balances were consistent with the 2020/21 AGAR. We reviewed the balance sheet information supporting the amount disclosed in line 7 of the AGAR (balances carried forward) and reviewed schedules detailing debtors and creditors for reasonableness taking account of materiality.

### *Conclusion*

*We have duly signed off the Internal Audit Certificate in the year's AGAR providing a copy for the Clerk's necessary further action. We also take this opportunity to remind the Clerk of the requirements of the guidance notes in the preface to the year's AGAR in relation to the documentation that should be displayed on the Council's website, together with the need to ensure compliance with the timing requirements for publication of the Notice of Public Rights to examine the Council's documentation for the financial year.*