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## **Highworth Town Council**

*Internal Audit Report 2023-24 (Interim)*

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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 recent interim review of the Council for 2023-24, which took place on 11<sup>th</sup> December 2023, together with our preparatory work. We wish to thank the Clerk for providing all the necessary records to facilitate our work. This Report will be updated following our final visit in the summer.

## **Internal Audit Approach**

In commencing 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 to date, the Council continues to have suitable financial systems in place.

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. Four cash books are maintained. 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 two further cash books, one for recording transactions on the CCLA account and one for petty cash.

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 2023/24 to ensure they are consistent with the prior year closing balances;
- Confirmed that External Audit raised no issues on the 2022/23 AGAR requiring our follow up;
- Ran a data check on the Rialtas system to ensure it was in balance at the time of this review;
- Verified that an appropriate cost centre and nominal ledger structure is in place;
- Discussed with the Clerk the Council's arrangements for backing up its IT systems. We understand the Rialtas system is backed up monthly;
- Confirmed responsibility for processing journals which is done by the Clerk and the Assistant Clerk;
- As a sample, agreed the reconciliation of Cash Book one, current account, at 30<sup>th</sup> September and 31<sup>st</sup> October 2023 and agreed the movements in October 2023 per the bank statements to the Cash Book;
- Agreed the reconciliation on Cash Book two, deposit account, at 30<sup>th</sup> September and 31<sup>st</sup> October 2023 and agreed the movements in October to the bank statements and the Cash Book including the transfers to the current account; and
- Confirmed that bank reconciliations are reported regularly to Members with detail uploaded on to the Council's website.

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 review.***

***We will extend our testing at our final visit for 2023/24, scheduled for next summer, checking a further month's reconciliations and ensuring cash balances are correctly included in the year-end accounts and 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:

- Commenced 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 November 2023 (at the time of our review);
- Noted that the Council re-adopted Standing Orders, Financial Standing Orders and its Code of Conduct at the Annual Meeting held on 16<sup>th</sup> May 2023;
- Noted that the Council adopted the General Power of Competence at its Annual Meeting in May 2023;
- Noted the Council posts details of payments over £500 on its website; and
- Confirmed the Council advertised the availability of its 2022/23 accounts for public inspection by publishing the notice of public rights.

### ***Conclusion***

*No matters have arisen from this area of our work to date. We will complete our review of minutes at our final 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 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 discussed with Officers the controls over the processing of payments and have examined the supporting invoices for a sample of payments selected from the main current account cash book covering the period April to October 2023. Our sample comprised all payments over £2,000 and randomly every 25<sup>th</sup> payment in the Cash Book, plus the regular payments for non-domestic rates to Swindon Borough Council. We looked at 43 payments which totalled

£84,075, representing 40% of non-payroll costs in the period to October 2023. All payments were supported by invoices or suitable documentation eg for grants, which were scanned over to us by the officers.

We also note 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 May 2023 as recorded in the Cash Book. We have reviewed the first quarterly claim for 2023/24 in Rialtas confirming the funds were subsequently receipted into the Cash Book.

### ***Conclusions***

***Based on our audit sample, payments are suitably supported by invoices.***

***We will review overall annual expenditure against budget at our final stage audit and investigate any unusual variances.***

## **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. At this stage we have:

- Noted Insurance cover continues to be provided by Zurich. We have examined the current year's policy schedule (running to 30<sup>th</sup> June 2024) noting it provides:
  - Buildings and contents insurance;
  - Business interruption insurance;
  - Equipment cover eg Christmas Lights;
  - 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
  
- Noted 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 will review the Council's overall risk assessment at the final stage of the audit next summer.***

***It is common for Council's to routinely hold fidelity guarantee insurance equal to the level of balances, which stand currently at £740,000. The Council may wish to up its cover in this area from the current level of £500,000.***

## **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, this is evidenced in the minutes and on the Council website;
- We note that following initial discussion at committee level the Full Council in November agreed the 2024/25 budget and precept with the latter being set at £679,838. A detailed budget report was provided showing proposals for 2024/25 at service level showing income and expenditure separately; and
- We note the Finance and General Purposes Committee re-adopted the Reserves and Balances Policy at its meeting in July 2023.

### ***Conclusion***

***Based on our work to date there are no matters arising in this area requiring formal comment or recommendation. We will review year end balances and overall spend against budget at our final stage audit.***

## **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:

- Agreed the instalments of precept received as recorded in the Cash Book in April and September 2023 to the amount set and recorded in the minutes;
- Confirmed the Finance and General Purposes Committee reviewed and approved proposed fees for 2024/25;
- Reviewed the Council's burial register and selected two interments for testing, confirming that a certificate for burial/cremation was on file and agreeing the amount charged to the schedule of rates and confirming the income was recorded in Rialtas;
- Reviewed the Allotment register confirming the published scale of fees and the income collected per Rialtas was consistent with the number of occupied allotments per the Register. We further tested one plot confirming a tenancy agreement was on file;
- Tested income arising in July 2023 in respect of the Markets to supporting schedules showing who was occupying each plot and the fee charged; and

- Reviewed the unpaid invoices report from the sales ledger confirming there were no material aged items.

### ***Conclusions***

***There are no issues arising in this area currently warranting formal comment or recommendation. We will up-date our year on year analytical review of income arising across the range of income headings at our final stage audit.***

## **Petty Cash Account**

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 re-imburements: we have:

- Test checked payments from petty cash in October 2023 to supporting vouchers;
- Confirmed VAT is separately recorded for periodic recovery; and
- Confirmed the petty cash is being reconciled and reimbursements are reported to Members.

### ***Conclusions***

***There are no issues arising in this area to warrant 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 requirements of HM Revenue and Customs (HMRC) including 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 done by a payroll bureau, Monahan’s, with payments approved by Members. We sample checked payroll transactions, specifically we:

- Test checked the gross salary for one officer paid in September 2023 to a copy of their contract of employment;
- Test checked the calculation of tax and national insurance for five staff as recorded on their September 2022 payslips;
- Test checked the calculation of pension contributions as recorded on September payslips and confirmed the correct employer’s rate was applied as published on the Pension Fund website;
- Test checked one payment in September for overtime to a signed authorised claim;
- Agreed the September net pay, pension payment and HMRC payment from payroll reports to the Rialtas Cash Book to ensure the systems were consistent; and

- Commenced our month on month trend analysis of payroll costs to identify any unusual variances should they occur.

### ***Conclusions***

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

***We will complete our trend analysis at our final review.***

## **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 to the CCLA statement dated 31<sup>st</sup> October 2023.

We note at the time of our review that the Council had a substantial balance in a deposit account with the Co-op, £650,000 at the 31st October 2023 which we tested linked to our work on bank reconciliations.

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

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

***We will agree year end balances to the accounts and AGAR at our final visit.***

***The Council may wish to consider diversifying where it places its funds by moving some money from the Co-op to reduce the Council’s exposure and potentially increase the rate of interest earned. The placement of surplus funds has become more pertinent now that interest rates have moved up from previous very low levels.***

***R1 The Council should develop and publish an investment policy and determine the level of balances it wishes to hold in different institutions.***



Rec. No.	Recommendations made during the Interim Audit	Response
<b>Investments &amp; Loans</b>		
R1	The Council should develop and publish an investment policy and determine the level of balances it wishes to hold in different institutions.	