

## **Taverham Parish Council**

*Internal Audit Report: 2019-20 (Interim)*

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*Prepared by Nigel Archer*

*For and on behalf of  
Auditing Solutions Ltd*

## **Background and Scope**

The Accounts and Audit Arrangements introduced from 1<sup>st</sup> April 2001 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 from the outset, engaging local contractors to provide the function to the Council. Subsequently, following a re-quotation exercise, we at Auditing Solutions Limited were appointed to provide the service with effect from 2018-19: this report sets out those areas examined during the course of our recent interim visit to the Council, which was undertaken on 8<sup>th</sup> November 2019.

## **Internal Audit Approach**

In commencing our review of the Council's processes and records for 2019-20 we have again examined a selection of the Council's fundamental central financial control functions in order to provide assurance to members and the electorate that the systems continue to operate in accordance with best practice and approved Council procedures: we have also had regard to the materiality of those transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts and Annual Governance and Accountability Return (AGAR in short).

## **Overall Conclusion**

We are pleased to conclude that, in all the areas examined to date this year, the Council continues to have effective systems in place to ensure that transactions are free from material misstatement. The Responsible Finance Officer (RFO) and her colleagues are to be commended on the quality of work produced and the high standards of documentation provided for the purposes of our work and we are pleased to report that no issues have been identified to warrant formal comment or recommendation at present.

# 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. The Council remains a full Edge software user, with Current and Instant Access Deposit accounts operated at Lloyds Bank with separate cashbooks in the nominal ledger records. There is currently no supplementary Term deposit holdings or other similar investments. Consequently: -

- We have verified that an appropriate nominal ledger structure remains in place;
- We have checked and agreed the opening Trial Balance in the accounting software for 2019-20 to the closing Financial Statements for 2018-19 to ensure that all the detailed balances have been properly rolled forward with no matters arising to warrant formal comment or recommendation;
- We have checked and agreed two sample months' receipts and payments transactions (April & October 2019) from both the Current and Reserve accounts to relevant bank statements, including the periodic "sweep" transfers; and
- Finally in this area we have checked and agreed the software based bank reconciliations as at 31<sup>st</sup> October 2019 (noting that this exercise is properly undertaken on a regular monthly basis with hard copies retained by officers) on the combined cashbook balances to ensure that there are no long-standing, uncleared items or other another anomalous entries arising.

### *Conclusions*

*There are no matters arising in this area to warrant formal recommendation currently.*

## 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 Financial Regulations 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 note that the Council's extant corporate documentation such as Standing Orders, Financial Regulations & Members' Code of Conduct are subject to ongoing review and were most recently considered fit for purpose in February 2019 (please note that at the time of this visit, we have provided the RFO with further revisions to model documents issued by NALC for consideration in due course); and
- We have examined the minutes of Full Council and its standing Committees' meetings (with the exception of Planning) for the year to October 2019 to ensure that, as far as we can practically be expected to be aware no issues exist affecting the Council's financial stability in the short, medium or long-term exist. We note the long running matter of the potential cost for, or closure of the tennis courts and shall consider any future outcomes at the final visit in May / June 2020.

## *Conclusions*

*There are no matters arising in this area to warrant formal recommendation currently.*

## **Review of Expenditure**

Our objective here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- An official order has been raised for supply of goods and services on each occasion where one would be anticipated;
- 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 testing in this area and have examined a sample of payments in the year to 31<sup>st</sup> October 2019, including all those individually in excess of £1,500 together with a further selection of every 20<sup>th</sup> cashbook transaction (irrespective of value). Our test sample comprised approximately 35 payments, totalled just under £57,000 and represented 53% of all non-pay expenditure incurred during the year to that date.

With regard to VAT, we note that the RFO continues to make timely, electronic return submissions as required by extant legislation for registered bodies. Other than noting the conclusion of the Q2 submission during the course of our interim visit, no detailed testing was undertaken in this area at present.

## *Conclusions*

*There are no matters arising in this area to warrant formal recommendation currently.*

## **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 / safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage any risks identified in order to minimise the opportunity for their coming to fruition.

- We have previously noted that there are copious physical risk assessments in place, led by the independent Play Inspection Company (who provide detailed reports for consideration), supported by members' periodic "walk throughs" and the daily

reviews by the Council's Warden employees and this continues to be the case in 2019-20; and

- We note that the Council's insurance cover continues to be provided by Zurich and have obtained a copy of the current year's policy schedule (to June 2020). Public Liability stands at £15 million, Employer's Liability stands at £10 million, Fidelity Guarantee stands at £250,000 and Loss of Revenue cover is in place at £24,000 all of which are considered appropriate for a Council of this size at present.

### *Conclusions*

*There are no matters arising in this area to warrant formal recommendation currently.*

## **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 District 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.

Other than noting from minutes that the RFO regularly produces periodic budget outturn reports from the accounting software, most recently for October 2019, no further work was undertaken at this interim stage with no meaningful variances identified to warrant further enquiries by officers and with the Precept deliberations for 20120-21 yet to be underway.

### *Conclusions*

*There are no matters arising in this area to warrant formal recommendation currently.*

## **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 it is invoiced in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council.

Other than noting that members continue to review the Council's scales of fees and charges annually, those for 2019-20 having been affirmed in the previous municipal year by the Sports Committee at their meeting in December 2018, and the two sample months verification of cashbook receipts to bank statements no further work was undertaken in this area at this stage.

### *Conclusions*

*There are no matters arising in this area to warrant formal recommendation currently.*

## Petty Cash and Credit Card Usage

We are required, as part of the Internal Audit Certification process in the Annual Return to assess and give a view on the effectiveness of control over any petty cash account in use by the Council.

- The Council operates a very limited petty cash scheme in the Administration office, “topped up” as and when required with a maximum holding of £150. We have examined a sample months’ transactions (September 2019) to ensure that each payment was properly supported by an appropriate supplier invoice and that any recoverable VAT was separately identified: no issues arise from this testing.
- The Council currently does not operate any form of commercial debit or credit charge card.

### *Conclusions*

*There are no matters arising in this area to warrant formal recommendation currently.*

## Salaries and Wages

In examining the Council’s payroll function, we aim to confirm that extant legislation was being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HM Revenues 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 1<sup>st</sup> April 2019 in relation to the employee contribution percentage bandings.

We have examined the payroll procedures in place and the physical payments made to staff in 2019-20 by reference to the September 2019 documentation, the underlying detail for which continues to be produced by third party contractors (Safeguard World), as follows:

- Gross pay rates have been checked to ensure that they are in accord with the approved rates (noting the Council currently applies “in house” levels of salary rather than the more widely applied NJC pay awards);
- PAYE Tax Codes and National Insurance Tables have been checked to ensure that appropriate allowances are being applied for the year following the annual budgetary increases in personal thresholds with effect from April 2019;
- Local Government Pension Scheme deduction rates have been checked to ensure they are in accord with the revisions to the bases of employee contributions, most latterly with effect from 1<sup>st</sup> April 2019 (albeit relatively minor changes to the salary banding widths);
- Variable hours and expenses have been verified to individuals’ timesheets and claim forms where applicable;
- We have checked and agreed the net pay computations on pay slips to the payroll summaries and resultant bank statement and cashbook transactions; and
- We have verified the third party settlements to HMRC and County Council for the deductions for the month to cashbook settlements.

### *Conclusions*

*There are no matters arising in this area to warrant formal recommendation currently.*

## **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, 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 also aim to ensure that any loan repayments due to or payable by the Council are processed in accordance with the respective and relevant loan agreements.

### *Conclusions*

*The Council currently has no funds in investments and neither does it have any loans repayable by, or to, itself.*