

Newton Abbot Town Council

Internal Audit Report: Final update 2023-24

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Background

Statute requires all town and parish councils to arrange for an independent Internal Audit (IA) examination of their accounting records and systems 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 2023-24 during the course of our two visits to the Council on 20th September 2023 and 12th June 2024, together with remote work at our own offices in advance of and subsequent to each of those visits. We thank the Clerk and his Deputy / Responsible Finance Officer (RFO) for assisting the process, providing all necessary documentation in either hard copy or electronic format to facilitate completion of our review for the year.

Internal Audit Approach

In conducting our review for the year, we have again had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover is designed to afford assurance that the Council's financial systems remain 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 'IA Certificate' in the Council's AGAR, which requires independent assurance over a series of internal control objectives.

Overall Conclusions

We are pleased to record that, based on the work undertaken this year, the Council and its officers continue to maintain adequate and effective internal control arrangements with only a few issues identified that, as detailed in the following report, we consider require action to further strengthen existing controls. The resultant recommendations are further summarised in the appended Action Plan for ease of members ease of reference and consideration.

Based on the overall satisfactory conclusions drawn from our work programme this year, we have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

We take this opportunity to remind the Clerk and RFO of the requirements of the guidance notes in 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 financial and other documentation for the year.

Detailed Report

Maintenance of Accounting Records & 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 the cashbooks as prepared using the Rialtas Omega software with two Lloyds bank accounts in day-to-day use (Current and Instant Access Account). These are operated in a single cashbook with daily, as required, automatic inter-account transfers effected by the bank to retain the Current account with a balance of approximately £100. Surplus funds have been deposited in the CCLA Deposit Fund: the only transactions on this account annually, other than the occasional additional deposit or withdrawal, are the application of monthly interest, which is paid directly into the Lloyds account by CCLA.

Consequently, we have: -

- Ensured the accurate roll forward of the 2022-23 closing balances as opening balances in the 2023-24 Omega accounts;
- Ensured that the accounts remain “in balance” at the financial year-end;
- Checked four months’ transactions on the combined Current and Instant Accounts cashbook (April, July and November 2023, plus March 2024) by reference to supporting bank statements;
- Checked and agreed the accuracy of bank reconciliations on the accounts at 30th April and 31st July 2023 and 31st March 2024 with no uncleared payments or receipts appearing on the year-end combined accounts bank reconciliation; and
- Ensured the accurate disclosure of the combined accounts year-end balances in the AGAR at Section 2, Box 7.

We note that members are provided with copies of month-end bank reconciliations, budget reports and other financial documentation for scrutiny with reconciliations now bearing clear evidence of such scrutiny and sign-off.

Conclusions

We are pleased to record that no issues arise in this review area warranting formal comment or recommendation.

Review of Corporate Governance

Our objective here 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 (SOs) and that, as far as we may reasonably be expected to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We also aim to ensure that appropriate policies, procedures and protocols are in place to prevent and provide a reasonable assurance of the detection of any fraudulent or corrupt activity.

We have examined Council and Standing Committee (excluding Planning) minutes reviewing those for the financial year and to date in 2024-25 as posted on the Council’s website, 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.

We noted last year that the Council's SOs and FRs were reviewed with the Council opting to retain them in their existing format. NALC has finally issued its long-awaited revised FRs and we understand that the Council will be updating both its SOs and FRs in the near future aligning them more closely to the NALC model documents. Consequently, we will revisit this aspect of the Council's governance arrangements at our next review visit.

We are pleased to note that the external auditors finalised their review of the 2022-23 AGAR and signed-off their Certificate with no significant issues of concern going forward raised. We are also pleased to note that the formal Notice of Public Rights for 2022-23 was published appropriately as required by the 2015 Accounts and Audit Regulations.

Conclusions

We are pleased to record that no issues arise in this area this year: we will continue to monitor the Council's approach to governance at future reviews reporting our conclusions accordingly.

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; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

At our interim visit we discussed the payment approval and release process with the RFO and considered the controls in place generally effective with an appropriate degree of segregation of duties in place between setting up payments online and their physical release. We also note that a certification stamp is being affixed to every invoice with appropriate initialling of the various stages of checking and data entry into the Omega accounts, a councillor also initialling and dating the invoices as evidence of their review and approval of the invoice for payment.

To confirm the effectiveness of the controls over the processing of payments, we have selected a sample of 80 individual payments, including the annual Newton's Place Non-Domestic Rate bill paid over 10 months of the year, processed in the financial year: our test sample includes all those payments individually in excess of £3,000, together with a more random sample of every 50th payment, as listed in the Omega cashbooks. The sample totals £404,940 equating to 52% by value of the non-pay related payments processed in the financial year with, we are pleased to record, all the above criteria met.

In examining our sample of payments, we note that they are filed in date order of payment: in order to provide an easier means of tracing invoices primarily for staff, but also for ourselves, we suggest that each invoice paid during the course of the year be allocated a sequential reference number entered at the top right hand corner of the invoice with the invoices then placed in the hard copy file also in that sequential order. When entering the payments into the Omega cashbook we

suggest that the assigned reference number be recorded as though it were a cheque number in the “Reference” column on the cashbook, thereby providing a clear trail to the hard copy document in the files of processed payments.

VAT reclaims continue to be prepared and submitted to HMRC for recovery at the end of each quarter: consequently, we have ensured that the final 2022-23 reclaim and the quarterly reclaims for 2023-24 have been prepared, submitted to and been repaid by HMRC, details of which we have agreed to the Omega nominal control account.

Conclusions and recommendation

We are pleased to record that the controls in place over the payment of traders’ invoices continue to operate effectively: however, we have one recommendation aimed at simplifying the process of finding invoices in the even to any query arising on the payment made.

R1. To ease the process of finding paid invoices in the files of hard copy documentation, each invoice should be allocated a sequential number throughout the year, that number being recorded at the top right-hand corner of the invoice and in the Omega cashbook “Reference column” as though it were a cheque number: the invoices should then also be filed in sequential order.

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 / or health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks to minimise the opportunity for their coming to fruition.

We are pleased to note that the Council’s Business Continuity and Risk Management Plan was reviewed and adopted by the Council at the 6th June 2023 meeting and have reviewed the content which we consider remains appropriate for the Council’s present requirements.

We have examined the Council’s current year insurance policy arranged with Aviva to ensure that appropriate cover remains in place, noting that both Employer’s and Public Liability cover stand at £10 million, together with Fidelity Guarantee cover at £1 million and Business Interruption – Loss of Revenue cover at £25,000, all of which we consider appropriate for the Council’s present requirements.

Conclusions

We are pleased to record that no issues arise in this area currently warranting formal comment or recommendation.

Budgetary Control & Reserves

We aim in this review area 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 Teignbridge DC (TDC); 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 are pleased to note the satisfactory conclusion of the Council's 2024-25 budget and precept deliberations with the latter formally approved and adopted by Council at £1,594,588 at the January 2024 full Council meeting.

We are again pleased to note that members continue to receive periodic budget reports throughout the year. We have reviewed the final budget position for the year as reported in the Omega budget report seeking and obtaining appropriate explanations for any areas where expenditure has significantly exceeded the approved budget by reference to the Omega detailed nominal account codes for each with none requiring further enquiry or explanation.

We have also considered the appropriateness of the level of retained reserves noting that total funds at the financial year-end have increased significantly to £714,240 (£630,000 at the prior yearend) comprising the General Reserve balance of £247,723 (£126,000 at 31st March 2023) leaving £466,517 in six earmarked reserves (EMRs) including ringfenced CIL money of £66,000 and the Capital Receipts reserve of £374,000 generated by sale of the former Town Hall.

Conclusions

No issues arise in this area warranting formal comment or recommendation. We shall continue to monitor budgetary performance at future reviews ensuring, as far as we are reasonably able, that no significant unexplained or anticipated variances exist.

Review of Income

The Council receives income primarily by way of the annual precept, together with room hire fees at the Museum / Council offices and from a plethora of relatively small miscellaneous sources, generally in the latter stages of the year.

We have examined the Museum room manuscript booking diary identifying and examining detail of the fee paying and "free of charge (FOC)" hires during July 2023. The hire fees are detailed in the Council's website together with the Terms and Conditions of hire. We also understand that for some quasi-charitable bodies fees are charged at 50% of the full rate.

In endeavouring to review the relevant supporting documentation (hire agreement forms and invoices) that should be in place we have identified a number of potential concerns from the point of view of ensuring the existence of an appropriate audit trail and clarity in the determination of those instances where hires are regarded as "FOC".

Whilst we acknowledge that the booking diary identifies a number of the hires as FOC also referring to the payment of fees due to the Council, detail of the invoice reference number is not recorded nor is the settlement date. In examining the available file of unpaid and paid invoices, it is evidently incomplete as all paid invoices had been removed from the file. Additionally, in examining the Omega Sales Ledger detail, it is apparent that an impracticable and from an audit trail viewpoint, system of recording invoices is in existence without invoices being assigned sequential numbers during the year, with that field in Omega purely recording a date, month and year, presumably relating to the date either the hire occurred or when the invoice was raised.

To ensure that an appropriate and clear financial recording and audit trail is put in place, we consider that the following detail should be recorded in the booking diary and Omega accounts: -

- Invoices should be raised and issued with a unique sequential reference number rather than purely a date reference;
- Copies of all invoices raised should be retained on file in sequential number order;

- As and when payment is received, the date of payment should be recorded on the invoice, and in the booking diary, with the top (or bottom) right-hand corner cut off the invoice to afford a clear visual record of all paid and, at any point in time, unpaid invoices;
- To provide clear cross-referencing between the booking diary and financial records, the raised invoice reference numbers should be recorded in the booking diary, ideally together with the settlement date;
- Hire forms should be signed by the hirers confirming understanding and acceptance of the Terms and Conditions of hire;
- Copies of the signed hall booking agreement forms should be retained appropriately on file to provide confirmation of hirers' agreement to the terms and conditions of hire;
- A more transparent policy on "FOC" or reduced fee hires should be determined and published on the web site and in the "Premises use policy" to avoid any potential queries as to why certain hirers pay no fees and some are charged at 50%.

We note that the Council has assumed responsibility for the management of allotments, including recovery of the annual rents receivable for all plots. Whilst a very comprehensive spreadsheet record is in place including provision, by plot number, of the rent due, water charges, amount and date of receipt of the fees due, we note that no detail of the amounts received, or date of receipt is actually recorded on the spreadsheet currently. In order to provide a clear and comprehensive audit trail, we urge that in future years the spreadsheet is more comprehensively completed with detail of the payment date recorded appropriately thereby providing a ready means for identification of any non-payers to facilitate prompt follow up of any outstanding fees.

We have also examined the available documentation relating to various events such as the Christmas market where stalls are "rented". We are pleased to note that appropriate records are maintained identifying stall holders, the fees received and date of receipt.

Finally in this review area, we have examined the Omega Sales Ledger – Unpaid invoices by date" report at the financial year-end, noting that it includes invoices dating back to January 2022: however, the report also includes detail of unmatched income received, which match all, but the one "outstanding" invoice issued in March 2024. We have discussed the position with the RFO and understand that, in conjunction with Rialtas, all offsetting receipts have been successfully cleared.

Conclusions and recommendations

As indicated above, controls over the recording of bookings of rooms at the Museum, should be strengthened to provide an appropriate and clear audit trail also affording the Council greater protection in the event of any damage occurring during a hire potentially resulting in a claim against the hirer for any necessary repairs that might arise be necessary to the premises. Similarly, we urge that the spreadsheet controlling allotment rental income is used fully to record the date of receipt of tenants' rents.

- R2. *An effective system of recording room bookings at the Museum should be implemented, together with more comprehensive records maintained affording a clear audit trail as detailed in the body of the report, should be implemented.*
- R3. *An effective cross-referencing system should be introduced with sequentially numbered invoices raised, rather than the use of a date as the invoice reference number.*
- R4. *Prepared invoices should be retained on file in sequential order for audit inspection, ideally with a corner of the invoice cut off on receipt of payment and the date of payment duly recorded.*

- R5. *A more transparent and formally recorded policy on “free” hires and those to be charged at 50% should be determined and published to avoid any potential queries as to why certain hirers pay no fees and some are charged at 50%.*
- R6. *To provide a clear audit trail and afford an easy means of checking the receipt of allotment rents, the controlling spreadsheet should be used fully with the dates of rents receipt duly entered.*

Petty Cash Account

We are required, as part of the AGAR IA Certificate, to review and verify the soundness of controls over the operation of the Council’s petty cash account. We have noted previously that a separate nominal account code (# 250) remains in place, with no transactions actually recorded against the code in the current or previous financial year with an “imprest” value of £200.00 recorded. As and when expenses are incurred, they are generally reimbursed monthly with full analysis of the expenditure codes being charged provided in the Omega payments cashbook.

We have examined transactions between September 2023 and the date of our interim visit checking detail as recorded on the control record to the supporting documentation.

We have also checked the physical petty cash holding on the day of that visit agreeing the cash holding, together with vouchers supporting payments made since the last “top-up” to the £200 imprest value.

Conclusions

We are pleased to record that no issues arise in this are this year warranting formal comment or recommendation.

Review of Staff Salaries

In examining the Council’s payroll function, we aim to confirm that salary payments are made in line with the Council approved pay rates and that extant legislation is being appropriately observed as regards adherence to the requirements of HMRC legislation in relation to the deduction and payment over of income tax and NI contributions.

The RFO has, as in previous years, provided detail of the NJC spinal point (or hourly rate) and contracted weekly hours payable to each employee. We also noted at our interim visit the change of payroll provider from Teignbridge DC to DCK Accounting for. We duly, at our interim visit, checked the August 2023 payroll detail and agreed the gross salaries for all employees to the RFO’s schedule by reference to the underlying payslips and HMRC tax and NI tables together with the LG Pension Fund revised contribution bandings applying from 1st April 2023.

At this final review, we have, due to payment of the 2023-24 national pay award, similarly checked the November 2023 payroll detail ensuring the accuracy of the new gross salaries paid to each employee together with the arrears of pay backdated to 1st April 2023 which was also paid in November.

We note that certain officers work overtime and are paid accordingly based on the weekly timesheet detail of total hours worked: we have reviewed the relevant timesheet supporting the August 2023 salary payments and are also pleased to note that the supporting records are checked

and certified accordingly confirming that the overtime was necessarily worked and is appropriate for payment.

Conclusions

We are pleased to record that no issues arise in this area this year warranting formal comment or recommendation.

Fixed Asset Registers

The Practitioner's Guide requires all councils to maintain a record of all assets owned. We have recorded previously that the register, in its present state, identifies assets in groups at a very high level and should, in line with best practice identify greater specific detail for each Council owned asset. We have again reviewed the existing register noting that new acquisitions in 2023-24 have been added to the register at net cost with no issues arising this year.

We also note that the Council has acquired the Rialtas asset register software and that the RFO is still in the process of populating it: we are also pleased to note the intention to include photographic detail in the Rialtas register and will check on progress at our 2024-25 interim review.

Conclusions

We shall check on the RFO's progress in populating the Rialtas asset register at our 2024-25 interim review reporting our conclusions accordingly.

Investments and Loans

As indicated earlier in this report, the council has placed surplus funds amounting to £434,696 in the CCLA Public Sector Deposit Fund, which is earning significant interest each month, which is credited accordingly to the Council's Current bank account.

We have checked and agreed the two half-yearly PWLB repayments for the year to their demand invoices as part of our previously referenced expenditure review with no issues arising. We have also, at this final review visit, agreed the year-end residual loan liability to the UK Debt Agency confirmatory advice note of the balance repayable at that date also ensuring its accurate reporting in the AGAR at Section 2, Box 10.

Conclusions

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

Statement of Accounts / AGAR

The Accounts and Audit Regulations, as amended periodically, require all councils to prepare annually a Statement of Accounts, now in the form of the AGAR, which, together with the Annual Governance Statement, is subject to independent external audit examination and certification.

As part of our review process, we have examined the Council's procedures in relation to the identification of detail for inclusion in the AGAR, which for most values is generated automatically by the Omega accounting software and duly verified the accuracy of that detail.

Conclusions

We are pleased to record that no issues arise in this area this year and we have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

Rec. No	Recommendation	Response
Review of Expenditure		
R1	To ease the process of finding paid invoices in the files of hard copy documentation, each invoice should be allocated a sequential number throughout the year, that number being recorded at the top right-hand corner of the invoice and in the Omega cashbook "Reference column" as though it were a cheque number: the invoices should then also be filed in sequential order.	
Review of Income		
R2	An effective system of recording room bookings at the Museum should be implemented, together with more comprehensive records maintained affording a clear audit trail as detailed in the body of the report, should be implemented.	
R3	An effective cross-referencing system should be introduced with sequentially numbered invoices raised, rather than the use of a date as the invoice reference number.	
R4	Prepared invoices should be retained on file in sequential order for audit inspection, ideally with a corner of the invoice cut off on receipt of payment and the date of payment duly recorded.	
R5	A more transparent and formally recorded policy on "free" hires and those to be charged at 50% should be determined and published to avoid any potential queries as to why certain hirers pay no fees and some are charged at 50%.	
R6	To provide a clear audit trail and afford an easy means of checking the receipt of allotment rents, the controlling spreadsheet should be used fully with the dates of rents receipt duly entered.	