



AUDITING SOLUTIONS LTD

Tidworth Town Council

Internal Audit Report 2022-23 (Final)

Chris Hall

Consultant Auditor

***For and on behalf of
Auditing Solutions Ltd***

Background

Statute requires all town and parish councils to arrange for an independent internal audit 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 our final review for 2022-23, undertaken both at our offices and via a visit to the Castledown Enterprise Centre on 8 June 2023. We offer our thanks to the Town Clerk and her team for their help and hospitality during this review.

Internal Audit Approach

In concluding our review for the 2022-23 financial year, we have had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts / 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 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 'Internal Audit Report' as part of the Council's AGAR process, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

Details of the work undertaken on the Council's accounting and other records during this review are set out in the following detailed report.

While we are generally satisfied with the controls maintained by the Town Clerk and her team, we are concerned at a lack of internal control exercised by the Council, with particular regard to bank reconciliations. We are also concerned at the reliance placed on the Council's contracted accountants (DCK), who have provided a number of questionable figures in their year-end report. This means that there are significant totals in the 2022-23 AGAR (Section 2) where we are unable to provide a reasonable assurance. We have referred these to the Town Clerk for urgent clarification, before the statutory deadline of 30 June 2023.

While we have not seen the need to make any formal recommendations, we have made a number of significant observations throughout this report, some of which we have made previously. We would again ask the Council to formally and carefully consider this report and respond to the recommendations made in due course.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Council continues to use the Rialtas Omega accounting software, which affords easy identification and reporting of financial transactions throughout the year. Data entry is undertaken on behalf of the Council each month by externally contracted accountants (DCK). As at 31 March 2023 three accounts are in place with Lloyds Bank: the Current & 30 Day Deposit accounts being combined in a single cashbook, plus the Mayor's Charity account with transactions recorded in a separate cashbook. The former Clerk's Gratuity account was closed in February 2023, and we have confirmed the transfer of the balance to the 30 Day account.

Our objective is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear therein. We have consequently: -

- Agreed the opening trial balance for 2022-23 in Omega with that in the 2021-22 Statement of Accounts and AGAR. We note that these figures now fully include the balance on the Mayor's Charity account;
- Verified that the financial ledger remains "in balance" at the year-end;
- Ensured that the cost and expenditure coding structure remain appropriate for purpose;
- Checked and agreed detail in the Omega cashbooks to the Lloyds Bank statements for all accounts up to 31 March 2023. We have reconciled these to the 2022-23 AGAR Section 2 (Accounting Statements). However, we are concerned to note that, despite our previous concerns, which have been echoed by the Council's External Auditor, the balance of the Mayor's Charity account (£6,307.17) has again not been included in the cash total at Box 8. We strongly believe that this is incorrect accounting treatment by DCK, which they need to correct.

We are concerned to note that the previously agreed independent review of bank reconciliations by Councillors, which is a requirement of Financial Regulation (FR) 2.2, was not undertaken throughout 2022-23, despite the concerns we expressed in our interim report. We have discussed this with the Town Clerk, and been assured that this important element of internal control has been re-established in April 2023.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation, although we remain concerned about the continuing treatment of the Mayor's Charity account in the overall Council accounts, and the lack of independent check on bank reconciliations required by FR2.2. These concerns are repeated from our earlier reports, and must now be addressed.

This is now in place check and bank rec done @ Jun full town by Cllr Gregory. Monthly bills for payment circulated to 2 different Cllrs monthly

Review of Corporate Governance

Our objective here is to ensure that the Council has robust corporate governance documentation 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:-

- Concluded our review of Minutes of the Full Council and Standing Committees for 2022-23 to ensure that, as far as we may ascertain, there are no significant issues arising that might give rise to ultra vires expenditure or other forms of potentially unlawful activity, also that the Council is continuing to manage its resources effectively and that no indications exist of potential problems with the Council's ongoing financial viability;
- Noted that the Council has reviewed and re-adopted both its Standing Orders (SOs) and Financial Regulations (FRs) in May 2022. However, these are still not in accordance with the current NALC Model Form, which means that minor amendments could be missed. We have been informed that the Council is happy with the current versions, but we are required to again point out this potential weakness in internal control;
- confirmed that the Exercise of Public Rights with regard to the 2021-22 Accounts was properly undertaken in accordance with the Accounts and Audit Regulations, and,
- Reviewed the Council's compliance with the Transparency Code 2015. While we note a good level of compliance, we would again suggest that further information, such as the Asset Register, Risk Register, and Internal Audit reports be published in one place on the website in a spirit of Open Government and to hopefully reduce vexatious challenges.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation, although we have repeated our observations from earlier reports about fully adopting the NALC Model Forms of SO's and FR's (which we have commented on before), and ongoing improvement to Transparency Code publications.

Agreed that TTC are happy that the 'must haves' are included in SO's + FR's

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.

We have undertaken a sample test of high-value transactions for the financial year. We have again noted a few occasions where internal check has not been properly undertaken. While these relate to ongoing contracts, and have been subsequently identified and recovered, we have discussed with the Town Clerk the need to maintain proper internal control over payments.

We have not been able to reconcile the VAT Control account balance as at 31 March 2023, noting the significant movements due to the new Civic Centre (which we understand has also been queried by HMRC). We have referred this issue to the Town Clerk, although we do not believe that any differences are material to the year-end accounts.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation, other than our observation concerning the maintenance of sound controls over payments in order to avoid incorrect or duplicate payments, and the need to maintain close scrutiny of the VAT Control account.

*Monthly a/c checklist in place since Jan 23
Have requested access to HMRC Login from accountant*

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 in order to minimise the opportunity for their coming to fruition.

We are pleased to note that the Council adopted a comprehensive Risk Register in December 2022, which meets the requirements of Financial Regulations for a minimum annual review. We understand that individual Committees will now institute an ongoing review of their risks, reporting necessary changes to the Leadership Committee.

We have examined the Council's insurance policy with Aviva via WPS brokers wef. 1 June 2022. We note that Employer's Liability and Public Liability cover remain in place at £10 million each, together with Hirers' Liability at £2 million, Corporate Legal Liability and Officials Liability at £250K each, and other covers for property, all of which we consider appropriate to the Council's current requirements.

We note that regular safety inspections of the Council's playparks are now undertaken by an external contractor, being reported to the Community Services Committee.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation.

Budgetary Control and Reserves

We note that, at its meeting in December 2022 the Council, following review by the Leadership Committee, approved a 2023-24 Precept of £538,767. We note that Council Policy is now to keep future Precept increases at 7.5%.

We note the DCK report identifies Earmarked Reserves totalling £5,845,575 as at 31 March 2023, which we can broadly reconcile to the Omega Trial Balance. Again, we feel that this figure should be formally approved by the Full Council.

We are concerned at the calculation of the General Reserve by DCK. This is based on the total Council balances as at 31 March 2023, which includes Debtors, Creditors, and other financial adjustments. We believe it would be more prudent to calculate it against the actual cash and short term investments held by the Council. Should that be the case, the actual cash balance of £5,569,558, less the Earmarked Reserves identified above, means that the Council holds no General Reserve at all to meet unforeseen events. While, given the size of overall cash reserves, any such event is unlikely to have a significant impact, it could mean that some planned projects might need to be curtailed. It also calls into question the sustainability of the Council's policy with regard to future Precept increases.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation, other than our concern about the level of the Council's General Reserve.

Points above noted will be discussing with accountant on monthly visit 20/06.

Review of Income

The Council receives income by way of the annual precept, bank and investment interest, together with burial / memorial fees, hire fees, local events and reclaimed VAT. Our aim here is to ensure the effectiveness of controls over income due to the Council ensuring that all such income is identified, fees due are charged appropriately and recovered / banked within a reasonable time period.

We note that, following the termination of the former Community Centre, the level of minor receipts (room hire etc.) has fallen to negligible levels. We have test-checked the larger receipts, particularly those relating to the liaison with Wiltshire Police, with no issues arising.

We note that the Community Services Committee reviewed Cemetery charges at its meeting in February 2023, leaving them unchanged. This meets the requirement of FR9.3.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation.

Petty Cash Account

The Council does not operate a petty cash account. Therefore, there are no issues arising in this area of our review warranting formal comment or recommendation.

Review of Payroll

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 Revenues and Customs (HMRC) legislation as regards the deductions and payment over of income tax and NI contributions. To meet this objective we have: -

- Noted that the Council has outsourced preparation of the payroll to its contract accountants (DCK), who produce monthly payslips and other relevant summary payroll documentation;
- Checked and verified the accuracy of PAYE and NI deductions / contributions for September 2022 and March 2023, as recorded on the payslips, with no issues arising.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation.

Investments and Loans

We note that the Council reviewed its Investment Strategy at its September 2021 meeting. Given the large cash holdings of the Council, and the sub-optimal interest returns derived from the Lloyds 30 Day account, we have discussed with the Town Clerk whether this important Strategy should be more frequently reviewed.

As at 31 March 2023, we have confirmed balances (other than those retained with Lloyds Bank) of £1.15 Million with the CCLA Deposit Fund, and £500,000 with Close Brothers.

We have confirmed the outstanding balance on the PWLB loan with regard to the new Civic Centre to supporting external records, with no issues arising.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation, other than our observation about reviewing the Investment Strategy more frequently to improve interest earnings.

Will add to the next policy review list

Review of Fixed Asset Registers

The Governance and Accountability Manual (GAM) requires councils to develop and maintain a register of all assets. The Annual Return requires disclosure of the value of assets retained by the Council as at 31st March annually, and requires asset values to be reported at cost price or, where that value is unknown, an appropriate valuation that can be a nominal value of £1. Annual Return values are then updated to reflect the cost of any new acquisitions or deletions / disposal.

We note that the Council agreed an Asset Management Policy in February 2021, that accords with this requirement.

We are unable to agree the total on the 2022-23 AGAR (Section 2, Box 9) to the DCK Accounting Statement, as they have provided two conflicting figures (£3,534,553, and £3,531,009). This should be urgently clarified with DCK.

Conclusions

At the time of audit, we are unable to give an assurance on the valuation of the Council's assets, as calculated by DCK, in the 2022-23 AGAR (Section 2, Box 9).

** will be discussing with accountant on 20/06 **

Statement of Account and AGAR

The AGAR incorporates the Council's Annual Accounts, which are subject to external audit scrutiny and verification.

We have noted above a number of concerns with figures provided to the Council by DCK, which have a material effect on the accounts as presented. We have referred these to the Town Clerk, but it is likely that the Council will need to reapprove its 2022-23 AGAR before the statutory deadline of 30 June.

Conclusions

There are no further matters arising in this area of our review process and we have duly signed off the Internal Audit Certificate at Page 3 of the 2022-23 AGAR, assigning appropriate and supportable assurances in all relevant categories.

Rec. Recommendation No.	Response
No recommendations made	