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## **Tidworth Town Council**

*Internal Audit Report 2023-24 (Final)*

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*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 2023-24, undertaken both at our offices and via a visit to the new Civic Centre on 29 May 2024. We offer our thanks to the Town Clerk and her staff for their help and hospitality during the visit.

## **Internal Audit Approach**

In concluding our review for the 2023-24 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 remain generally satisfied with the controls maintained by the Town Clerk and her team, we are increasingly concerned at the reliance placed on the Council's contracted accountants (DCK), who continue to provide unsupportable accounting reports, to the point where the 2023-24 accounts, as currently presented, do not represent a true and fair view of the Council's financial position. We have referred these issues to the Town Clerk for urgent rectification.

We regard the above as so important that we have made it the subject of two formal recommendations, which the Council is required to respond to. We have made a number of lesser observations throughout this report, mostly relating to the correct minuting of governance resolutions, which we would invite Council to carefully consider.

# 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). 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 (grants against this fund being considered by the Leadership Committee, although the Trial Balance total is unchanged over the year). The Council also has two investment accounts, with CCLA and Close Bros., which we refer to below.

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 2023-24 in Omega with that in the 2022-23 Statement of Accounts and AGAR. However we note that, contrary to our comments and recommendations dating back to 2021-22, the Mayor's Charity balance has still not been included in these figures, which will require a restatement on the 2023-24 AGAR. We repeat our previous concerns that this issue is not being correctly treated by DCK, as these are clearly Public Funds which should be properly accounted for;
- 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 2024, with the exception of the Mayor's Charity account where the Clerk is still seeking a closing statement from Lloyds Bank.

We note that the Financial Regulation (FR) 2.2 requirement for an independent review of bank reconciliations by Councillors has been implemented from April 2023, with non-signatory Councillors undertaking this on a rotational basis. We regard this as exemplary practice, providing additional assurance to both the Council and the Town Clerk. We have, however, discussed with the Town Clerk the need to clearly report these checks in the Minutes of Full Council.

### *Conclusions and Recommendations*

***We remain concerned about the continuing uncertainty over the treatment of the Mayor's Charity account in the overall Council accounts, which DCK should be instructed to correct by the Council. If not now addressed, before the Council approves the 2023-24 AGAR, this will constitute a serious negative assurance against Section 1 (Governance Statement) Assertion 1, and Assertion A of the Internal Audit Report.***

## 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:-

- Completed our review of Minutes of the Full Council and Standing Committees for 2023-24 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 2023. We note, but do not support, the Council's decision to leave the Standing Orders in a non-standard form;
- Confirmed that the Exercise of Public Rights with regard to the 2022-23 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 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.

We note the comments made by the External Auditor in Section 3 of the 2022-23 AGAR, which were considered by the Leadership Committee in October 2023. We are grateful for the support for our views minuted by that Committee and the Full Council.

### *Conclusions*

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

## 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, with no issues arising.

We are now confident that the VAT Control account for the financial year is substantially correct, with the final Quarter 4 balance of £64,841.01 outstanding at 31 March 2024.

### ***Conclusions***

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

## **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.

While there is a lack of evidence in the Full Council minutes that reviews of the Council's risk profile have been undertaken, we have accepted the Clerk's assurance that these have taken place. We have reiterated the need for this important governance issue to be formally minuted on at least an annual basis.

We have examined the Council's insurance policy with Hiscox wef. 22 June 2023. We note that Employer's Liability and Public Liability cover remain in place at £10 million each, Officials Liability at £500k, and other covers including 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 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, other than the need to formally minute risk reviews by the Full Council.***

## **Budgetary Control and Reserves**

We note that, at its meeting in January 2024 the Council, following review by the Leadership Committee, approved a 2024-25 Precept of £577,200. We note that Council Policy is now to keep future Precept increases to 7.5%.

We note the DCK report identifies Earmarked Reserves totalling £1,287,285 as at 31 March 2024, which has decreased significantly from the 2023 balance due to the completion of the Civic Centre.

We have recalculated the Council's cash balance as at 31 March 2024 as £2,000,747, which is significantly different from the figure provided by DCK and which we will expand on below. After deducting the Earmarked Reserves this leaves a General Reserve of £713,462. This represents 123.6% of the Precept against a Best Practice level of 50% (6 months). While we acknowledge that the Council's finances are now adjusting back to normal given the Civic Centre project coming to an end, the Council should maintain a close overview of its Reserves.

### ***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.***

## **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 have test-checked a sample of large income transactions between the accounting system, supporting records, and bank statement entries, with no issues arising.

We note that the Community Services Committee considered hire charges for the new Civic Centre at its meeting in August 2023. We can find no reference to a review of Cemetery charges since February 2023. An annual review of fees and charges is a requirement of FR9.3.

### ***Conclusions***

***There are no issues arising in this area of our review warranting formal comment or recommendation, other than the need to ensure that fees and charges are periodically reviewed.***

## **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 2023 and March 2024, 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 2023 meeting.

As at 31 March 2024, we have confirmed balances (other than those retained with Lloyds Bank) of £900,000 with the CCLA Deposit Fund, and note a further £700,000 invested with Close Brothers in November 2023 on a 1 year fixed term. We have not been able to confirm the Close Brothers balance to an actual statement (which the Town Clerk is pursuing), so we have taken the figure from the Trial Balance in Omega, with the confirmation of the Town Clerk. We have confirmed that the previous investment with Close Brothers was properly closed and the balance transferred to the Lloyds 30-day account.

We believe that good use is being made of the Lloyds 30 Day Deposit account to optimise interest earnings, leaving only a reasonable working balance in the Current account.

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.*

## Review of Fixed Asset Registers

We note the considerable change in the year-end valuation of assets between 2022-23 and 2023-24, which we believe reflects both the completion of the Civic Centre and the concerns expressed in our earlier reports.

Having no other corroborative information, we accept the figure provided by DCK in their 2023-24 working papers.

### *Conclusions*

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

## 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 significant concerns over the final accounts presented by DCK, in two important regards:

- Their repeated failure to include the Mayor's Charity account (£6,307 as at 31 March 2024) in the Council's cash balances. This is clearly a Council-controlled Public Fund, as it is banked in the name of the Council, and grants from it are considered and approved by the Leadership Committee and, subsequently, Full Council;
- The failure to note the November 2023 investment of £700,000 with Close Bothers as a cash item. After some searching, we have found this amount in the Accounts, but treated as a miscellaneous debtor which it clearly is not.

The 2023-24 Accounts, as presented by DCK, therefore require considerable re-working before the Council can accept them. We have agreed the correct cash balance (AGAR Section 2, Box 8) as £2,000,747, as against the figure of £1,294,440 reported by DCK. We have agreed this figure with the Town Clerk, who is pursuing it urgently with DCK. We have detailed these issues as formal recommendations, noting that the Mayor's Charity account is already the subject of an outstanding recommendation.

### *Conclusions*

*Until the matters referred to above are properly addressed by the Council's Accountants, we feel unable to conclude our review and sign off the Internal Audit Certificate at Page 3 of the 2023-24 AGAR. We will do so once a proper, supportable set of Accounts are presented for audit review.*



**Addendum to report issued 29 May 2024**

**Further to the issue of our report dated 29 May 2024, we have today received revised accounting figures from DCK which address the serious concerns we raised about the accuracy of the Section 2 report. We are, therefore, now prepared to complete our report.**

**We note that this report is issued less than an hour before the Council meeting where it is intended to sign off the 2023-24 AGAR and associated documents. We offer our apologies to the Council.**

**While we can, as before, offer the Council a reasonable assurance as to its own governance procedures and internal controls, we remain deeply concerned over the level of service the Council is receiving from its appointed accountants, DCK.**

Rec. No.	Recommendation	Response
1.	The balance, and all transactions, on the Mayor's Charity account must be included in the accounts of Tidworth Town Council, as they clearly represent Public Funds. This issue must now be the subject of a formal instruction from the Council to DCK, its appointed accountants.	Resolved in amended DCK accounts issued 4/6/2024
2.	The November 2023 investment with Close Brothers, in the sum of £700,000, must be included in the Council's accounts as an investment (AGAR Section 2, Box 8) rather than a miscellaneous debtor (as currently shown in the reconciliation between Boxes 7 and 8). This must, again, be formally referred to DCK for correction.	Resolved in amended DCK accounts issued 4/6/2024