

Tidworth Town Council

Internal Audit Report 2024-25 (Interim)

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*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 initial review for 2024-25, undertaken both at our offices and via a visit to the new Civic Centre on 21 October 2024. We offer our thanks to the Town Clerk and her staff for their help and hospitality during the visit.

Internal Audit Approach

The objective of this interim review is to provide an appropriate level of assurance to the Council on their governance, procedures and financial control in advance of the main review at the financial year end. Any comments made, therefore, should be seen as an ‘early warning’ of issues that need to be addressed in order to provide full and supportable assurances in the Annual Governance and Accountability Return (AGAR) for 2024-25.

In commencing our review for the 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 continue to offer a reasonable assurance on the controls maintained by the Town Clerk and her team, we have detailed serious concerns over the ongoing use of the Mayor’s Charity account, as we have in previous reports. We now recommend to the Council that this account be closed, and remaining funds be transferred to an appropriate Registered Charity, as its use does not meet with the Council’s Statutory role.

We have made this the subject of a Formal Recommendation, which the Council is required to respond to. We have made a number of lesser observations throughout this report, 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). As at 30 September 2024 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 (which we will comment on below). There are also short term investments with the CCLA Deposit Fund, and Close Brothers.

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 2024-25 in Omega with that in the 2023-24 Statement of Accounts and AGAR. We note a continuing issue with regard to properly recording the Mayor's Charity account as Public Funds, which we will comment on below;
- 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 30 September 2024.

We note that the Financial Regulation (FR) 2.2 requirement for an independent review of bank reconciliations by Councillors has been continued into 2024-25, the last such check being in June 2024. This provides 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, along with monthly bank reconciliations undertaken with DCK, in the Minutes of Full Council (which meets more frequently than the Leadership Committee).

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation at this time, other than our observations about the clear minuting of bank reconciliation checks by Full Council.

We have made more detailed observations on the Mayor's Charity account later in this 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:-

- Commenced our review of Minutes of the Full Council and Standing Committees for 2024-25 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 2024. We note that a revised Model Form for FR's was issued in April 2024, but has not yet been considered by Council. This represents an ideal opportunity for Council to update both its SO's and FR's to the most up-to-date Models, which we have previously commented on;
- Note that the Council still relies on Section 137 of the Local Government Act 1972 for miscellaneous payments, until the Town Clerk achieves the CiLCA qualification. Grants made under this Power are properly recorded in the Full Council Minutes;
- Confirmed that the Exercise of Public Rights with regard to the 2023-24 Accounts was properly undertaken in accordance with the Accounts and Audit Regulations;
- Reviewed the Council's compliance with the Transparency Code 2015, and note a good level of compliance, and;
- Noted that, at the time of audit, the External Audit review of the 2023-24 AGAR has yet to be concluded.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation at this time, other than our observations about updating the SO's and FR's in accordance with the latest Model Forms.

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 to date, with no issues arising. We have discussed with the Town Clerk the desirability of introducing a level of internal check between staff of invoices for payment.

We have discussed with the Town Clerk the need, in accordance with FR5.2, to attach a full list of authorised payments to the relevant Full Council Minutes, to match the minuted approved total.

We have reconciled both the outstanding VAT balance in the 2023-24 Accounts, and the first quarter of 2024-25, to the Omega records and the relevant Bank Statement, with no issues arising.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation at this time, other than our observation about attaching a list of all approved payments to the Council Minutes to comply with FR5.2.

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 note from the Council's Minutes that consideration of the Council's Risk Register was deferred at the June meeting, and has not (at the time of audit) been concluded. The Risk Register on the website is undated. We have referred this to the Town Clerk for clarification before 31 March 2025.

We have examined the Council's insurance policy with Hiscox wef. 1 June 2024, as approved by the Leadership Committee. 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 (including the new Civic Centre), all of which we consider appropriate to the Council's current requirements.

We note that regular safety inspections of the Council's playparks continue to be 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 at this time, other than the need to properly conclude the annual risk review.

Budgetary Control and Reserves

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and the level of Precept: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains sufficient funds in General and Earmarked Reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

At the time of audit the exercise for 2025-26 has not yet been concluded. We will, therefore, undertake further work in this area as part of our 2024-25 final review, including regular Council monitoring of the in-year budgetary position, and consideration of the level of General and Earmarked Reserves at the year-end which we have commented on in previous reports.

Conclusions

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

Review of Income

The Council receives income by way of the annual precept, bank and investment interest, together with Cemetery fees, Civic Centre 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 undertaken a sample test of high-value transactions for the financial year to date, with no issues arising. We will undertake work on smaller receipts (Cemetery fees and Civic Centre hire charges) at the year-end, following discussions with the Town Clerk about a revised procedure for recording Civic Centre bookings.

We note that the Community Services Committee reviewed and increased Cemetery charges in May 2024. We understand that Civic Centre hire charges are intended for review in January 2025. These reviews will meet the requirement of FR9.3.

Conclusions

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

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 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 at this time.

Investments and Loans

We note that the Council reviewed its Investment Strategy at its September 2023 meeting, and we understand that this is due to be reviewed again in November 2024.

As at 30 September 2024, we have confirmed balances (other than those retained with Lloyds Bank) of £900,000 with the CCLA Deposit Fund, and £700,000 with Close Brothers which is due for redemption in November 2024.

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 at this time.

Mayor's Charity Account

We have expressed concerns about the purpose of, and accounting for, this fund in our reports going back a number of years. We also note that the Council's accountants have consistently failed to record it as Council Funds.

We have discussed this position at length with the Town Clerk. We remain of the view that, while it remains under the control of the Council, it must be properly recorded in the Council's accounts. We also note that its use is infrequent, and for purposes outside the Council's Statutory responsibilities. During this audit, we have also noted an imbalance between the total recorded in the Omega accounting system, and the last available Bank Statement, which itself is considerably out of date. The Town Clerk has informed us that she is not in direct control of this account.

Therefore, we have reached the formal conclusion that this Account is not part of the Council's legal remit (*ultra vires*), and should be terminated without delay. Remaining funds at Bank should be transferred to an appropriate local Registered Charity, and any future applications for funding from this source should be referred to them. Any small income receipts from Civic events should be immediately paid over to an appropriate Registered Charity, which the Mayor may wish to nominate upon their appointment.

We have made this issue the subject of a Formal Recommendation.

Rec. No.	Recommendation	Response
1.	The Mayor's Charity Account should be closed forthwith, as it does not constitute a Statutory function of the Council. Remaining funds, and the ongoing responsibility for providing grant funding, should be transferred to an appropriate Registered Charity before 31 March 2025, so that the Account no longer forms part of the Council's Balance Sheet.	
