

Newport Pagnell Town Council

Internal Audit Report 2020/2021 (Interim)

Prepared by Sally King

*For and on behalf of
Auditing Solutions Ltd*

Background and Scope

The Accounts and Audit Arrangements introduced from 1st April 2001 require all Town and Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually. The Council has complied with the requirements in terms of independence from the Council decision making process appointing Auditing Solutions Ltd to provide the service to the Council.

This report sets out the work undertaken in relation to the 2020-2021 financial year, during March 2021 at our office.

Internal Audit Approach

In undertaking our review for the year to date, we have had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Annual Governance and Accountability Return. We have employed a combination of selective sampling techniques (where appropriate) and 100% detailed checks in a number of key areas in order to gain sufficient assurance that the Council's financial and regulatory systems and controls are appropriate and fit for the purposes intended.

Our programme of cover has been designed to afford appropriate assurance that the Council's financial systems are 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 'Annual Internal Audit Report' in the Council's Annual Return, which requires independent assurance over a number of internal control objectives.

Overall Conclusions

On the basis of the programme of work undertaken this year to date the Council has again maintained more than adequate and effective internal control arrangements. We are again pleased to acknowledge the quality of records maintained by the Clerk and her staff and thank them for their assistance, which has ensured the smooth progress of our review process.

We are pleased to conclude that, in the areas examined to date, the Council continues to operate effective systems to ensure that transactions are free from material misstatement and will be reported accurately in the Annual Return and detailed Statement of Accounts for the financial year. We shall undertake further work at our final audit, signing off the Internal Audit Certificate in the Annual Governance and Accountability Return (AGAR) accordingly.

This report has been prepared for the sole use of Newport Pagnell Town Council. To the fullest extent permitted by law, no responsibility or liability is accepted by Auditing Solutions Ltd to any third party who purports to use or rely, for any reason whatsoever, on this report, its content or conclusions.

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.

- Confirmed closing balances from 2019-20 have been correctly brought forward to the current year.
- The Council had upgraded the accounting software to Rialtos, maintaining separate cashbooks for the principal Current account and also for two other accounts holding reserves. There are also two dormant (except for tiny amounts of interest) accounts and a number of term deposits / investment accounts all operated at Lloyds plc;
- Checked to ensure that a comprehensive, meaningful and appropriate nominal coding schedule together with cost centres remains in place.
- We have checked and agreed April 2020 and August 2020 receipts and payments transactions from both main bank accounts to the relevant cashbooks; and
- Checked and agreed the relevant bank account reconciliations for each account as at 30th April 2020 and August 2020 to ensure that no long-standing, uncleared cheques or other anomalous entries exist.
- Confirmed with officers the arrangements for backing up the computer system with an outside IT company (Microsmiths).

Conclusions

We are pleased to report that no significant issues have been identified in this area. Further work will be undertaken at our final visit.

Review of Corporate Governance

Our objective is to ensure that the Council has robust corporate governance documentation and processes in place, that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and extant legislation 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: -

- Examined the minutes of Full Council and its principal Committee meetings for the year to 31st January 2021 to ensure that no issues exist affecting the Council's financial stability either in the short, medium or long-term.
- We note the Council have reviewed Standing Orders and Financial Regulations.
- Reviewed the external auditor's report, issued since our last visit, to confirm they are raising no matters regarding the Councils accounts and governance.

Conclusions

We are pleased to report that no issues have been identified in this area, warranting further comment. Further work will be undertaken at our final visit.

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;
- An official order has been raised for each purchase or area of service delivery where one would be expected;
- 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 reviewed a sample of payments examining a sample of all those payments individually in excess of £3,000, together with a more random sample of every 30th cashbook transaction (irrespective of value) from April 2020 to January 2021. Our test sample comprised 57 payments, totalling £412,615 and representing 83% by value of all non-pay related costs in the year to that date.

Conclusions

We are again pleased to record that no issues have been identified in this area.

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 identified to minimise the opportunity for their coming to fruition. We have: -

- Noted that the Corporate Risk Register has been reviewed and was agreed by the Council on 26th October 2020 with no changes made (minute Ref Item 7 P&F/Oct/2020) .
- Reviewed your insurance policy with Zurich noting that it includes; public liability cover of £15million and employers liability cover of £10m and employee dishonesty of £1m.

Conclusions

No issues arise warranting formal comment or recommendation in this area at present: we shall continue to monitor the arrangements reviewing the Council's risk register at future visits.

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 of the precept placed on the Unitary Authority, 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 that members continue to receive regular budget monitoring reports with over/under-spends and the level of earmarked reserves the subject of regular review.

We note that the Council's budget and precept requirements have been formalised at the Town Council's meeting on 11th January 2021 (minute ref, item 10 TC/Jan/2021). The precept has been increased by 35% to £953,996, or £185.13 per annum for a band D property. The Council has incurred large losses due to closure of leisure facilities (over £300,000) and has only received Government Funded support of £25,000. Reserves have also been used to support services.

Conclusions

The Council has formalised its budget and precept requirements for 2021-22 financial year. We shall review this area further at our final visit, also examining the year's budget outturn, following up any significant variances and obtaining appropriate explanations: we shall also consider the appropriateness of retained reserves to meet the Council's ongoing revenue spending requirements and any development aspirations.

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 the income is invoiced (where applicable) in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council.

In addition to the annual precept the Council has a variety of income sources arising mainly from Middleton Hall Pool, Community Centre hire, football pitches and allotment income from 5 sites.

The Council has suffered a large reduction in income due the Covid 19 pandemic, resulting from closure of the Middleton Hall Pool and Leisure Centre. It was noted from the minutes that the Council is seeking support from bodies such as Sport England and MKC to cover some of the losses.

Conclusions

Further examination of this area will be undertaken at our final audit.

Petty Cash

The Council operates a very limited administrative petty cash scheme in the High street offices, “topped up” as and when required with occasional re-imbursments of £100.

We note that a manual cashbook continues to be maintained for record keeping purposes, which is periodically “signed off” by the Chair of Policy & Finance in addition to the other controls in place, such as the sequentially numbered vouchers and officer approval. Further that the cashbook separately identifies any VAT which is separately coded onto Omega to ensure it is included in the Council’s overall VAT return.

Conclusions

We are pleased to report that no issues have been identified in this area warranting further comment.

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 and that interest earned is brought to account correctly and appropriately in the accounting records.

Conclusions

At our final visit we will review and test all balances and movements at the year-end agreeing also interest received and ensure amounts are disclosed correctly in the AGAR.