

## **Waltham Abbey Town Council**

*Internal Audit Report 2018-19 (Final)*

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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 system of internal control and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR in short).

This report sets out the work undertaken in relation to the final visit for 2018-19, which took place on 10<sup>th</sup> June 2019 and supplements the interim work undertaken on 5<sup>th</sup> December 2018 and 20<sup>th</sup> February 2019.

## **Internal Audit Approach**

In concluding 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 and AGAR. Our programme of cover has been 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 Audit Certificate in the Council's AGAR, which requires independent assurance over a series of internal control objectives.

## **Overall Conclusion**

We are again pleased to conclude that, based on the work undertaken this year, the Council continues to maintain sound and effective internal control arrangements. We are also pleased to acknowledge the excellent quality of records maintained by the Clerk and her staff and thank them again for their assistance, which has ensured the smooth progress of our review process: there are no matters arising to warrant formal recommendation and we have duly signed off the Internal Audit Report at Page 3 within the AGAR, assigning positive assurances in all categories.

# 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 cashbooks or financial ledgers. To meet our objectives, we have to date: -

- Checked and agreed the opening trial balance with the 2017-18 closing Statement of Accounts and certified AGAR detail;
- Ensured that a full and effective cost centre and nominal account coding structure remains appropriate for purpose and continues to be operated;
- Ensured that the accounts remain 'in balance' at the present date;
- Checked and agreed the principal, combined Current and Money Manager cashbook transactions for October & November 2018 and January & March 2019 to the relevant bank statements, including the daily "sweeps";
- Checked and agreed March 2019 transactions on the separate Imprest account cashbook to bank statements; and
- Checked detail on bank reconciliations for all accounts for October & November 2018 and January & March 2019, ensuring that no long standing, unrepresented cheques or other anomalous entries exist.

Finally, we are also pleased to note that a backup of the accounting software continues to be done every evening to an offsite server maintained by the Council's IT supplier. We are advised that the IT supplier restore every two weeks across their client base which means the system is tested at least once every quarter which we understand is in line with ISO 27001

### *Conclusions*

*There are no issues arising in this area to warrant formal recommendation currently.*

## Review of Corporate Governance

Our objective here is to ensure that the Council has robust corporate governance documentation and processes in place and that, as far as we may reasonably be expected to ascertain (as we do not attend Council or Committee meetings), all meetings are conducted in accordance with the adopted Standing Orders and no actions of a potentially unlawful nature have been or are being considered for implementation. We have:

- Continued our review of the Council and its extant Standing Committees' minutes (except Planning & Licensing) for the financial year to date, examining those published on the Council's website to ensure that no issues exist or may be being considered by the Council that may have an adverse effect, through litigation or other causes, on the Council's future financial stability;
- Noted that Standing Orders and Financial Regulations were reviewed and approved by the P&R Council at their meeting on 5<sup>th</sup> September, and, subsequently by Full Council on 24<sup>th</sup> October 2018; and

- Noted that Council reviewed and adopted an investment policy at its meeting on 21<sup>st</sup> March 2018 in accordance with statutory guidance on Local Government Investments issued by the Secretary of State.

### ***Conclusions***

***There are no issues arising in this area to warrant formal recommendation currently.***

## **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;
- Members have met their fiduciary duties approving release of each payment in accordance with extant legislation;
- An appropriate order has been placed in each case where one would be anticipated;
- All discounts have been taken;
- 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 and that submissions have been returned to HMR&C in a timely manner.

We have concluded our testing in this area, selecting a sample of payments including those individually in excess of £4,000, plus every 50<sup>th</sup> payment regardless of value to 31<sup>st</sup> March 2019 for compliance with the above criteria. Our test sample of 44 payments (covering 64 invoices in all) totalled just under £320,000 and represented 35% of all non-pay related expenditure for the year.

We are pleased to note that the VAT reclaims in respect of the four quarters to 31<sup>st</sup> March 2019 have been submitted to HMRC in accord with the underlying Omega control account balances with no issues arising and we have also verified the Q4 Return to the year-end debtor disclosed in the statement of Accounts. We also note that the Council's accounting contractors (DCK Accounting Solutions) undertake an annual review of partial VAT exemption and this will be undertaken for 2018-19 in due course.

We noted at our previous visit that there continued to be a VAT suspense account with surplus funds totalling £1,670.24, being a VAT refund from several years ago. It is understood that this payment was refunded by HMRC due to an overpayment of taxes and, given the length of time these funds have been set aside for fear of recall we advised that Council may wish to give consideration to returning these funds to General Reserve but this still remains outstanding as at 31<sup>st</sup> March 2019.

### ***Conclusions***

***There are no issues arising in this area to warrant formal recommendation currently, although we have one minor observation to be addressed in 2019-20 as above.***

## 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 and to minimise the opportunity for their coming to fruition. We have:

- Examined the Council's current insurance policy (year ending 31<sup>st</sup> March 2019), with cover continuing to be provided by Aviva, ensure that appropriate cover is in place: both Public and Employers Liability cover stand at £10 million, together with Fidelity Guarantee cover at £750,000; we further note that there is a separate vehicle insurance policy in place with ERS Farmers Plan effective to 1<sup>st</sup> April 2019;
- Noted previously that the Council would undertake a review of its risk register at their forthcoming meeting to be held in March 2019 and, subsequently at this final visit, note this was duly actioned initially by the P&R Committee (minute 766 refers) and secondly by Full Council's minutes & resolutions adoption in April 2019;
- Finally, we have also noted that all playgrounds and playing fields are inspected daily, records being kept of these inspections and action taken to rectify any issues arising where required.

### Conclusions

*There are no issues arising in this area to warrant formal recommendation currently.*

## 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 level of precept to be drawn down from the District Council: also, that an effective reporting and monitoring process is in place. Additionally, we aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise. Consequently:

- We note that Council approved the 2019-20 budget and Precept request at a Special Council meeting on 9<sup>th</sup> January 2019 (Ref: 613/19); the latter was agreed in the amount of £851,000 (with no further CTSG due);
- We further note that members continue to receive regular budget monitoring reports at Committee and at Council level with variances to budget and the level of earmarked reserves the subject of regular review; and
- We note that, as at 31<sup>st</sup> March 2019, Total Usable Reserves stood at just over £421,000 and comprised of specific Earmarked items amounting to £219,700 and the residual General Fund of £201,500. The latter represents approximately five months net expenditure at current levels and is considered to be more than adequate at present

### Conclusions

*There are no issues arising in this area to warrant formal recommendation currently.*

## **Review of Income**

In this area of our review, we aim to ensure that income due to the Council is identified, invoiced (where applicable) and recovered at the appropriate rate and within a reasonable time scale; also, that it is banked promptly in accordance with the Council's Financial Regulations.

Income is currently derived from Allotments, Cemetery, Town Mead Social Club, Sports Facilities, Town Hall/Town Hall Bar, Market Stalls, and Tourist Information Centre.

We are pleased to note that all fees were reviewed at the Policy & Resources Committee held on 5<sup>th</sup> December 2018 (Ref: 522/18).

We have:

- Checked and agreed details of the Cemetery income for the months of October & November 2018 reviewing receipt of the forms (including the appropriate certificate) from the undertakers, ensuring that the appropriate details are entered in the burial register, to the issuing of invoices, the receipt of payment, the issuing of the appropriate receipt (where applicable) for that payment and the banking of the monies received with no issues arising;
- Checked and agreed income from memorials for the months of October & November 2018 reviewing receipt of the appropriate forms from the memorial masons to the issuing of invoices, the receipt of payment, the issuing of the appropriate receipt (where applicable) for that payment and the banking of monies with no issues arising;
- Checked and agreed purchases of graves for the months of October and November 2018 reviewing receipt of the appropriate forms from the applicants to the issuing of invoices, the receipt of payment, the issuing of the appropriate receipt (where applicable) for that payment and the banking of monies with no issues arising;
- We have also examined a random sample of transactions in respect of allotment income for 2018-19 checking from inception of agreement, ensuring invoices are raised promptly with payment received and duly reconciled to the bank account in a timely manner and are pleased to note that no issues arise in this regard.

### ***Conclusions***

*There are no issues arising in this area to warrant formal recommendation currently.*

## **Petty Cash Accounts, Bar Cash Floats and Credit Card Controls**

We are, as part of the Annual Return process, required to provide an opinion on the robustness of the Council's petty cash accounting procedures.

We have noted at our interim visits that there is a petty cash float at the Town Hall with an imprest float of £200; this float is topped up as and when required.

We have checked the petty cash vouchers numbered 898 to 907 totalling £52.14 to deductions on income sheet 1710 ensuring that all expenditure is supported by a valid receipt and that VAT has been taken where appropriate; we are pleased to note that all receipts are signed off by the Senior Assistant.

We are also pleased to note that the cash float is checked on a regular basis by the Senior Assistant and that a signed record is maintained of these checks. Finally, in this regard, we have checked the cash held at the time of our first visit with no issues arising. A further check was made during our second interim visit of 20<sup>th</sup> February 2019 with no further issues arising.

Finally, we note that the Council operates a very limited commercial credit card with HSBC, which has one authorised user, an overall credit limit of £2,500 and a monthly settlement in full by direct debit. We have checked and agreed a sample month's transactions (March 2019) to ensure that each payment (of which there were just 4) was properly supported by an appropriate supplier invoice / trader's till receipt.

### ***Conclusions***

***There are no issues arising in this area to warrant formal recommendation currently.***

## **Review of Staff Salaries and Wages**

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the requirements of HM Revenue and Customs (HMRC) with regard to the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme. To meet this objective, we have at this visit:

- Reviewed the Council's payroll preparation procedures;
- Checked to ensure that the Council has reviewed and approved appropriate pay scales for staff;
- Checked that any overtime paid is properly supported by authorised timesheets;
- Checked and agreed the computation of staff gross and net pay and salary deductions for September 2018, as compiled "in house" using bespoke Sage payroll software;
- Checked to ensure that the appropriate tax codes have been applied for the year and that the correct taxation and NI deduction tables have been applied with payments to HMRC processed appropriately; Checked to ensure that the appropriate percentage pension deductions for staff contributing to the Local Government Scheme are being applied;
- Verified the accurate payment of net pay to employees in relation to the referenced month's payroll, also ensuring the accuracy of payments made to HMRC and the Pension Fund Administrators; and
- Noted that returns are being submitted monthly with no problems in relation to the HMRC Real Time Initiative.

### ***Conclusions***

***There are no issues arising in this area to warrant formal recommendation currently.***

## **Asset Registers**

The Governance and Accountability Manual – "The Practitioner's Guide" requires all Councils to maintain an inventory/Register of Assets. As in previous years, the contract accountants have maintained a detailed spread sheet record of the Council's asset stock identifying detail of the asset values (and depreciation applied), which forms the basis of detail in the Statement of Accounts.

In line with the current Practitioner Guide's asset value disclosure requirements, the cumulative depreciation charged in the year has been "added back" to arrive at the effective purchase cost which, together with the cost of new assets acquired in year, is used as the basis for disclosure of asset values at Box 9, Page 5 of the AGAR, which we have checked and agreed as part of this final audit work

### **Conclusions**

*There are no issues arising in this area to warrant formal recommendation currently.*

## **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 accounts; that an appropriate investment policy is in place; that the Council is obtaining the best rate of return on any such investments made; that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with appropriate loan agreements.

The Council does not have any long-term investments that require separate disclosure in the AGAR although we have previously noted that the Council had deposited £50,000 in the CCLA Public Sector. Subsequently, at this final visit for 2018-19, we have verified the current balance as at 31<sup>st</sup> March 2019 from their third party advice note to the underlying Omega control account.

The Council has two PWLB loans, repayable half-yearly: we have checked and agreed both the instalment repayments made in the year from cashbooks to the third party statements provided by the PWLB and have also verified the residual capital balance outstanding as at 31<sup>st</sup> March 2019 to the disclosure at Box 10, Page 5 of the AGAR.

### **Conclusions**

*There are no issues arising in this area to warrant formal recommendation currently.*

## **Statement of Accounts and Annual Governance Return**

As documented above, the revised Annual Governance and Accountability Return now forms the statutory Accounts of the Council subject to external audit review and certification and in order to assist the Council in ensuring the accuracy of the detail submitted for certification, we have reviewed the content of the detailed Statement of Accounts prepared by DCK Accounting Solutions by reference to the underlying financial and, where applicable, other records.

These Accounts form the basis of data reported at Page 5 of the AGAR, detail of which we have also reviewed and verified.

### **Conclusions**

*No issues arise in this area warranting formal comment and, as noted in the preamble to this report, we have duly signed off the Internal Audit Report in this year's AGAR, assigning positive assurances in all categories.*