



Marlborough Town Council

Internal Audit Report 2023-24 (First Interim Update)

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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 initial work undertaken in relation to the 2023-24 financial year, during our first interim visit which took place on October 19th 2023. We wish to thank the Office Manager and the Town Clerk for providing the records to enable us to complete our work. Further reports will be issued following our second interim visit planned for the 20th February 2024 and then after our final visit in the summer.

Internal Audit Approach

In commencing our review, we have continued to pay due 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 appropriate 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 'Internal Audit Report' which is part of the Council's AGAR and requires independent assurance over specified internal control objectives.

Overall Conclusion

Based on the work undertaken so far, the Council continues to maintain effective internal control arrangements. Our findings in each area examined are set out in the detailed report below.

We request that this report is presented to Members and that Members acknowledge receipt of the Report.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Council uses the Rialtas software to maintain its accounting records (the Ledger). Two operational bank accounts are maintained at Barclays, the Business Current and Business Saver accounts which are accounted for in a combined cashbook (number one) in the Rialtas system. In addition, the Council has invested surplus cash in an account with the CCLA Public Sector Deposit Fund.

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in the cashbook or financial ledgers. At this visit we have:

- Confirmed the External Auditor raised no issues on the 2022/23 AGAR requiring our follow up;
- Agreed the opening trial balance detail for 2023-24 as recorded in the Ledger to the closing detail contained in the 2022-23 AGAR;
- Ensured that the cost centre and nominal ledger income and expenditure coding structure remains appropriate for purpose;
- Checked to ensure that the Rialtas Ledger remained “in balance” at the date of our visit by running a data check within the system to confirm the trial balance agreed to the nominal ledger;
- Checked and agreed detail in the combined number one cashbook, examining and agreeing transactions in September 2023 as a sample month to supporting bank statements;
- Agreed the combined Business Current and Active Saver Account bank reconciliation as at 31st August and 30th September 2023;
- Discussed with officers the arrangements for Member review of the bank reconciliations noting they had been countersigned in July in respect of the reconciliations for the first quarter of the financial year; and
- Agreed the balance recorded in Rialtas in respect of the CCLA account to the latest available third-party statement dated 31st August 2023.

Conclusion

The ledger is in balance and the accounts are regularly reconciled to the bank with no anomalous adjusting entries.

We will extend our testing at our later visits checking further reconciliations.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust series of corporate governance documentation in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders (SOs) 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, although it is for the Council to determine the legality of its transactions. Consequently we:

- Have commenced our examination of the Council's minutes, examining those for the Full Council and its Standing Committee meetings (except for Planning) held during the financial year 2023-24 to date with a view to identifying whether any issues exist that may have an adverse effect on the Council's future financial stability, both in the short and longer term;
- Note the Council continues to keep its corporate policies under review with Full Council adopting Standing Orders and Financial Regulations at the Meeting held in May 2023;
- Noted that the General Power of Competence has been adopted;
- Confirmed that the Council is posting all payments over £500 onto its website and doing this monthly, the latest posting at the time of our visit was for July 2023; and
- Confirmed the Council advertised its 2022/23 accounts for public inspection.

Conclusion

No issues have been identified from this aspect of our review to date requiring formal comment or recommendation. We shall continue our review of minutes at our next interim and then 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 approved 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;
- That Members are provided with, and approve, the regular schedules of payments made;
- 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 confirmed with officers the controls over the processing of payments. We commenced testing in this area examining a sample of all those supplier payments individually in excess of £2,000 together with a more random selection of every 35th cashbook transaction, irrespective of value, entered in the Cashbook for the six months to 30th September 2023 to ensure compliance with the above criteria. Our sample comprised 45 payments, totaling £121,050 and equated to 49% of non-pay expenditure to that date. All payments in our sample were supported by invoices.

We confirmed the VAT owing to the Council at the end of 2022/23 was recovered in May 2023 and reviewed the re-claim for the first quarter of 2023/24 confirming the funds were recovered in July 2023 with detail correctly entered into the VAT control account.

Conclusion

No issues arise from this area of our work to date. We will extend our sample of payments at future visits.

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 to minimise the opportunity for their coming to fruition.

We have examined the Council's current insurance policy provided by Zurich running to the 16th June 2024, cover includes:

- Building insurance;
- Business interruption insurance
- Cover for equipment;
- Public liability cover of up to £15m;
- Hirer's liability cover up to £2m;
- Employer's liability £10m;
- Motor vehicle cover; and
- Fidelity guarantee £2m.

Conclusion

No issues arise from our work to date. We will look at the Council's overall risk assessment at our later visits.

Review of Income

The Council receives income, in addition to the Precept, primarily from Town Hall lettings, property rents, allotments, burial and associated fees, bank interest and specific grants & donations, together with expended VAT, which is recovered quarterly. At this initial visit we:

- Agreed the first and second instalments of the 2023/24 precept received into the Council's accounts in April and September 2023 to the amount set and recorded in the Minutes of the Council and to remittance advices from Wiltshire Council;
- For Marlborough Community and Youth Centre, test checked a sample of hirings in July 2023 from the booking diary ensuring the hire was invoiced at the correct rate and ensuring the income was recorded in Rialtas;
- Reviewed debtor codes in Rialtas and the manual file of invoices to confirm there were no material aged amounts owing; and
- As noted previously in this report test checked a sample of one month's income from the bank statement to the cash book.

Conclusion

Based on our work so far, the Council continues to maintain systems for collecting income. We will undertake further testing on income at our future visits.

Petty Cash Account

We are required, as part of the AGAR certification process, to consider the effectiveness of the Council's controls over any petty cash account or other cash holding in use.

The Council operates a limited petty cash account to defray sundry administrative expenses. The account is "topped up" as and when required with "round sum" cash withdrawals through the Barclays cash-point card. These transfers are recorded in the main cash book.

We agreed the physical cash held on the day of our visit to the accounting records and test checked payments in July to September 2023 to ensure that vouchers/till receipts were retained to support the payments.

Conclusion

There are no issues arising in this area.

Review of Staff Salaries

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 Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme by deducting employee contributions and paying employer contributions at the correct rates.

We noted that processing of the Council's monthly payroll continues to be undertaken "in house" utilising bespoke 'QuickBooks' software. We sample checked payroll transactions, specifically we have:

- Test checked the pay for one officer on the August payroll to supporting contracts/letters of employment confirming the amount paid to the nationally published pay-scales;
- Obtained the summary payroll reports for August 2023 and agreed the totals to the Rialtas cash book payments;
- Checked the calculation of tax and national insurance for five staff paid in August by reference to their payslips;
- Checked for five staff the calculation of employee and employer pension contributions in respect of the August salary payments;
- Confirmed signed timesheets are held on file; and
- Commenced our month-on-month trend analysis of payroll transactions per the cash book to enable us to confirm there are no material anomalies.

Conclusion

The Council has arrangements for processing its payroll. We have tested one month in detail and will monitor monthly costs at later visits.