



Ivybridge Town Council

Internal Audit Report: Final 2020-21

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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 2020-21. Again, due to the continuing restrictions imposed by the Covid-19 pandemic, this work has been undertaken remotely. We wish to thank the Senior Finance Officer (SFO) and her staff for assisting the process, providing all necessary documentation in electronic format to facilitate completion of our review for the year and sign off of the Internal Audit Certificate in the year's AGAR. We have, obviously in the circumstances, reduced the volume of transactions examined, whilst still ensuring governance and financial controls remain effective.

Internal Audit Approach

The objective of this review is to provide an appropriate level of assurance to the Council on their governance, procedures and financial control for the entire financial year, generating full and supportable assurances in the Annual Governance and Accountability Return (AGAR) for 2020-21.

In undertaking our review for the year, we have again 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 appropriate 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 set out in the following detailed report: we are pleased to note that all our recommendations from 2019-20 have been considered by the Council.

We wish to commend the SFO and her staff on the way their financial records are maintained, with clear evidence of independent review by Councillors. In light of this, the inherent assurance gained from previous reviews, and our work during this final review, we have no recommendations to make.

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 the cashbooks and financial ledgers prepared and maintained in house by the SFO. The Rialtas Omega accounting software continues in use to record detail of financial transactions on the bank accounts in place with Lloyds, for which separate cashbooks are maintained (Current, Erme Projects and Allotments Accounts). Further cashbooks are also in use to control Watermark cash, cardnet and online sales.

To assess the adequacy, accuracy and appropriateness of transactions in 2020-21, we have:

- Agreed the opening Trial Balance in Omega for 2020-21 to the 2019-20 AGAR;
- Ensured that the accounts remain “in balance” at the year end;
- Checked the accuracy of the month-end bank reconciliations on the Lloyds accounts as at 31 March 2021.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework 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 also aim to ensure that appropriate policies, procedures and protocols are in place to prevent and provide a reasonable assurance of the detection of any fraudulent or corrupt activity.

We have reviewed all Council and Committee Minutes (excluding those relating to planning issues) for the financial year, as posted on the Council’s website, to determine whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council’s future financial stability and are pleased to record that no such concerns have arisen.

We note that the Council has reviewed and adopted both Standing Orders (SOs) and Financial Regulations (FRs) in the current financial year basing the documents on the latest NALC models documents, while also agreeing changes to meeting procedures during the pandemic.

The Transparency Code became mandatory for all Parish and Town Councils from 2015. We are pleased to note that the Council provides more information than the basic requirement, including the annual AGAR and audit reporting. All of these can be found under the 'Council Business / Accounts' tab on the website. The SFO has previously agreed to provide further information, such as the Risk and Asset Registers, on the website as part of the 2020-21 AGAR process.

Conclusions

No issues arise in this area 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 monthly recovery or repayment.

We are pleased to note the continuation of sound internal control in this area, with members examining and initialling payment slips attached to the invoices and the invoices themselves. Detailed scrutiny in this area is maintained by the Policy and Resources Committee on behalf of the Council.

We have test-checked a further range of significant transactions over the period October 2020 to March 2021 to support the above finding, with no anomalies found.

We have also examined detail of VAT payments / reclaims processed during the year by reference to the accounting software control account with no issues arising.

Conclusions

No issues arise in this area 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 to minimise the opportunity for their coming to fruition. We note that the Risk Register is reviewed routinely each year, initially by the Policy and Resources Committee (P&R) and then by Council – P&R recommended (in August 2020) that an annual review was sufficient given the high level of independent review by Councillors. The Risk Register was last reviewed at the March 2021 Council meeting, which meets the requirements of Financial Regulations.

We note that the Council maintains its insurance policy schedule with WPS, with Employers and Public Liability cover standing at £10 million and £15 million respectively, together with Fidelity Guarantee cover of £785,000, which we consider appropriate for the Council's present requirements.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

Precept Determination and Budgetary Control

We aim in this area to ensure that the Council has sound procedures in place for determining its annual budgetary and precept requirements, together with sound monitoring procedures to highlight any potential overspending as soon as it may become apparent.

At its January 2021 meeting, the Council agreed its budget for 2021-22, setting the Precept at £502,412.

The Council has set Earmarked Reserves totalling £271,650. This leaves a General Reserve, after allowing for year-end debtors and creditors, of £355,982, which is an acceptable level for a Council of this size.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

Review of Income

The Council receives income by way of the annual Precept, together with a wide variety of income from rents, fees and charges generated at the Watermark and other sources.

Clearly trading receipts have suffered due to the effects of the pandemic. We have tested those receipts that have been collected to cashbook records and bank statements with no issues arising.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

Petty Cash Account

We are required, as part of the AGAR reporting process, to review and verify the soundness of controls over the operation of councils' petty cash accounts. Two separate petty cash accounts are in existence, one in the Council's office (for £100) and the other at the Watermark Centre (for £250, plus a further £350 in change floats).

There are also two Lloyds Bank Business Charge Cards in operation, one to the Clerk (£1,500), and one to the Assistant Clerk (£500), following consideration by P&R in January 2021.

We have remotely test-checked the transactions on these accounts for the year, with no obvious anomalies arising, although we were clearly unable to balance the physical cash.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

Review of Staff Salaries

In examining the Council's payroll function, we aim to confirm that salary payments are in line with the Council approved pay rates and that extant legislation is being appropriately observed as regards adherence to the requirements of HMRC legislation in relation to the deduction and payment over of income tax and NI contributions, together with pension contributions.

Preparation of the Council's monthly payroll is outsourced to South Hams DC who generate the relevant payroll documentation and make the physical payments to staff, recovering the gross cost of staff salaries, together with the cost of employer's NI and pension contributions, from the Council each month.

From copy records supplied by the SFO, we have remotely test-checked the payroll for August 2020 and February 2021, agreeing detail of the basic salary payments to each employee. We have also checked the accuracy of the tax, NI and pension deductions by reference to the relevant tax and NI tables and percentage bandings applying to staff contributing to the Local Government Pension scheme with no issues arising.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

Investments and Loans

We note that, following the concerns expressed in our 2019-20 report, the Council has reaffirmed its decision to support ‘the last bank in town’, and regards the risk of total loss due to the collapse of Lloyds Bank as very low.

We note that the Investment Strategy was reviewed by Council in May 2020, with further consideration to be given to ethical investment with regard to the Council’s declaration of a Climate Emergency.

The Council has three loans in place with the Public Works Loans Board (PWLB). We have remotely test-checked the repayments during the year, with no issues arising

Conclusions

No issues arise in this area 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.

Conclusions

There are no matters arising in this area of our review process and we have duly signed off the Internal Audit Certificate at Page 3 of the AGAR, assigning positive assurances in all relevant categories.

Rec. No	Recommendation	Response
	No recommendations made.	