

# **Ivybridge Town Council**

*Internal Audit Report: First interim 2023-24*

---

*Stuart J Pollard*

*Director  
Auditing Solutions Ltd*

## **Background**

Statute requires all town and parish councils to arrange for an independent Internal Audit (IA) 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 2023-24, which was undertaken partly in advance of our on-site visit on 20<sup>th</sup> September 2023. We thank the Senior Finance Officer (SFO) and Finance Officer (FO) for assisting the process, providing all necessary documentation in either hard copy or electronic format to facilitate commencement of our review for the year.

## **Internal Audit Approach**

In undertaking our review and in accordance with the requirements of the IA Certificate in the AGAR and the latest edition of the JPAG Practitioner's Guide we have again paid due regard to the materiality of transactions and their susceptibility to potential misrepresentation in the Accounts / AGAR, together with examining the overall governance framework. Our aim is to ensure that the Council continues to operate robust control systems and that transactions are, as far as we are reasonably able to ascertain, processed in accordance with national and locally approved legislation.

We will update this report following our interim update review visit, which we hope to undertake in January / February 2024 and will liaise with the Town Clerk and SFO to agree a mutually convenient date for that review.

## **Overall Conclusion**

We again wish to commend both the SFO and FO on the way their financial records are maintained, with clear evidence of independent review by Councillors. Consequently, we are pleased to again report that no issues arise at the present time warranting formal comment or recommendation.

# 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 & FO. The Rialtas Omega accounting software continues in use to record detail of financial transactions on the three bank accounts in place with Lloyds, for which separate cashbooks are maintained (Current, 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 to date in 2023-24, we have:-

- Agreed the opening Trial Balance in Omega for 2023-24 to the 2022-23 certified AGAR detail;
- Ensured that the accounts remain “in balance” at 31<sup>st</sup> August 2023;
- Agreed Current Account transactions for two months (April and August 2023) by reference to supporting bank statements;
- Noted that no transactions have occurred in the year to date on the other bank accounts, other than interest received on the Projects account, detail of which we have agreed to the underlying bank statements;
- Checked the accuracy of the month-end bank reconciliations on the Current Account as at 30<sup>th</sup> April and 31<sup>st</sup> August 2023, noting that one relatively long-standing (i.e., issued on 31<sup>st</sup> March 2023) cheque remains unpaid at 31<sup>st</sup> August: we suggest that the payee be chased to determine whether they intend to bank the cheque or not or require a replacement,

### *Conclusions*

*We are pleased to note that bank reconciliations are prepared monthly and continue to be scrutinised and signed off by a councillor accordingly. As indicated above, the recipient of the one long-standing uncleared cheque should be contacted to establish whether they still hold the cheque and intent to bank it or require a replacement.*

*We shall undertake further testing in this area during future reviews including verifying the accuracy of the year-end bank reconciliations and ensuring the accurate disclosure of the combined cash and bank account balances in the AGAR at Section 2, Box 8.*

## 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 (SOs) and that, as far as we are reasonably able to ascertain as we do not attend meetings, 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 commenced our review of the Council and Committee minutes (excluding those relating to planning issues) examining those for the financial year to date 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 exist currently.

We note that the Council has reviewed and re-adopted its Standing Orders (SOs), also reviewing and adopting a revised version of the Financial Regulations (FRs) at the May 2023 full Council meeting: both documents are based on the latest NALC models. We understand that the NALC model FRs are being reviewed by NALC currently and will, once available, advise the Council of their existence suggesting that they be adopted subject to any necessary tailoring to meet local circumstances.

We are pleased to note that the 2022-2 AGAR has been signed-off by the external auditors without comment or any issues raised: we also note that the Council has, as required by the 2015 Accounts and Audit Regulations, published an appropriate formal "Notice of Public Rights" to examine the Council's records for 2022-23.

### **Conclusions**

*We are pleased to report that no issues arise in this area currently warranting formal comment or recommendation. We shall continue to monitor the Council's governance arrangements during future review visits, also extending our review of minutes for the remainder of the financial year.*

## **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 record that sound internal controls continue to be operated in in this area, with members examining and now initialing a certification stamp affixed to the invoices, together with the Omega generated schedules of payments for release. Detailed scrutiny in this area is also effectively managed by the Policy and Resources Committee on behalf of the Council.

We have selected a sample of transactions in the year to 31<sup>st</sup> August 2023 including those in excess of £2,500 plus every 35<sup>th</sup> as recorded in the Omega cashbook with no anomalies found. Our test sample to date comprises 40 individual payments including 5 NNDR invoices from South Hams DC paid over 10 months of the year. The test sample totals £196,100 equating to 60% by value of non-pay related payments in the year to that date.

### **Conclusions**

*We are pleased to record that no issues have been identified in this area warranting formal comment or recommendation: we will extend testing in this area during future reviews applying the same criteria and also ensuring the accuracy of the year's VAT returns.*

## **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 subject to routine annual review and adoption, initially by the Policy and Resources Committee (P&RC) and then by full Council, the last formal review occurring in January 2023.

The Council is insured by Aviva: we have reviewed the current year's policy documents, noting that Employer's and Public Liability cover both stand at £10 million, together with Fidelity Guarantee cover of £785,000 and Business Interruption – "Loss of Revenue" cover in place at £600,000 all of which we consider appropriate for the Council's present requirements.

### **Conclusions**

*We shall continue to monitor the Council's approach to risk management at future reviews and take this opportunity to remind officers and the Council that The Practitioner's Guide requires that risk assessments be reviewed and re-adopted formally at least once annually.*

## **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.

As the process for determining a budget and Precept for 2024-25 has yet to be undertaken, we will review this area during our interim update review the date of which has to be determined but will probably take place as indicate in the preface to this report.

We have examined the latest Omega budget performance report and are pleased to record that no significant unexplained or unanticipated variances exist currently with total income standing at 57% of the approved budget and expenditure at 33%.

### **Conclusions**

*There are no issues arising in this area of our review warranting formal comment or recommendation currently. As indicated above, we shall undertake further work at future visits for the year, ensuring that the 2024-25 budget setting and precept determination process has been completed appropriately and that the Council has formally adopted the precept for that year. We shall also examine the year-end outturn report and consider the appropriateness of the level of retained reserves to meet the Council's ongoing revenue spending requirements and any development aspirations at our final review visit.*

## 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 such as the cemetery.

The Council uses the Rialtas Bookings package to manage the hire of rooms at the Watermark and Council admin offices. We have, at this first visit for 2023-24, examined interments recorded in the Burial Registers for the current financial year, noting that 12 interments have occurred to date this year: we have examined the comprehensive file of retained documentation kept by the SFO checking to ensure that the legally required appropriate burial / cremation certificates are held for each and that an appropriate invoice has been raised with the fees levied in accordance with the approved fees and charges for the year and are pleased to record that no issues have arisen in this area

We have also examined the “Sales Ledger – Unpaid invoices by date” report as at 31<sup>st</sup> August 2023, noting that 3 invoices raised in the previous financial year, one from September 2022, remain unpaid at the above date with a further three raised prior to 30<sup>th</sup> June 2023 also remaining unpaid. We urge that appropriate action be taken to pursue these invoices and acquire recovery of the outstanding sums due to the Council.

### *Conclusions*

*We shall undertake further work on the Council’s income streams at our interim update review, visiting the Watermark and again reviewing the unpaid debtor accounts position. The outcome of that review work will be reported accordingly.*

## 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 a 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 £350). We shall examine these at the time of our next review visit.*

## 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 (SHDC) 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.

We than the SFO for providing, in advance of our visit, electronic copies of the August 2023 payslips together with detail of staff in post, their point on the national pay scale or, if not on those scales their hourly rate. Consequently, we reviewed the payslips prior to our visit undertaking the following work: -

- Verified the basic gross salary paid to each employee for that month;

- Ensured the application of the appropriate employee pension contribution percentages; and
- Verified the tax and NI (employee and employer) deductions / contributions applied to each employee for the month under review by reference to the relevant HMRC tables.

We have also, during the course of this on-site visit checked and agreed the detail in SFO's schedule of overtime, etc hours to be paid to each individual in August to the supporting time sheet records, which we are pleased to note are signed by both the employees and their supervising officer(s);

### ***Conclusions***

***We are pleased to record that no issues have been identified from the work undertaken in this area of our review.***

## **Investments and Loans**

We have previously expressed concern at the high level of funds held with a single banking institution (Lloyds Bank) and recommended that funds should be diversified across a range of banking institutions to reduce the potential risk should, however unlikely that may be, of the bank "failing".

We have noted previously that, at the P&R meeting in August 2020, this concern was considered with the Committee indicating its desire to support 'the last bank in town' and regarded the risk of total loss as very low due to the part ownership of Lloyds Bank by HM Government. In light of this, we will continue to monitor the position but again make no formal recommendations unless the risk position radically changes.

We note that the Investment Strategy has again been reviewed and re-adopted by Council in May 2023.

The Council has loans in place with the Public Works Loans Board (PWLB). We have checked the first half-yearly repayment by reference to the PWLB demand as part of our aforementioned sample payment testing. with no issues arising.

### ***Conclusions***

***There are no issues arising in this area of our review warranting formal comment or recommendation at this time. We shall undertake further work during future reviews, with particular regard to PWLB transactions.***