
Elstree and Borehamwood Town Council

Internal Audit Report 2022-23 (Interim)

Sally King

***For and on behalf of
Auditing Solutions Ltd***

Background

All town and parish councils are required by statute to make arrangements 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 Return. Auditing Solutions Ltd has provided this service to Elstree and Borehamwood Town Council since 2008-2009.

This report sets out the work undertaken in relation to the 2022-23 financial year, during our visit to the Council, which took place on 17th January 2023.

Internal Audit Approach

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/Annual Return. Our programme of cover has again been 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' in the Council's Annual Return, which requires independent assurance over several internal control objectives.

Overall Conclusion

We have concluded that, based on 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 the Deputy Clerk and thank them for their assistance, which has ensured the smooth progress of our review process.

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. To that end, we have: -

- Ensured that an appropriate coding structure remains in place on the Omega accounting system to meet the needs of the Council's reporting requirements.
- Agreed the year's opening balances on the Omega accounting records to those reported in the closing Statement of Accounts and Annual Return for 2021-22.
- Checked and agreed transactions in the Council's Metro Bank current and business reserve cashbooks to the bank statements to for the month of April 2022.
- Checked detail on the bank reconciliations for those accounts to December 2022 to ensure that no long-standing uncleared cheques or other anomalous entries exist.
- Ensured that the ledgers remain in balance during the year.

Conclusion

We are pleased to report that there are no issues to date in this area of our review process warranting formal comment or recommendation. Further work will be undertaken at our final audit.

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 (where appropriate) meetings are conducted in accordance with the adopted Standing Orders and Financial Regulations, 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 consequently: -

- Commenced examination of the minutes of the Full Council and its Standing Committees for the financial year to December to identify whether any issues exist that may have an adverse effect on the Council's future financial stability.
- Noted that the production of detailed procedures continues to evolve with the Clerk maintaining a control sheet continuing to document individual procedures and scheduling the last review date and date for next review; and
- Noted that Standing Orders and Financial Regulations were last reviewed and adopted at the Council meeting held on 23rd March 2022 minute refs. 74 (i) and (ii) respectively. They are scheduled to be reviewed again in March 2023.
- We have reviewed the external auditor's report, issued since our last visit, to confirm they are raising no matters regarding the Councils accounts and governance.
- We note that The Council is entitled to exercise General power competence – Annual Full Council meeting held on 11th May 2022 minute ref 6. (i).

Conclusions

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

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;
- An official order has been raised on each occasion where one would be anticipated;
- 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;
- VAT has been appropriately identified and coded to the control account for regular quarterly recovery; and
- Noted that VAT Returns have been completed and have been submitted to HMRC electronically.

To ensure compliance with the above criteria, we have examined a selection of all payments individually in excess £2,000, together with a more random sample of every 40th cashbook transaction irrespective of value, 56 payments were selected totalling £375,041.87; this represents 75% of non-pay expenditure to December 2022.

Conclusion

We are pleased to report that there are no issues to date in this area of our review process warranting formal comment or recommendation. Further work will be undertaken at our final audit.

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 in order to minimise the opportunity for their coming to fruition.

We are pleased to note that the Financial Management Risk Assessment were last reviewed and adopted at the Council meeting held on 23rd March 2022 minute ref 74 (i).

The Council's insurance is provided by Zurich: we have examined the policy schedule for the year to 31st May 2023 to ensure that adequate cover remains in place in respect of the Council's assets and that, where applicable, suitable Fidelity Guarantee and Business Interruption / Loss of Revenue protection is also in place: we note that the current cover is £15 million in respect of Public Liability, £10 million in respect of Employers Liability and £1 million in respect of Fidelity Guarantee. We believe these levels of cover to be adequate.

Conclusions

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

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 to be precepted on the Borough Council, 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. meet this objective, we have:

- Noted that the General Management Committee and Council continue to receive regular budget performance reports during the year.
- Also noted that The Council has commenced a detailed budget exercise to determine the 2023-24 Precept this will be finalised at a Special Full Council meeting to be held on 13th February 2023.

Conclusions

We are pleased to report that there are no issues to date in this area of our review process warranting formal comment or recommendation. Further work will be undertaken at our final audit.

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 income is invoiced in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council. The sources of income available to the Council are Hall Hire, Allotments, Ticket Purchase, Adverts and Coach trips.

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

Petty Cash Account / Credit Cards

A petty cash account was operated in the Council's office on a simple "top up as required" imprest basis, this is no longer used, and the small balance was banked in September 2022.

The Council now uses a credit card with a prepaid balance for day-to-day purchases. The April 2022 statement was examined as part of our expenditure testing, with no issues arising.

Conclusions

We are pleased to report that no matters arise in this area of our review process warranting formal comment or recommendation.

Salaries and Wages

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed and the requirements of HM Revenue and Customs (HMRC) as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme as regards employee contribution percentages now being based on actual salary including overtime rather than on the Whole Time Equivalent salary. To meet this objective, we have examined the June 2022 salary documentation as below:

- Reviewed the Council's payroll procedures.
- Noted that the payroll continues to be outsourced to Hertfordshire Borough Council.
- Confirmed that staff net pay, Tax / NI and Superannuation totals have been properly paid to Employees and relevant agencies accurately and in a timely manner.
- Checking that staff gross pay is calculated accordingly by reference to the approved NJC pay scales.
- Checking to ensure that the appropriate percentage superannuation deductions have been applied in accord with the updated salary bandings where applicable; and
- Reconciling the net pay and employer's "on costs" to that recharged by the bureau provider.

Conclusions

We are pleased to report that no issues have been identified in this area warranting formal 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 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 the relevant loan agreements. We note: -

- The Council has long term investments during the year with Close Brothers, Investec and Aldermore Bank of £100k each.
- The Council has not issued any loans to third parties during 2022-23 financial year.

- The Council has an Investment Policy in place, last reviewed in February 2022 and is scheduled to be reviewed again in February 2023.

Conclusions

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

Asset Register

The Governance and Accountability Manual requires all councils to develop and maintain a register of assets identifying detail of all land, buildings, vehicles, furniture, and equipment owned by the Council.

We are pleased to note that the Council maintains the asset register on RBS software.

Conclusions

We are pleased to report that there are no significant issues arising in this area of our review process warranting formal comment or recommendation. We will confirm the appropriate recording of these assets in the AGAR at our final visit.