

## CONGLETON TOWN COUNCIL

### COMMITTEE REPORTS AND UPDATES

<b>COMMITTEE:</b>	Finance and Policy		
<b>MEETING DATE AND TIME</b>	23 <sup>rd</sup> March 2022 7.00pm	<b>LOCATION</b>	Congleton Town Hall
<b>REPORT FROM</b>	Serena Van Schepdael – Responsible Financial Officer (RFO)		
<b>AGENDA ITEM</b> <b>REPORT TITLE</b>	<b>15</b> <b>Second Interim Internal Audit Report 2021/22</b>		
<b>Background</b>	<p>The statutory instrument of government which is the Accounts and Audit Regulations 2015 Section 5(1) requires the Town Council to ‘undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes’.</p> <p>Internal auditing is an independent, objective assurance activity designed to improve an organisation’s operations. It helps the Town Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The purpose of internal audit is to review and report to the council on whether its systems of financial and other internal controls over its activities and operating procedures are effective.</p> <p>Congleton Town Council has appointed Auditing Solutions Ltd to carry out its internal audit for 2021/22. The internal auditor normally comes to the offices 3 times per year and produces a report each time. Historically, Congleton Town Council’s policy is for the Interim Internal Audit reports to be received by the Finance and Policy Committee and for the Final Internal Audit report to be received by the Finance and Policy Committee and Council.</p>		

<b>Updates</b>	<p>This second interim report for 2021/22 was completed remotely, in mutual agreement with the RFO and Auditing Solutions Ltd. There are no areas of concerns or issues raised: There are 2 points to carry forward from the first interim audit:</p> <p><u>Review of Corporate Governance:</u></p> <ul style="list-style-type: none"> <li>• <i>We have discussed the Tourist Information Centre (TIC) with the RFO, and we consider that the Financial Regulations should include controls with monetary limits detailed in respect of the till and change floats.</i></li> </ul> <p>RFO Update: This was due to be presented to the agenda of the Finance and Policy Committee in March 2022 but will now be presented at a future meeting.</p> <p><u>Precept Determination and Budgetary Control</u></p> <ul style="list-style-type: none"> <li>• <i>We have been advised that the Council are to formally consider and finalise its budget and precept requirements for 2022-23 later in the financial year. Consequently, we shall review this area further at our final visit, also examining the year's budget outturn, following up any significant variances and obtaining appropriate explanations: we shall also consider the appropriateness of retained reserves to meet the Council's ongoing revenue spending requirements and any development aspirations.</i></li> </ul> <p>RFO Update: A full list of reserves will be created with details and presented at a future Finance and Policy Committee meeting as an update.</p>
<b>Decision requested</b>	That the Finance and Policy Committee receive the second interim report for 2021-22

Appendix 15.1 - Internal Audit Report 2021-22: Interim update



---

## Congleton Town Council

*Internal Audit Report 2021-22: Interim update*

---

*Adrian Shepherd-Roberts*

*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 Governance and Accountability Return (AGAR).

This report sets out the work undertaken in relation to the 2021-22 financial year which was completed by 23rd November 2021 and 4<sup>th</sup> February 2022. We have undertaken the update review and we wish to again thank the Responsible Finance Officer in assisting the process, providing all necessary documentation to facilitate completion of our review for the year to date.

## **Internal Audit Approach**

In undertaking our reviews for this financial year, we have had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts/AGAR. We have employed a combination of selective sampling techniques (where appropriate) and 100% detailed checks in a number of key areas in order to gain sufficient assurance that the Council's financial and regulatory systems and controls are appropriate and fit for the purposes intended.

Our programme of cover has been designed to afford appropriate assurance that the Council's financial systems are 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 'Annual Internal Audit Report' in the Council's Annual Governance and Accountability Return, which requires independent assurance over a number of internal control objectives.

## **Overall Conclusion**

We have concluded that, on the basis of the programme of work we have undertaken, the Council continues to maintain adequate and effective internal control arrangements during the year.

We ask that members consider the content of this report and acknowledge that the report has been reviewed by Council.

# 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 the ledger remains in balance at the present date;
- Verified the opening trial balance for 2021-22 to the Statement of Accounts and AGAR for 2020-21 to ensure that the closing balances have been brought forward accurately and completely;
- Checked and agreed transactions in the Council's main bank account cashbooks to the relevant RBS Bank statements for April & September 2021 and January 2022;
- Checked and agreed for the same months, inter account "sweep" transfers between the current and high interest bank account; and
- Examined and verified the accuracy of transactions in the Council's mayoral charity bank account cashbooks and bank accounts as at September 2021 and January 2022 to ensure that no long-standing payments or other anomalous entries exist.

### *Conclusions*

*We are pleased to report that no issues have been identified in this area warranting further comment. We will undertake further work at our final review.*

## Review of Corporate Governance

Our objective is to ensure that the Council has robust corporate governance documentation 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 noted previously that an updated Corporate Business Plan had been prepared and have examined the content accordingly.

We note that the Standing Orders were reviewed and adopted in October 2021 and the Finance regulations were reviewed in December 2021.

We previously discussed the Tourist Information Centre (TIC) with the RFO and we consider that the Financial Regulations should include controls with monetary limits detailed in respect of the till and change floats.

We have continued our review of the minutes of the Full Council and Standing Committees, excluding Planning, to ensure that no actions of an ultra vires nature are being either considered or have been actioned, whilst also ensuring that the Council's finances remain at a healthy level to provide appropriate funds for future planned development and current revenue spending plans. We also note that, as previously, various grants have been approved for payment during the current year.

### ***Conclusions***

***There are no matters requiring formal recommendation in this area of our review process. As mentioned above consideration should be given to include controls in respect of the TIC. We will undertake further work at our final review.***

## **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;
- An official order has been raised in each and every case where one would be expected;
- 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 have continued work in this area examining a sample of payments to January 2022.

Finally, in this area, we have examined the content of the quarterly VAT reclams to December 2021, submitted to HMRC, with no issues arising.

### ***Conclusions***

***We are pleased to report that no significant issues have been identified in this area. We will undertake further work at our final review.***

## **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 any such risks identified in order to minimise the opportunity for their coming to fruition.

Risk assessment registers are in place and they are subject to routine annual review and update. We note that the Business Risk Assessment for 21-22 was formally approved by Finance & Policy Committee in March 2021.

We noted as at a previous review that an external agent for Health and Safety and HR Services Ansa Environmental Services Ltd has been appointed.

Zurich Municipal continues to provide the Council's insurance cover: we have examined the current year's schedule (to May 2022) and consider it meets the current needs of the Council appropriately with Employer's liability set at £10 million and Public Liability cover set at £15 million and Fidelity Guarantee cover at £1.0 million.

### ***Conclusions***

***We are pleased to report that no issues have been identified in this area warranting further 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 of the precept placed on the Unitary Authority, 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.

We are pleased to note that members continue to receive regular budget monitoring reports with over/under-spends and the level of earmarked reserves the subject of regular review.

We also note that the Council approved a precept of £996,333 for 2022-23 at its December 2021 meeting.

### ***Conclusions***

***There are no matters requiring formal comment or recommendation in this area of our review process.***

## **Review of Income**

In considering the Council's income streams, we aim to ensure that robust systems are in place to ensure that all income due to the Council is identified and invoiced in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies. We have: -

- At the interim audit we reviewed the income generated in respect of the Tourist Information Centre and the cash and stock controls. We are pleased to report that the process is well managed and that records are maintained in a very satisfactory manner.
- At this interim update review, we have reviewed the management controls and income from the Town Hall bookings and are satisfied that the records and the accounts are operated in a satisfactory manner.

- Examined the “Aged debtors schedule” generated by the accounting software and note that there are no significant issues arising with regard to long-standing debts of which officers and members are unaware.

We have also reviewed the nominal ledger detailed transaction reports for income items and unpaid invoices for the year to January 2022 to ensure that no obvious coding errors or other anomalous entries are apparent of which the Council are unaware.

### ***Conclusions***

***We are pleased to record that there are no significant issues in this area. We will ensure that the income is correctly reported in the Annual Governance and Accountability Return.***

## **Petty Cash Account**

Our aim in this area is to ensure that appropriate controls are in place; that all expenditure incurred is adequately supported by trade invoices or till receipts; that the expenditure is appropriate for the Council’s requirements; that VAT has been separately identified for periodic recovery and that cheque encashments from the main cashbooks are properly recorded.

We have not checked the cash but have reviewed the holding from the information that we have been provided. As we are working remotely, we suggested that where possible an independent check is undertaken to confirm that the cash has been checked and the account balances. We note that this was undertaken and minuted at the Finance and Policy Committee meeting on 26<sup>th</sup> January 2021 and we have been advised that it will continue to be reviewed.

We have reviewed the vehicle fuel nominal ledger and a sample statement and we are satisfied that this is controlled effectively.

### ***Conclusions***

***There are no matters requiring formal comment or recommendation in this area of our review process.***

## **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, as further revised from 1<sup>st</sup> April 2018 in relation to employee percentage bandings. To meet that objective, we have: -

- Ensured that the Council has approved staff pay rates for the financial year, based upon the approved NJC rates;
- Checked and agreed the computation of staff gross and net pay and salary deductions for November 2021, noting the continued use of a local, third party bureau service provider;

- Checked to ensure that appropriate tax codes and national insurance tables are being applied in the year and that the correct deductions / contributions have been deducted and paid over to HMRC in a timely manner; and
- Ensured that the appropriate revised superannuation contribution rates have been applied, also ensuring that the deductions have been paid over to the County Council in a timely manner.

### ***Conclusions***

***We are pleased to record that no issues have been identified in this area.***

## **Investments & 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 appropriate loan agreements.

The Council holds no specific investments but holds a Special Interest account with RBS and deposits with the Cambridge and Counties Bank and CCLA.

We have verified the half-yearly loan repayment to PWLB by reference to the direct debit advice as part of the aforementioned expenditure testing.

### ***Conclusions***

***We are pleased to report that no issues have been identified in this area that warrants any further attention by officers or formal recommendation. We will undertake further work at our final review.***