

# **Chipping Norton Town Council**

*Internal Audit Report: Final 2023-24*

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## **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 & Accountability Return (AGAR). Auditing Solutions Ltd has provided this service to Chipping Norton Town Council since 2018-19.

This report sets out the work undertaken in relation to the 2023-24 financial year which was completed by 6<sup>th</sup> February and 16<sup>th</sup> May 2024. We have undertaken our audits for the year and we wish to thank all the staff who assisted us in the process. In the review processes we have ensured governance and financial controls remain effective.

## **Internal Audit Approach**

In conducting our reviews for 2023-24, 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. Our programme of cover, as applied to all clients, is 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 'Internal Audit Report' in the Council's AGAR, which requires independent assurance over several internal control objectives.

## **Overall Conclusion**

The work undertaken this year on the Council's accounting and other records which is set out in the following report.

We have concluded that, on the basis of the programme of work undertaken this year the Council has again maintained more than adequate and effective internal control arrangements. We again compliment the Finance Officer and staff for the quality of their work and thank them for their assistance.

We have completed and signed the 'Annual Internal Audit Report' in the year's Annual Governance and Accountability Return, having concluded that, in all significant respects, the control objectives set out in that report were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

# 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 maintained in-house by the Accounts Officer. The Council's records are maintained using the RBS Omega software, which is a market leader and used by many our clients across the country.

One bank account is in use with Unity Bank. A further cashbook is also in use to record all petty cash account transactions.

To assess the adequacy, accuracy and appropriateness of transactions for 2023-24, we have:

- Ensured the accurate carry forward of the prior year closing balances, as reported in the year's AGAR, as opening balances in the accounting software for 2023-24;
- Ensured that an appropriate coding structure is in place to facilitate reporting of budgetary performance throughout the year;
- Ensured that the Omega ledgers remain in balance at the financial year-end;
- Checked and agreed transactions on the Current account for April 2023, December 2023 and March 2024 by reference to supporting bank statements; and
- Verified the accuracy of bank reconciliations on the Current, and Petty Cash accounts as at 30<sup>th</sup> April and 30<sup>th</sup> December 2023 and March 2024;

### *Conclusions*

*We are pleased to report that no significant issues have been identified in this area of our review process.*

## 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 Financial Regulations (FRs) and that, as far as we are reasonably able to ascertain, given that 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 examined the Council and Standing Committee minutes for 2023-24 meetings as posted on the Council's website to establish 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.

### *Conclusions*

*The Council has reviewed both the Financial Regulations and the Standing Orders. We are pleased to record that no issues have been identified in this area.*

## 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 periodic recovery.

In order to confirm the effectiveness of the control and governance arrangements over payments, we have selected a sample of individual payments processed during the financial year.

We also note that VAT returns continue to be completed in a timely and accurate manner, with electronic "on-line" submission now in place, in line with HMRC requirements. We have examined the quarterly reclaims to March 2024 confirming that the detail correlates to that in the VAT control account.

### *Conclusions*

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

## 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 are pleased to note the existence of a register of potential risks facing the Council, also noting it has been approved by Full Council at its May 2023 meeting.

We have examined the Council's 2023-24 insurance policy schedule with Zurich, noting that Employer's, Public Liability cover are in place at £10 million, £15 million respectively, together with Fidelity Guarantee (FG) cover currently at £1 million.

### *Conclusions*

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

## Precept Determination and Budgetary Control

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and the level of precept to be drawn down from the District

Council, also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

We note that a precept level of £375,832 for 2024-25 was formally approved by Full Council at its 4<sup>th</sup> December 2023 meeting.

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.

### **Conclusions**

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

## **Review of Income**

The Council receives income primarily by way of the annual precept, together with burial and associated fees, room hire fees at the Town Hall, rent and access rights at Greystones, receivable interest and VAT recoveries, together with other miscellaneous receipts.

- Previously we noted that the schedules of Council's fees and charges were reviewed for the Cemetery, for 2023-24 and applicable from September 2023.
- As noted elsewhere in this report, we have tested a sample of cashbook receipts from Omega records to relevant bank statements for nine months;
- We have reviewed a sample of the burial records and relevant nominal ledger and consider that the records are maintained in a very satisfactory manner;
- We have also undertaken a review of the Town Hall bar facilities which have been in operation from circa August 2023. We have reviewed the bar stock controls and the management controls which are currently in place utilising the Sumup card reader and stock inventory records. We have also reviewed the cash handing facilities and card payment receipts.
- Examined the "Aged debtors schedule" generated by the accounting software and are pleased to record that there are no significant long-standing debts exist of which officers and members are unaware.

### **Conclusions**

*We have reviewed the Cemetery receipts and burial records together with the management processes in relation to the Town Hall Bar at this initial review. A further review of the Town Hall facilities will be undertaken during the 2024-25 audits.*

## **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 physically checked the cash and have reviewed the holding from the information that we have been provided.

### ***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 salaries are paid 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.

We note that the Council's payroll is managed in-house agreeing detail of the gross and net salaries paid to them by reference to the establishment list and the January 2024 payslips.

We have also checked the accuracy of tax, NI and pension deductions to each for January 2024 by reference to relevant HMRC and Pension Fund Administrators deduction tables with no issues arising.

### ***Conclusions***

***We are pleased to report that no issues arise in this area warranting formal comment or recommendation.***

## **Fixed Asset Registers**

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We have checked and agreed the principles used in the detail, as recorded in the Council's Asset Register, noting that it has been prepared using purchase cost values or where that value is unknown at the previous year's Return level or uplifted or decreased to reflect the acquisition or disposal of assets.

### ***Conclusion***

***No issues require formal comment or recommendation.***

## **Investments and Loans**

The Council has no long-term investments, surplus funds being held currently with the CCLA.

The Council has no loans in place either repayable by itself or to it from external bodies: consequently, nil values will be reported in the relevant boxes of Section 2 of the year's AGAR.

### ***Conclusions***

***No issues arise in this area. We will undertake further work at our final review.***

## **Annual Governance and Accountability Return**

The Accounts and Audit Regulations required that all Councils prepare a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council's financial affairs.

We have examined the Council's procedures in relation to the preparation of the year-end detailed Annual Governance and Accountability Return data, also reviewing the arrangements for the identification of year-end debtors and creditors with no issues arising.

### ***Conclusions***

***No issues have arisen in this review area and, on the basis of work undertaken during the year, we have duly signed off the Internal Audit Report of the Annual Governance and Accountability Return, assigning positive assurances in each relevant area.***