
Stowmarket Town Council

Internal Audit 2024-25 (First Interim Report)

25th October 2024

Stephen Christopher

for Auditing Solutions Ltd

Background and Scope

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). Auditing Solutions Ltd has been appointed to undertake this function on behalf of Stowmarket Town Council for the 2024-25 financial year.

This report sets out the results of our first interim audit for the year, which was undertaken on 16th and 17th October 2024. We wish to thank the Head of Corporate Services and her colleagues for their assistance in enabling us to complete our audit work.

Internal Audit Approach

In carrying out the audit, we have had regard to the materiality of transactions and their susceptibility to potential mis-recording or mis-representation in the year-end Statement of Accounts, operating a mix of 100% substantive or selected sampling techniques, where considered applicable.

Our audit programme is 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 'Annual Internal Audit Report' in the Council's AGAR, which requires independent assurance over a number of internal control objectives

Overall Conclusion

On the basis of the programme of work we have undertaken for the year to date, we have concluded that the Council continues to maintain an adequate and effective system of internal control. The records held in support of the accounting transactions are of a high standard and provide an effective audit trail, with clear cross-referencing of all relevant documentation.

In the sections below, we explain the objectives of each area of our audit, summarising the work undertaken and our findings. We are pleased to report that there were no matters arising that require a formal recommendation. We ask that Members consider the content of this report.

.

Detailed Report

Accounting records & Banking arrangements

Our objective is to confirm that the accounting records are accurate and up to date, with no anomalous entries in the cashbooks or financial ledgers, and that appropriate banking arrangements are in place.

The Council continues to maintain its accounting records using the RBS Rialtas ‘Omega’ software, which is generally acknowledged as a market leader for town and parish councils.

A NatWest Bank current account is used for the majority of the day to day banking activities, including on-line payments, with a TSB current account being used for cash handling. Funds not required for immediate use are held in a range of savings accounts with NatWest Bank (instant access saver, 35-day notice and 95-day notice accounts) and the Nationwide Building Society (instant access and two 12-month deposit accounts).

During the course of our audit work, we confirmed the following:

- The opening trial balance on Omega for 2024-25 agreed to the closing balances in the 2023-24 AGAR;
- The financial ledgers remained “in balance” as at the end of month 5 (the latest completed month’s accounts on Omega at the time of our visit);
- The accounting code structure remains appropriate to meet the Council’s budget reporting and control requirements;
- The detail of the accounting entries in the Omega cash books for two sample months (April and August 2024) agreed to the supporting bank statements;
- From review of the detail of the bank reconciliations as at 31st August 2024, there were no long-standing un-cleared items or anomalous entries. We also confirmed that the bank reconciliations as at that month end were reported to the Council meeting on 16th October 2024;
- Appropriate arrangements remain in place for raising, processing and reviewing journal entries made in the Omega accounts,
- The External Auditors completed their work on the Council’s 2023-24 AGAR and issued their certificate on 15th September 2024, with no matters arising, and
- Remote back-ups of the Council’s IT systems continue to be made by the Council’s IT providers on, at least, a daily basis.

Conclusion

There are no matters arising to date that require a formal comment or recommendation.

Corporate Governance

Our objective is to confirm that the Council has robust corporate governance arrangements in

place and that, as far as we may reasonably be expected to ascertain (as we do not attend Council or Committee meetings), all meetings are conducted in accordance with the adopted Standing Orders and Financial Regulations and no actions of a potentially unlawful nature have been, or are being, considered for implementation.

During the course of our first interim audit, we confirmed the following:

- Our review of the minutes of the meetings of the Council and its standing committees held during the year to date has not identified any matters that we consider might have an adverse effect, through litigation or other causes, on the Council's future financial stability;
- The Standing Orders and Financial Regulations continue to be kept under regular review. Updated Financial Regulations were approved by the Council at its meeting on 16th October 2024, following consideration by the A&G on 2nd October 2024. The Standing Orders were last approved and adopted by the Council in July 2023, and are due to be considered again in the next few months;
- The Council adopted the General Power of Competence at the Annual Council Meeting on 17th May 2023 and this remains in place until the 2027 elections;
- During the summer of 2024, the Council provided the proper opportunity for the exercise of public rights in relation to the 2023-24 accounts, in accordance with the requirements of the Accounts & Audit Regulations, and
- The A&G Committee continues to monitor the Council's governance arrangements at each meeting.

Conclusion

There are no matters arising to date that require a formal comment or recommendation.

Expenditure and VAT

Our objective in this area is to ensure that:

- Council resources are released in accordance with its 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;
- Any discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- An official ordering process is in place and operated for appropriate purchases, acknowledging that a range of goods and services are provided under contractual requirements (e.g., grass cutting) or legislation (e.g., non-domestic rates);
- The correct expense codes have been applied to invoices when processed; and

- VAT has been appropriately identified and coded to the VAT control account for periodic recovery.

We have commenced our review of the procedures in place in this area, selecting a sample of non-pay related payments for examination to check that they were made in accordance with the approved working practices and complied with the above criteria. Our testing sample for the year to date covered all individual payments in excess of £4,500, together with a more random sample of every 45th cashbook expenditure transaction irrespective of value. The value of transactions examined in the period to 31st August 2024 totalled £354,824.

The Council makes use of NatWest corporate credit cards issued to certain named staff, which are settled in full every month by direct debit. During our audit visit, we reviewed the controls in place regarding the use of the credit cards in August 2024. In that period, the cards were used by eleven members of staff, each of whom has an individual card and an assigned credit limit. We confirmed that all of the payments made appeared to be appropriate to the Council's functions and were adequately supported by receipts.

As part of our testing of expenditure, we reviewed the procurement arrangements followed in relation to the purchase of two fleet vehicles. We confirmed that a sound approach was taken to the management of the tender process, with approved capital authorisation for the purchase being given by the Council at its meeting on 1st May 2024. In accordance with the national regulatory requirements, the tender opportunities were published on the Government's Contracts Finder website.

VAT Returns continue to be submitted quarterly in electronic format, as required by extant legislation, with the detail being reconciled to the Omega financial ledger. We confirmed that, at the time of our visit, the VAT Return for the first quarter had been submitted and reimbursement received from HMRC.

Conclusion

There are no matters arising to date that require a formal comment or recommendation.

Assessment and Management of Risk

Our objective is to confirm that the Council has put in place appropriate arrangements to identify all potentially significant 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 in order to minimise the opportunity for them to occur. In the course of our audit work, we confirmed that:

- The latest overall Risk Management Strategy was approved by the Full Council at its meeting on 19th July 2023 and is due to be revisited in January 2025;
- The detailed Risk Register was reviewed and updated by the A&G Committee on 2nd October 2024 and approved by the Council on 16th October 2024;
- The Council's main insurance cover is provided by Hiscox, under a 3-year policy, which started in 1st February 2023. The levels of Public Liability and Employers Liability are set at £10m, with Fidelity Guarantee of £1m. This level of cover is in line

with other similar sized local authorities and would appear to be adequate to meet the current needs of the Council;

- A separate insurance policy remains in place for vehicles, which has been updated in 2024 to reflect changes in the fleet, as noted above;
- Annual play area inspections continue to be undertaken by PlaySafety Ltd. The latest inspections were completed on the 16th October 2024 and the reports are due to be received in the near future. We have confirmed the results of the inspections and the remedial action being taken will be reported to the Operations & Services Committee in January 2025, and
- As in previous years, a wide range of health & safety, outdoor working, specific event and other related risk assessments are in place, details of which are formally reviewed and updated on a regular basis.

Conclusion

There are no matters arising to date that require a formal comment or recommendation.

Budget Setting, Budgetary Control and Reserves

Our objective is to confirm that the Council has robust processes for identifying and approving future budgetary requirements and the level of Precept to be drawn down from Mid Suffolk District Council, and that effective budget monitoring and reporting arrangements are in place. We also consider whether 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.

From our review of the minutes and discussions with officers, we confirmed that, in line with the sound approach adopted in previous years, budget monitoring reports continue to be considered by the Council on a quarterly basis and include a commentary on variances. We understand that an income and expenditure report for the second quarter will be taken to the Council meeting in November 2024, together with a detailed mid-year financial review report.

At our second interim audit, we will review the approach followed by the Council in determining its budget and Precept requirements for 2025-26.

Conclusion

There are no matters arising to date that require a formal comment or recommendation.

Review of Income

The Council receives income from a wide variety of sources including market trader rents, hire fees for use of the Regal Theatre, cinema ticket sales, lettings of Community Centre facilities, fees from burial and associated activities, and allotment rents.

Our objective is to confirm that the Council has effective procedures in place to ensure that all income due is identified; that it is charged for at the approved Council rates; that income is recovered appropriately and within a reasonable time span and that the Council is adhering to relevant legislation and charging VAT where appropriate for services provided.

During our first interim audit, we confirmed the following:

- Fees and charges: The fees for the current year were agreed as part of the 2024-25 budget setting process, in February 2024;
- Cemetery and related income: For a sample period (1st April to 30th June 2024), we checked documentation in respect of interments in the cemetery, together with purchases of grave plots and memorials, through to the receipt and banking of monies due. There were no matters arising;
- Market traders: We reviewed the market records for a sample of two market dates (Thursday 23rd and Saturday 25th May 2024), confirming that all traders had been invoiced for the correct amounts and payments had been received on a timely basis. With the exception of one outstanding debt, which is being pursued, there were no matters arising.
- Receipt of income: As noted earlier in this report, we have checked and agreed a sample of two months' cashbook receipt transactions to all relevant bank statements; and
- Outstanding debts: We reviewed the current position regarding outstanding debtors and were pleased to confirm that, as a result of the continuing action by the Corporate Support Team, the number and value of unpaid debts of 60 days or more has remained very low.

The other significant income areas will be considered at subsequent audits.

Conclusion

There are no matters arising to date that require a formal comment or recommendation.

Review of Salaries and Wages

In examining the Council's payroll function, our objective is to confirm that extant employment legislation is being adhered to, that the requirements of HM Revenue and Customs (HMRC) are satisfied regarding the deduction and payment over of income tax and NI contributions, and that the requirements of the local government pension scheme are met.

The Council continues to manage the payroll service "in-house", using bespoke Sage software. Payments to staff are made electronically via the NatWest Bank BACS facility.

To meet our audit objective, we have undertaken the following:

- Confirmed, by a sample review, that appropriate signed contracts of employment are held for new members of staff recruited during 2024-25;

- Agreed the gross amounts paid to all individuals in September 2024, by reference to the Council's approved pay points on the NJC annual schedule of rates payable;
- Checked to ensure that tax and NI deductions have been made applying the appropriate tax code and NI Table, also ensuring that appropriate amounts are paid over to HMRC regularly each month;
- Confirmed that the appropriate employee and employer contributions to the pension scheme have been determined and paid over to the County's Pension Fund Administrators, and
- Verified the net payments due to staff from their copy payslips to the bank transfers for the same sample month.

The national Local Government Services pay agreement for 2024-25, applicable from 1st April 2024, had not been agreed at the time of our audit. At a subsequent audit, we will confirm that the payment of arrears due to staff has been made correctly.

Conclusion

There are no matters arising to date that require a formal comment or recommendation.

Petty Cash Account

As part of the internal audit review and the reporting requirements in the AGAR, we are required to assess the effectiveness of controls over any petty cash accounts in use, ensuring that payments are appropriately supported, that transactions are only made for items connected with the Council's functions and that any recoverable VAT is correctly identified.

We have confirmed that the Council's admin petty cash float is no longer in use. Till floats are required at the Regal Theatre and during our second interim visit we will confirm that these are being maintained correctly.

Conclusion

There are no matters arising to date that require a formal comment or recommendation.

Asset Register

Councils are required to maintain an Asset & Investment Register and to report the overall value of fixed assets and long-term investments held in the AGAR (Section 2, Line 9). Whilst the "Practitioners' Guide" does not specify a particular basis of accounting for fixed assets, it stresses that the approach taken from year to year should be consistent and that the value of individual assets held should not normally change from one year to another - with the only changes being the inclusion of new assets purchased or removal of assets disposed of. In most cases, assets are recorded at their purchase cost, or at a suitable proxy where that value is not known. However, assets gifted at nil cost or other assets held with no intrinsic value (often referred to as community assets) are normally included at a nominal £1.

The Council uses the 'Asset4000' asset register, designed by Real Asset Management, to record details of all assets held.

Conclusion

We did not undertake any audit work in relation to the Asset Register during our first interim audit.

Investments and Loans

Our objective is to confirm that an appropriate investment strategy is in place, that any funds not required for immediate use, whether temporarily or on a longer-term basis are invested in line with that strategy and that interest earned is brought to account correctly and appropriately in the accounting records. We also confirm that any loan repayments due to or payable by the Council are transacted in accordance with the relevant loan agreements.

We have confirmed that:

- At present, the Council does not hold any long-term investments (i.e., investments of over 1 year). As noted earlier in the report, surplus funds are held in a range of NatWest Bank and Nationwide Building Society savings accounts.
- In line with the requirements of the 'Statutory Guidance on Local Government Investments', the Council has an Investment Strategy in place, which is reviewed annually. The latest review was undertaken by the A&G Committee at its meeting on 19th June 2024 and subsequently approved by the Full Council on 18th September 2024.
- During 2020-21, the Council borrowed £1m from Mid Suffolk District Council, over a 30-year period, towards the costs of the Regal Theatre Redevelopment Project. This loan was drawn down in four tranches, between September and December 2020. We have confirmed that the first of the two half-yearly repayments of principal and interest due in 2024-25 has been made in accordance with the loan agreement.

Conclusion

There are no matters arising to date that require a formal comment or recommendation.