



Westerham Town Council

INTERNAL AUDIT REPORT

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1 SUMMARY

Under the requirements of local government legislation, Section 151 of the Local Government Act 1972 and the Accounts and Audit (Amendment) Regulations 2006, the Town Council has a statutory responsibility to prove an adequate and effective system of internal audit.

The role of the Internal Auditor is to provide an independent review and appraisal of the Council's system of internal control. The Internal Auditor must be independent of the activities they audit in order to remain impartial and effect professional judgements and recommendations.

In accordance with the agreed audit plan (Appendix A) and following Internal Audit's visit to you on 9th November, testing of the following areas has been completed

- Progress on Previous Issues Raised
- Previous Financial Year Statement of Accounts
- Financial Regulations and Standing Orders
- Budget Setting
- Budget Reporting
- Cheque Books
- Purchase Cards
- Expenditure
- Income
- Personal Cheques
- Investments
- Account Books
- Reconciliations
- VAT
- Insurance
- Allotments
- Salaries and Wages

2 FINDINGS

Previous Financial Year Statement of Accounts

Control: The previous year's financial statements and AGS are publicised for inspection before and after external audit.

Finding: Internal Audit observed that the previous year's financial statements and Annual Governance Statement have been published on the Town Council's website.

Financial Regulations and Standing Orders

Control: Financial Regulations are reviewed annually and reported to the relevant committee.

Finding: The Financial Regulations are reviewed every four years, or sooner if there are significant amendments. The last review of the Financial Regulations took place in March 2020. Standing Orders are also reviewed every four years with the last review taking place December 2018.

Budget Setting

Control: Budget setting is produced for revenue and capital expenditure and approved by the Council with the precept agreed and set as part of the process. The precept set covers the annual estimated spend and is not agreed without any budget setting in place.

Finding: There is a clear process in place for setting the budget, which is reviewed at Finance and General Purposes Committee and ratified at Full Council. The precept figure matches estimated spend.

Budget Reporting

Control: Detailed expenditure and income for the current financial year to date against the budget set is reported at least quarterly if not included within the monthly reporting to committee.

Finding: Individual budgets are reported to the relevant committees monthly with the whole budget, including significant variances, reported to Finance and General Purposes Committee.

Cheque Books

Control: Cheques are processed and authorised as per the financial regulations. Cheque book stubs include full details of the payment made. Blank cheques are not pre-signed. Cheques are issued sequentially with no missing cheques and cancelled cheques are crossed through as cancelled and kept within the cheque book.

Finding: A sample of cheque book stubs tested found cheques include full details of the payment made as per the Financial Regulations and there was no evidence of signing



blank cheques. Cheques are issued sequentially and there was no evidence of missing cheques.

Purchase Cards

Control: Purchase cards are held securely, only used by the card holder, only used for appropriate expenditure, and are supported by detailed receipts. Any loyalty points are only claimed if the Council benefits. Purchase card expenditure is reconciled to receipts prior to authorising

Finding: The purchase card is held securely and only used by the cardholder. A review of a sample of purchase card transactions made between April 2020 and October 2020 found all expenditure reviewed was appropriate, supported by detailed receipts and reported to the Full Council.

Expenditure

Control: Invoices show order number, copy letter or contract authorising purchase of goods. Expenditure is authorised and reported to the relevant committee as per the financial regulations.

Finding: Testing of a sample of payments showed invoices had received the appropriate authorisation prior to purchase with the relevant committees receiving detailed transaction reports on payments made.

Income

Control: A sequential receipt book is in place to record all income received. All income recorded as received within the receipt book are against invoices/booking forms/daily cash book etc agrees with the bank paying in book.

Finding: Testing of a sample of expected income found that income had been invoiced accurately and could be accounted for in the bank statements and accounts.

Personal Cheques

Control: Personal cheques are never cashed from Council funds or petty cash.

Finding: Internal Audit found no evidence that personal cheques are cashed from Council funds.

Investments

Control: Full accurate and complete records are held of all investments and kept securely. Investments are reviewed regularly, and all instructions are agreed by full council and minuted.

Finding: The Council has three investments which are reviewed at the Finance & General Purposes Committee. Records relating to each investment are retained.

Reconciliations



Control: Bank reconciliations are carried out regularly and are independently verified.

Finding: Bank reconciliations have been completed on a monthly basis and have been independently verified.

VAT

Control: VAT returns are completed accurately and timely and VAT reimbursed has subsequently been received and shows within the accounts.

Finding: To date, two quarterly VAT returns have been completed and submitted within the required time frame with reimbursement identified in accounts.

Insurance

Control: There is sufficient insurance cover in place to cover buildings, street furniture, fidelity, public liability, employers, civic regalia and buildings and contents.

Finding: A review of current insurance policies confirmed that there is sufficient insurance coverage in place. Best value was sought, and the Council have obtained a five year policy.

Allotments

Control: Fees and charges for allotments have been reviewed annually and charges have been invoiced accurately with all expected income received.

Finding: Allotment fees are agreed at committee annually. Audit testing of a sample of allotment income received found all had been charged at the agreed rate and could be traced through to the bank account.

Salaries and Wages

Control: Salaries and wages are reviewed annually and agreed at full council. Accurate salaries and wages are paid to staff

Finding: There has been an annual review of salaries at the Finance and General Purposes Committee. Sample testing of ten salary payments found all had been paid accurately and in line with approved amounts.

Appendix A – Audit Plan 2020/21

The Amendments to the Accounts and Audit Regulations 2006 require that an Internal Audit plan is prepared for your Council to consider and formally approve.

The majority of the audit work will be done by sample testing a sufficient number of transactions to provide assurance that the systems of financial control work effectively and provide accurate information to support the Council's activities. It is therefore proposed that a review of the following control objectives is carried out to ensure they are being achieved throughout the year to a standard adequate to meet the needs of the Council:

- Significant risks are assessed by the Council to ensure objectives are achieved along with a review of the adequacy of the arrangements to manage these.
- Appropriate books of account have been kept accurately throughout the year.
- The annual precept requirement resulted from an adequate budgetary process with progress against the budget regularly monitored and reserves appropriate.
- The Council's financial regulations have been met, payments supported by invoices with expenditure approved and VAT appropriately accounted for.
- Expected income fully received, based on correct prices, accurately recorded, promptly banked, and VAT appropriately accounted for.
- Petty cash payments properly supported by receipts with expenditure approved and VAT appropriately accounted for.
- Salaries to employees and allowances to members paid in accordance with Council approvals, and PAYE and NI requirements accurately applied.
- Complete and accurate Asset and Investments registers that are properly maintained.
- Regular and year-end bank account reconciliations accurately carried out.
- Accounting statements prepared during the year are prepared on the correct accounting basis, agreed to the cash book, supported by an adequate audit trail from underlying records, and where appropriate debtors and creditors accurately recorded.
- Where applicable trust funds (including charitable) responsibilities as trustee are met by the Council.
- Awareness to the potential for fraud, error or non-compliance, and any issues that may increase this potential, including a review of the arrangements for the security of systems and data.