

Durrington Town Council

Internal Audit Report 2024-25 (Interim)

Chris Hall

Consultant Auditor

Auditing Solutions Ltd

Background

Statute requires all town and parish councils to arrange for an independent internal audit examination of their accounting records and systems 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 our interim review for 2024-25, undertaken at our offices and during a visit to the Village Hall on 7 October 2024. We would like to thank the Clerk and her Deputy for their hospitality and helpfulness during this review.

Internal Audit Approach

The objective of this interim review is to provide an appropriate level of assurance to the Council on their governance, procedures and financial control in advance of the main review at the financial year end. Any observations made, therefore, should be seen as an ‘early warning’ of issues that need to be addressed in order to provide full and supportable assurances in the Annual Governance and Accountability Return (AGAR) for 2024-25.

In commencing 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 / AGAR. Our programme of cover is designed to afford reasonable assurance that the Council has appropriate and robust financial systems in place that 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’ as part of the Council’s AGAR process, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

Details of the work undertaken on the Council’s accounting and other records during this interim review are set out in the following detailed report. We continue to see evidence of sound internal control, and ongoing improvements to procedures, which is to the credit of the Clerk and her Deputy.

We have made some observations throughout this report designed in the spirit of that ongoing improvement.

Detailed Report

Review of Accounting Arrangements & Bank Reconciliations

The Council's accounting records continue to be maintained using the Scribe accounting software. Banking is undertaken via a Current Account with Lloyds Bank, a Deposit Account with Lloyds to earn interest on short-term surpluses, and 365-day deposits with Nationwide BS and Redwood Bank renewed during the year. Both the Nationwide and Redwood accounts have been established to meet the Financial Services Compensation Scheme (FSCS) £85,000 limit, although accumulated interest has been rolled over to take them above this figure. We have discussed the appropriate use of accumulated interest receipts with the Clerk

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in the financial records. To that end, we have:

- Ensured that an appropriate analysis of income and expenditure is available in the accounting system;
- Checked that the closing balances, as reported in the Statement of Accounts for 2023-24, have been rolled forward correctly as opening balances for 2024-25 within the Scribe system;
- Checked and agreed sample transactions in the accounting system to the relevant Lloyds Bank account statement; and
- Checked detail on the bank account reconciliations up to 30 September 2024 for all accounts to ensure that no anomalous entries exist.

We note that bank reconciliations are reviewed at each Council meeting. We note that checks on payment records are now being made by an independent Councillor which together will satisfy the requirements of Financial Regulation (FR) 2.6, although a report on such checks should be made to the Council and properly Minuted.

Conclusion

There are no issues arising in this area of our review warranting formal comment or recommendation at this time, other than our observations about clearly reporting FR2.6 checks in the published Minutes, and the appropriateness of accumulating interest earned on the two savings accounts in operation .

Review of Corporate Governance

Our objective is to ensure that the Council has robust corporate governance documentation and processes 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 no actions of a potentially unlawful nature have been or are being considered for implementation. We have:

- Examined the minutes of the meetings of Full Council and its Committees for the year to date to ascertain whether any significant issues affecting the Council's financial stability either in the short, medium or long term exist;

- Noted that the Council's Standing Orders (SOs) were last reviewed in January 2024, and the latest Model Form of Financial Regulations was adopted in September 2024;
- Noted that while the Clerk has achieved her CiLCA qualification, the Council still relies on Section 137 of the Local Government Act 1972 due to the number of co-opted Councillors. We have confirmed that, at the time of this audit, this Power has not yet been used in 2024-25;
- That the 2023-24 Accounts have been signed off by the External Auditor with no issues arising, and that those accounts were correctly published in accordance with the Exercise of Public Rights;
- That the Council adopted the Civility and Respect Pledge in April 2024, alongside its Code of Conduct;
- Noted that information available on the Council's website shows a good level of compliance with the Transparency Code 2015. We continue to feel that other documents, such as a full suite of Risk Assessments for Health and Safety, Room Hires, the Riverbank Project etc., could be published in the spirit of Open Government.

Conclusion

There are no issues arising in this area of our review warranting formal comment or recommendation at this time, other than our observation about ongoing enhancements to Transparency Code publications.

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Internal Control over payments by Councillors is evidenced and maintained;
- 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;
- 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.

During our visit we test-checked a representative sample of paid invoices, with no issues arising. However, we would bring to the Council's attention the requirement under FR6.10 to attach a detailed list of approved payments to the appropriate set of Minutes, which is an issue we have raised previously.

We have reconciled the final 2023-24 VAT return, and the 2024-25 return for the first quarter, to both the accounting records and bank statements, with no issues arising.

Conclusions

There are no specific issues in this area of our review warranting formal comment or recommendation at this time, apart from our observation about attaching a list of approved payments to the appropriate set of Minutes.

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 likelihood and/or impact should they occur.

We note that the Council reviewed its financial and governance risks at the meeting on 28 May 2024, which meets the requirements of Financial Regulation 2.2 for at least an annual review. We have discussed with the Clerk the progress in establishing a range of office procedure notes to enhance Business Continuity Planning.

The Council maintains its insurance needs via Clear Councils, underwritten by Aviva, under a 3-year Long Term Agreement which ends in April 2025. The Council maintains a range of covers, including Public and Employers Liability at £10M each, Officials Liability at £500k, and suitable covers for assets and property, all of which we consider appropriate for a Council of this size.

We note that weekly safety inspections of the Council's three playparks are undertaken by a staff member, and written reports retained by the Clerk to defend against any possible insurance claim.

Conclusions

There are no specific issues in this area of our review warranting formal comment or recommendation at this time.

Budgetary Control and Reserves

Our aim here is to ensure that: -

- The Council has undertaken a budget determination exercise, which forms the basis of the annual precept request from the parent Council;
- The Council has received regular reports identifying the budget position throughout the year;
- The Council has formally approved the establishment of specific reserves;
- The utilisation of reserves and the return of unused balances to the General Fund are reported to the Council at regular intervals;
- Year-end reserves and General Fund balances are reviewed to ensure that they are both appropriate and are likely to be utilised.

This interim visit took place in advance of the 2025-26 Budget setting and Precept determination process being undertaken by the Council: consequently, we shall examine the outcome of the Council's deliberations in this regard during our final review for the year.

We note, however, that the Council regularly reviews its Earmarked Reserves with regard to its ongoing projects. An estimate of the General Reserve balance, prudently necessary to meet urgent unforeseen events, is also regularly considered.

Conclusion

There are no issues arising in this area of our review warranting formal comment at this time.

Review of Income

In considering the Council's income streams, we aim to establish that robust systems are in place to ensure the identification of all income due to the Council from its various sources, that income is invoiced in a timely manner and that effective procedures are in place and to pursue recovery of any outstanding monies due to the Council.

The Council manages a relatively diverse range of income headings, ranging from small miscellaneous sales (dog bags, photocopying), to licenses, hire fees, and Statutory functions such as Allotments and the Cemetery.

We have undertaken a review of high-value receipts, with no issues arising. We note that Cemetery records are still in the process of being transferred to the relevant Scribe package, and will review this area further in our final report to ensure that we can give a positive assurance in the 2024-25 AGAR.

We note that the Council has, at the time of audit, yet to review all its fees and charges, which is an annual requirement under Financial Regulation 13.2.

Conclusions

There are no specific issues in this area of our review warranting formal comment or recommendation at this time, other than our observation about ongoing work on the recording and reconciliation of Cemetery receipts.

Petty Cash Account

The Clerk maintains a petty cash account for small office purchases and occasional payment for tradesmen's services. This account is not maintained on an imprest basis, which should be regarded as Best Practice. A separate account is maintained for small cash receipts (dog bags, printing and small cash payments), which are not capable of regular banking due to the lack of a local branch.

During our interim review, we reviewed the documentation for both accounts and reconciled balances to the Scribe records. We also note the implementation of cross-checking between the Clerk and her assistant, although we again feel that a further independent check should be built in to the FR2.6 requirement referred to above.

Conclusion

There are no issues arising in this area of our review warranting formal comment or recommendation, other than our ongoing observation about independent check of the petty cash and miscellaneous income records.

Salaries and Wages

In examining the Council's payroll function, we aim to ensure 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) in relation to the deduction and payment over of income tax and NI contributions, as well as other deductions such as pension contributions.

We note that payroll is managed in-house, using the 'Money Manager' software package.

We have examined the payroll procedures in place and the physical payments made to staff, HMRC and Wiltshire Council (for pensions) by test-checking the September 2024 payroll figures, with no issues arising.

Conclusion

There are no issues arising in this area of our review warranting formal comment or recommendation at this time.

Investments and Loans

We note that the Council maintains an appropriate Investment Strategy, which was last reviewed in May 2024. We have referred to the Council's current investments above.

We have reviewed the payments made for the year to date to the Public Works Loans Board (PWLB), with no issues arising. We note that the payment made in April 2024 repays the outstanding loan in full, although we will confirm this to PWLB records as part of our final review.

The Council has no loans repayable to it.

Conclusions

There are no specific issues in this area of our review warranting formal comment or recommendation at this time.

Rec. No.	Recommendation	Response
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No recommendations made
