
Royal Sutton Coldfield Town Council

Internal Audit Report 2023-24: Interim

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***For and on behalf of
Auditing Solutions Ltd***

Background

Statute requires all town and parish councils to arrange 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 AGAR.

This report sets out the work undertaken in relation to the 2023-24 financial year. We have undertaken our review for the year to date on 19th October 2023; we wish to thank the Chief Executive Officer and Finance Officer in assisting the process, providing all necessary additional documentation to facilitate completion of our review. We have examined the accounts and the management processes ensuring governance and financial controls remain effective.

Internal Audit Approach

In undertaking our review for the year to date, 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 AGAR, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We are pleased to confirm that, in the areas examined to date, the Council continues to have effective systems in place to help ensure that transactions are free from material misstatement.

We are pleased to acknowledge that the accounts are well managed and cash books clearly define the investments maintained by the Council. We note that Council members and officers continue to operate a sound, pro-active approach to risk management and corporate governance issues, together with the development and management of effective internal controls and procedural documentation.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Council has undertaken its accounts, for this year, utilising RBS Rialtas Omega software. There is one cashbook for the current bank account operated at Unity Bank together with separate cash books for petty cash, charge card and deposits/investments.

Our objective in this area is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. In order to satisfy ourselves that effective controls are in place, we have reviewed the effectiveness of associated financial control systems and undertaken the following detailed testing during the year: -

- Checked and verified that the opening Omega Trial Balance for 2023-24 has been rolled forward accurately from 2022-23;
- We have confirmed that an appropriate cost centre and nominal ledger structure is in place;
- We have checked and agreed two months receipts and payments transactions (April 2023 and September 2023) from the Unity Bank current account to the Omega cashbook; and
- Finally, in this area we have checked and agreed the bank reconciliations on all the accounts as at April and September 2023, noting that there were no issues of significance in relation to any long-standing uncleared effects or other anomalous entries.

Conclusions

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

Review of Corporate Governance

Our objective 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 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 note that the Financial Regulations were reviewed and approved by The Council in May 2022 and the Standing Orders in June 2022, we also note that the financial Regulations will be reviewed for this financial year; and
- We have commenced our examination of the minutes of Full Council and its Standing Committee meetings (with the exception of Planning) to September 2023.

Conclusions

There are no matters arising in this area to warrant formal recommendation. 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;
- Appropriate procedures are in place to ensure compliance with the Council's Standing Orders and Financial Regulations with regard to tendering and quotation action;
- 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.

We have commenced our testing of payments at this interim review, examining a small sample of items to 30th September 2023. We are pleased to confirm that all the above criteria were properly met.

Finally, in this area, we have examined and sampled the content of the VAT reclaim submitted, to HMRC to September 2023 and reviewed the entries for VAT in the September control account, with no issues arising.

Conclusions

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

Assessment and Management of Risk

Our objective in this area of review is to ensure that the Council has taken appropriate action to assess all potential areas of financial risk to which it may be exposed; also ensuring that appropriate insurance cover is in place.

- Noted that the Council's Operational Risk assessments and Financial Risk Register were reviewed and were submitted to and approved by Strategy & Resources Committee at the September 23 meeting; and
- We note that insurance cover is provided by Zurich and we have obtained a copy of the current year's policy schedule (to September 2023): Public Liability is at £15 million, Employer's Liability is at £10 million, with Fidelity Guarantee cover set at £5,000,000.

Conclusions

We are pleased to report that no issues have been identified in this area warranting formal 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.

The Council will commence consideration of the 2024-25 budgetary requirements later this year and we shall consider the action taken and outcomes, together with the approved level of precept at our final review.

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

We have been advised that the Council are to formally consider and finalise its budget and precept requirements for 2024-25 later in the financial year. Consequently, we shall consider this area further at our next review, 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.

Review of Income

Our aim here is to ensure that all income due to the Council is appropriately identified in a timely manner and, where appropriate, is invoiced accordingly with recovery pursued to ensure that income is received within an appropriate time period.

The Council currently has allotments and grants together with the precept and bank and investment interest as sources of income.

We have reviewed a sample of the grant applications and approvals and will at the year end audit complete a review of the expenditure of the grant applicants ensuring that the funds spent are in accordance with the approved proposal.

Conclusions

There are no matters arising in this area to warrant formal recommendation. We will extend our review of the grant applications at the year end audit.

Petty Cash Accounts

The Council has a petty cash account with an Imprest of £200 in operation currently. As the Council comes under the “limited assurance regime”, we are required, as part of the Internal Audit Certificate within the Annual Governance and Accountability Return, to provide assurance that controls over petty cash expenditure are operating effectively. We have checked that each payment is supported by an appropriate supplier invoice / till receipt, that goods and services were relevant for Council activities and that any cheque encashments and deposits in the period were properly recorded in the cashbooks.

Conclusions

The Petty Cash has been checked. No issues arise in this area to warrant formal comment or recommendation.

Review of Staff Salaries

The Council outsources its payroll to Birmingham City Council. The Council employs a number of staff on a full time basis, all earnings being paid monthly. The bureau provider prepares the Council’s payroll based on basic permanent data on pay rates, basic working hours, pensionable status, etc, together with monthly detail of any overtime or other enhanced hours payable or charges deductible.

Payslips and other summary level data are provided to the Council and, on that basis, staff are paid their monthly salary by BACS. We note that the data received from Birmingham City Council (BCC) is checked both by the Chief Executive Officer and the Finance Officer before the salaries are paid to the staff and subsequently reimbursed to BCC.

In examining the Council’s payroll function, we aim to confirm that extant legislation is being appropriately observed and the requirements of HM Revenues 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 with effect from 1st April 2022. To meet these objectives, we have: -

- Examined this month’s pay records for September 2023 and agreed the amounts paid to individuals by reference to the approved pay scale and the monthly contracted hours worked;
- Ensured that tax and NI deductions have been made applying the appropriate PAYE code and NI Table for the financial year;
- Ensured that the appropriate employee and employer contributions to the pension scheme have been determined using the correct percentage banding and are being paid over to the Pension Fund Administrators in a timely manner each month; and
- Again noted that Ellis Whittam remain as HR advisors on a five-year contract

Conclusions

There are no matters arising in this area to warrant formal recommendation.

Investments and Loans

Our objectives here are to ensure that the Council is “investing” surplus funds, either 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. Where appropriate we also aim to ensure that any loan repayments due to or payable by the Council are transacted in accordance with appropriate loan agreements.

The Council has specific investments, with “surplus” funds being held with Lloyds Bank in a term deposit a CCLA deposit, UK Debt Management (DMADF) and Blackrock.

We note that a comprehensive Investment Strategy has been approved at the Full Council.

We have been advised that The Council has provided an unsecured loan to Royal Sutton Coldfield Community Town Hall Trust on which default interest may be charged if repayment terms are in breach of the loan agreement.

The Council has no outstanding loan liability currently.

Conclusions

There are no matters arising in this area to warrant formal recommendation. We will undertake further work at our final review.