



Houghton Regis Town Council

Internal Audit Report

Annual Report

Version	1
Date	26 th May 2021
Issued to	Town Clerk
By	Rosanne Nulty CPFA; CMIIA

1. Introduction

- 1.1 Greenbiro Limited was re-appointed as the internal auditors for the Council for the Municipal Year 2020-21 having delivered the service for previous seven years. Good governance would be to review the internal audit appointment to ensure value for money and objectivity is still being achieved through continued use of Greenbiro Limited.
- 1.2 The Council has a statutory duty to complete an Annual Return each year. Within the Annual Return there is an annual internal audit report that provides assurance on a range of prescribed control objectives.
- 1.3 The internal audit testing programme is designed to focus on the areas where assurance is required for completion of the Annual Return.
- 1.4 An interim visit was not undertaken due to travel restrictions relating to Covid-19 The sample review of documents, procedures and processes was undertaken at the May 2021 visit.
- 1.5 The purpose of this report is to provide the Town Clerk and its Councillors with an interim update on the outcomes of the visit and identify any areas of concern. It does not guarantee that records or activities are free from fraud or error.

2. Overview

- 2.1 There were no recommendations made in the 2019-20 report. It was noted that the External auditors has made an adjustments to opening balances regarding the deferred income balance of \$106 monies. This alteration is a presentation issue and did not affect the overall reserves balances available to the Council.
- 2.2 The prescribed internal control objectives to be reviewed as part of the Annual Internal Audit Report are described in Table 1 below. Alongside each objective, a brief summary of the findings at the interim visit are included.
- 2.3 General comments are that financial records are well maintained, clearly labelled so are easy to find and follow, filed in an appropriate manner and appeared to be complete and fit for purpose.
- 2.4 Following the external audit of the accounts for 2019/20, an unqualified opinion was provided.

Table 1 – Internal Control Objectives (derived from the Annual Return form)

	Control Objective	Findings	Action Ref.
A	Appropriate books of account have been properly kept throughout the year.	Accounting records were reviewed and were in the expected format. Some arithmetic checks were performed to detect system errors. None were found. The Council uses appropriate accounting software (RBS Omega) to record all its financial transactions. The Council's financial records have been maintained over the past 12 months using support from an accountancy and book-keeping firm.	
B	The Council's Financial Regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	<p>The Council's Financial Regulations are reviewed annually.</p> <p>A sample of payments was examined. All purchases examined had been processed in accordance with the described procedure and the Council's Financial Regulations were met. VAT had been appropriately accounted for on the invoices reviewed.</p> <p>The VAT return had been completed by the accountants but was not available for review by the auditor at the time of the visit.</p> <p>The Council was selected in August 2019 for a compliance check by HMRC (as is usual for organisations who claim VAT reimbursement rather than paying over VAT to HMRC). They responded with the requested information, and received confirmation from HMRC that they met the compliance requirements.</p>	
C	The Council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	The risk register and risk strategy were examined and were adequate for the needs of the Council. It had most recently been reviewed by the Corporate Services Committee on 14th September 2020 [minute 11338 refers] and was recommended for approval by the Town Council.	
D	The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	<p>The budget and precept for 2020/21 was agreed at the Town Council meeting on 20th January 2020. The precept of £904,518 was agreed alongside the budget. Minute 11121 refers. The budget and precept for 2021/22 was approved on 18th January 2021. Minute 11477 refers.</p> <p>Appropriate budget monitoring is regularly undertaken. During 2020/21, the budget was revised due to the expectation of major impact of Covid-19. The Clerk has regularly reported to the Council against the revised budget.</p> <p>Reserve balances were reviewed fully in 2018/19 year-end audit, and the council has a reserves policy in place which is reviewed. There has been appropriate use of earmarked reserves to support planned projects. The general reserves balance has been increased to £366k, in line with the reserves policy.</p>	
E	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	Income collected is recorded in full and appropriately recognised in the accounts. A sample of income invoices raised were examined and included appropriate charges. The Council's fees for room hire and other income are available on their website. VAT had been appropriately charged for some elements of goods and services provided.	

	Control Objective	Findings	Action Ref.
F	Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.	Petty cash receipts were retained in the tin with the remaining float. Access to the petty cash was limited to three officers. The use of petty cash is generally discouraged whenever an alternative payment arrangement can be used. Use of the petty cash had been minimal during the 20-21 year. It was noted that the usual summary sheet had not been maintained that showed the type of expenditure. The Clerk stated that this had been overlooked in the absence of the Finance Officer, but would ensure it was re-instated.	
G	Salaries to employees and allowances to Members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.	Bedford Borough Council provides payroll services to the Council. Salary records were reviewed to check for reasonableness from month to month (analytical review). Payment amounts and deductions were as expected.	
H	Asset and investments registers were complete and accurate and properly carried out.	Asset registers exist and are adequate for financial reporting. There was evidence that the register is updated with purchases and disposals as they arise during the year, which provides adequate records. The Council has one large cash investment with CCLA property fund. Records are maintained appropriately.	
I	Periodic and year-end bank account reconciliations were properly carried out.	The file of bank reconciliations was reviewed and it was confirmed that bank reconciliations are being performed regularly and were properly completed. There was evidence of supervisory sign off of the bank reconciliation by the Town Clerk and monthly review by Members.	
J	Year-end accounts were prepared on the correct accounting basis (receipts & payments/income & expenditure), agreed with cashbook, were supported by an adequate audit trail from underlying records, and, where appropriate debtors and creditors were properly recorded.	The year-end accounts are prepared with assistance from an external firm of accountants who specialise in town and parish council accounts. There is adequate audit trail from the Council's own accounting records to the financial statements and debtors and creditors were properly recorded. The statements had been prepared on the income and expenditure basis as in previous years.	
K	Limited assurance review exemption	Not covered as this is not applicable. The Council does not meet the criteria for exemption from the limited assurance review.	
L	Transparency Code for small authorities with turnover of less than £25k	Not covered as this is not applicable. The Council's turnover exceeds £25k per annum.	
M	Exercising public rights of access	Accounts and other statutory documents were made available for inspection as per the requirements. Documents are also available on the Council's website.	
N	The authority complied with the publication requirements for the AGAR	The completed and audited AGAR are available on the Council's website.	
O	The Council has met its responsibilities as a trustee.	Not applicable. The Council does not act as a trustee.	

3. Actions for consideration

- 3.1 There are no recommended actions to be considered by the Clerk and members. One issue relating to the petty cash records was discussed with the Clerk and it was agreed to reinstate the use of the summary record of petty cash expenditure. The maintenance of

this record allows easy recording of the type of expenditure so it can be coded appropriately.

3.2 The recommendations are rated in three categories – High, Medium and Low. Examples of the risks of not making recommended changes are listed below. The list for each is not exhaustive.

- **High** – Where failure to make changes is likely to give rise to a risk of breach of legislation or breach of Financial Regulations; risk of significant loss (financial, reputational) due to undetected fraud or error; or danger to life. The risk is likely to materialise within 3 to 6 months.
- **Medium** – where failure to make changes may give rise to a breach of approved procedures or Financial Regulations; risk of loss (financial, reputational) due to undetected fraud or error; or risk of injury. The risk is likely to materialise within 6 to 12 months.
- **Low** – Where failure to make changes may result in weaker controls leading to risk of undetected fraud or error, or where good value for money is not being routinely achieved.

3.3 Any future recommended actions will be discussed with the Clerk and comments or agreed responses will be recorded in the Annual Internal Audit Report.

4. Acknowledgements

4.1 The assistance and cooperation of the Clerk and other members of staff was greatly appreciated by the auditor.

5. Follow up of previous recommendations

5.1 There were no recommendations from the 2019/20 internal audit, all previous recommendations made have been implemented.

Action taken in respect of all recommendations made by your external auditor in 2019/20

Issue:	External Auditor Recommendation:	Explanation / Action:	Council Resolution
<p>A/ Total borrowing at Box 10 was initially understated by £3,000. The correct loan outstanding at 31 March 2020 was £245,393.</p> <p>B/ Unspent grants and contributions received up until 2012 had not been included in other receipts in the year of receipt as required since then, but instead had been held in a government grants deferred account the balance of which was included as an adjustment between boxes 7 and 8. The accounts should have been restated and grants fully recognised in the year of receipt subsequently in accordance with Proper Practice. The restatement increased the reserves at Box 7 by £260,575 in both 2018/19 and 2019/20.</p> <p>In future the Council should ensure that the Annual Governance and Accountability Return is accurate and complete</p> <p>Taken from EA Completion letter: The 2018/19 figures in the accounting statement were correctly restated and a reason provided but the column was not headed 'restated' to confirm the differences from the previous year's annual return.</p>	<p>In future the Council should ensure that the Annual Governance and Accountability Return is accurate and complete</p> <p>In future the Council should ensure that the Annual Governance and Accountability Return is accurate and complete</p> <p>In future, if prior year figures are restated the Council should head the column 'restated'.</p>	<p>This was a transcribing error by the company providing year end support services. An adjustment was made to the AGAR during the External Audit process. To note the requirement that the Annual Governance and Accountability Return is accurate and complete</p> <p>The initial accounting treatment of this receipt for 2019/20 was consistent with previous years. The new external auditors have applied treatment of this type of receipt in a different way to previous external auditors. An adjustment was made to the AGAR during the External Audit process.</p> <p>Noted.</p>	<p>To note the requirement that the Annual Governance and Accountability Return is accurate and complete.</p> <p>To note the requirement that the Annual Governance and Accountability Return is accurate and complete.</p> <p>To note that if the prior year figures are restated the Council should head the column 'restated'.</p>