

# **Romsey Town Council**

*Internal Audit Report 2021-22 (Final)*

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*For & 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 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 final review for 2021-22, undertaken at our offices and during a visit to the Town Hall on 26 April 2022. We would like to thank the Chief Officer and her team for the completeness of the records provided for review, and their hospitality.

## **Internal Audit Approach**

The objective of this final review is to provide an appropriate level of assurance to the Council on their governance, procedures and financial control throughout the financial year, in order to provide full and supportable assurances in the Annual Governance and Accountability Return (AGAR) for 2021-22.

In concluding 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 appropriate 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 final review are set out in the following detailed report. We are pleased to offer the Council a reasonable level of assurance on current financial practices, with particular focus on the much improved position relating to asset valuations. We have, therefore no recommendations to make in this report. We congratulate the Chief Officer and her team on their maintenance of a clear and well controlled financial system.

We have, however, made some observations within this report, which we would invite the Chief Officer and the Council to consider.

# Detailed Report

## Maintenance of Accounting Records & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and that no anomalous entries appear in cashbooks or financial ledgers, noting that the Council continues to use the Rialtas Omega accounting package and is supported by the services of DCK Beavers to maintain the financial records.

The Council maintains a range of bank accounts with both Lloyds and TSB Banks, all of which are separately maintained in the Omega system.

We have:

- Agreed the 2021-22 Opening Trial Balance in Omega to the closing 2020-21 figures in the Annual Governance and Accountability Return (AGAR);
- Ensured that the ledger remains “in balance” as at 31 March 2022;
- Ensured that the cost and expenditure coding structure remain appropriate for purpose;
- Checked the Omega bank reconciliations as at 31 March 2022 for all accounts to the supporting bank statements.

We note that bank reconciliations on all accounts are undertaken on a monthly basis. These are then submitted as part of a Finance Report to the Finance & Resources (F&R) Committee for scrutiny. However, the Committee practice is to note these reports, which does not meet the strict requirement of Financial Regulation 2.2, which requires a formal signature. We understand that the Chief Officer will ask the Chair of F&R, who is not a bank signatory, to formally sign the Finance Report to demonstrate compliance with this important internal control.

### *Conclusions*

*There are no specific issues we wish to raise at this time, other than the above observation on the formal signing of the monthly Finance Report by an independent Councillor to fully satisfy the FR2.2 requirement.*

## Review of Corporate Governance

Our objective here is to ensure that the Council has a robust series of corporate governance policies, procedures and documentation in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders (SOs) 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 Standing Orders (SOs) and Financial Regulations (FRs) were last revised and updated in September 2021.

We note that the Council re-affirmed its eligibility to exercise the General Power of Competence during the Annual Meeting of the Full Town Council in May 2021.

We have concluded our review of the Minutes of the Town Council and Standing Committee meetings for the year to date to establish whether any issues exist that may have an adverse effect, through litigation or other causes, on the Council's current or future financial stability. No such issues have been identified to date.

We note a good level of compliance on the Council's website with the requirements of the Transparency Code 2015.

### ***Conclusion***

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

## **Review of Expenditure**

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Payments are supported by suitable 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 are pleased to note the continuation of sound internal control in this area, with detailed scrutiny in this area being maintained by the Finance and Resources Committee.

We have test-checked a range of significant transactions over the period October 2021 to March 2022 (concluding our work during the interim review) to support the above finding, with no anomalies found.

We have also examined detail of VAT payments / reclaims processed during the year to date by reference to the accounting software control account with no issues arising.

### ***Conclusion***

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

## 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 to minimise the opportunity for their coming to fruition. We have: -

- Examined the Council's current insurance policy, renewed from 1 April 2021 as part of a 3-year Long Term Agreement with Royal Sun Alliance via WPS brokers. Appropriate levels of cover remain in place: Employers Liability at £10M, Public & Products Liability at £15M, and other covers, including property, which we consider appropriate for the Council's current requirements;
- Noted that the Council's Risk Register, which is maintained using the Risk Wizard software package, was reviewed and approved at the Council meeting in May 2021, which satisfies the requirement in Financial Regulations for a minimum annual review.

### *Conclusion*

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

## Budgetary Control & Reserves

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and the level of Precept to be drawn down from the Borough Council: also, that an effective reporting and monitoring process is in place. We also aim to ensure that 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.

We note that, at its meeting in November 2021, the Town Council set a 2022-23 Budget and Precept of £320,568, based on the work of the Finance and Resources Committee.

The Council has set up a range of Earmarked Reserves for specific projects, with a total at 31 March 2022 of £134,389. After allowing for these, and noting the year-end cash balance of £292,765, this leaves a General Reserve of £158,376. This represents 49.4% of the approved Precept, or approximately 6 months expenditure, which meets the Best Practice requirement although it does exceed the F&R policy (set in June 2020) of 4 months.

### *Conclusion*

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

## Review of Income

The Council receives income, in addition to its Precept, from Town Hall lettings and other services (such as Markets and Allotments). We have undertaken a sample check of income transactions between original invoices for payment, Omega records and bank statements, with no issues arising.

It is noted that Town Hall hire rates were reviewed by the Building & Town Committee at its August 2021 meeting. These will now be reviewed bi-annually, which is in accordance with FR9.3. We note that Allotment rents are tied to rents charged by the Brooklands estate, which seldom change.

### *Conclusion*

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

## Petty Cash Account

While the Council does not maintain a petty cash account for the usual purpose of making small purchases, there are two similar accounts maintained for other purposes: a £300 Bar Float, and an £85 petty cash account held by the Allotment Association.

We note that the Bar Float is regularly checked and reconciled, although we feel that these checks should be certified by the Chief Officer. We also feel that the Allotment account should be periodically inspected, as we observed in our interim report.

### *Conclusion*

*There are no issues arising in this area of our review warranting formal comment or recommendation, other than our observation about independent check of the two identified accounts.*

## Review of Staff Salaries

In examining the Council's payroll function, we aim to confirm that salary payments are in line with the Council approved pay rates and that extant legislation is being appropriately observed as regards adherence to the requirements of HMRC legislation in relation to the deduction and payment over of income tax and NI contributions, together with pension contributions. We note that the Council's payroll is outsourced to SGW Payroll.

We have test-checked the payroll for September 2021 and March 2022, agreeing detail of the basic salary payments to each employee. We have also checked the accuracy of the tax, NI and pension deductions by reference to the relevant tax and NI tables and percentage bandings applying to staff contributing to the approved Pension schemes with no issues arising.

We note that the recent NJC pay award, backdated to 1 April 2021, was included in the March 2022 salary payments.

### *Conclusion*

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

## **Fixed Asset Registers**

Further to our observations in our 2020-21 report (which were also noted by the External Auditor), we note that considerable work has been undertaken in this area by the Building Manager, using the Rialtas Asset Management module. We are now confident that the total of asset valuations is in full compliance with the Government Accounting Manual, which requires public assets to be valued at original cost or, where that value cannot reasonably be determined, an appropriate value which can be a notional £1. We also note that the opening balance in Box 9 of the 2021-22 AGAR has been appropriately restated.

### *Conclusion*

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

## **Investments and Loans**

The Council holds no investments other than its accounts with High Street banks. We are pleased to note that, further to our observation in our interim report, an Investment Strategy has now been formulated and agreed in January 2022, and is subject to annual review along with the Council's other key policies.

There are now two PWLB loans managed by the Council, with a new loan for the Town Hall lift being taken out this year. We have verified the loan repayment instalments and balance outstanding to PWLB at the year-end to prime documentation published by PWLB and Box 10 of the 2021-22 AGAR with no issues arising.

### *Conclusion*

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

## **Statement of Account and AGAR**

The AGAR incorporates the Council's Annual Accounts, which are subject to external audit scrutiny and verification.

### ***Conclusions***

***Based on our satisfactory conclusion of our Audit Programme for 2021-22, we have duly signed off the Internal Audit Certificate at Page 3 of the AGAR, assigning supportable assurances in all categories.***

Rec. No.	Recommendation	Response
<b>No recommendations made</b>		