

Margate Charter Trustees

Internal Audit Report 2021-22 (Interim)

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Background

Statute requires all town and parish councils and similar bodies to arrange for an independent Internal Audit (IA) 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 initial work undertaken in relation to the 2021-22 financial year, during our interim visit which was undertaken initially at our own offices and on site on 4th November 2021.

Internal Audit Approach

In undertaking our review for 2021-22, 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 has again been designed to afford appropriate assurance that the Charter Trustees' financial systems remain 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 Charter Trustees' own and the national statutory regulatory framework. The programme is also designed to facilitate our completion of the 'IA Certificate' in year's AGAR, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We are pleased to record that, based on the programme of work undertaken to date, the Charter Trustees have continued to maintain appropriate internal control arrangements. We are pleased to again acknowledge the quality of records maintained by the Clerk and thank her for her continued assistance, which has ensured the smooth progress of our review process.

We shall extend our testing of transactions, etc at our final review, which we hope to also be able to undertake on site at a date to be agreed once the accounts for the year have been finalised. This report will be updated accordingly to reflect the outcome of our full year's work.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Clerk maintains the accounting records on spreadsheets with one operational bank account currently maintained at HSBC Bank Plc. We consider this appropriate for the Charter Trustees present requirements.

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. We have: -

- Checked to ensure that the opening balance detail as entered on the 2021-22 Excel spreadsheet agrees with that in the 2020-21 Statement of Accounts and certified AGAR;
- Ensured that the accounts are balanced and reconciled to the bank account at the close of each month;
- Ensured that an appropriate expenditure analysis remains in place;
- Checked and agreed detail of all transactions in the spreadsheet to the relevant HSBC bank statements for the year to 30th September 2021; and
- Checked and agreed detail on the bank reconciliations prepared as at each month-end to 30th September 2021.

Conclusions

We are pleased to report that no issues arise in this area of our review process warranting formal comment or recommendation currently: we will undertake further work at our final review extending testing of transactions to bank accounts, verifying the accuracy of the year-end bank reconciliation and ensuring the accurate disclosure of the year-end balance in the AGAR at Section 2, Box 8.

Review of Corporate Governance

Our objective here is to ensure that the Trustees have a robust regulatory framework in place; that Charter Trustee meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we can reasonably ascertain as we do not attend Charter Trustee meetings, no actions of a potentially unlawful nature have been or are being considered for implementation.

We have reviewed the minutes of the Trustee meetings for the year to date to identify whether any issues exist that may have an adverse effect on the Trustees' future financial stability either in the short, medium or longer term;

We noted last year that the Financial Regulations (FRs) were reviewed and adopted with no change at the meeting of the Charter Trustees held on 24th April 2020.

We drew attention in our final report for 2020-21 that the minutes of the meeting where the 2021-22 budget and precept were agreed did not formally record the discussion nor the actual amount of agreed precept. We are pleased to note that, following our recommendation, the value has been recorded formally and retrospectively in the July 2021 meeting minutes.

We have previously referred to the fact that best practice suggests that all public bodies should develop detailed financial procedures. Whilst we realise that the Charter Trustee accounts and procedures are relatively simple, we again point out that these would then assist should the Clerk be unavailable for any lengthy period of time.

We are pleased to note that the external auditors have signed off the 2020-21 AGAR without comment.

Conclusions

No issues have been identified in this area currently warranting formal comment or recommendation. We shall continue to monitor the Trustees' approach to corporate governance at future reviews, also examining minutes for the remainder of the financial year.

Review of Expenditure & VAT

Our aim here is to ensure that: -

- Trustee resources are released in accordance with the Trustee approved procedures and relevant statutory powers;
- Funds are expended in accordance with approved budgets;
- 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; and
- VAT has been appropriately identified for periodic recovery.

We have again examined the procedures in place for the control of expenditure, noting that payments are made “on-line” and have been actioned by the Clerk. We are pleased to note that all payments are signed off by the Mayor and one other Trustee and that the payment authorisation forms attached to the invoices are initialled when paid. We further note that listings of payments are provided to Trustee meetings.

In view of the relatively low number of transactions we have reviewed all payments processed during the financial year to 30th September 2021 to ensure compliance with the above criteria with no issues arising.

We are pleased to note that a VAT reclaim for 2020-21 was prepared and submitted to HMRC with repayment being duly received in May 2021.

Conclusions

We are pleased to report that no issues arise in this area of our review process warranting formal comment or recommendation. We shall extend our test sample at our final review.

Assessment and Management of Risk

Our aim here is to ensure that the Trustees have 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 and to minimise the opportunity for their coming to fruition.

We have examined the Trustees' insurance policy for the current year, noting that cover continues with Zurich Insurance with Employer's Liability and Public Liability cover in place at £10 million and £15 million respectively, together with Fidelity Guarantee cover at £250,000, all of which we consider appropriate for the Trustees present requirements.

We note that the Trustees last approved their Risk Assessment at their meeting on 30th November 2020.

Conclusions

We are pleased to report that no issues arise in this area of our review process warranting formal comment or recommendation. We do, however, take this opportunity to remind the Clerk and Trustees of the requirement to review and adopt the Risk Assessment at least once annually and will ensure compliance at our final review.

Budgetary Control & Reserves

Our objective here is to ensure that the Trustees have a robust process in place for identifying and approving its future budgetary requirements and level of precept to be drawn down from the District Council: also, that an effective reporting and monitoring process is in place; We also aim to ensure that appropriate funds are retained in reserves to finance the Trustees' ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

We note from our review of minutes that members continue to be presented with budget variance reports routinely during the year. We have reviewed the budget position on 30th September 2021 with no issues identified warranting further examination or explanation.

This review took place in advance of the Trustees formal consideration and agreement on the budget and precept requirements for 2022-23 and we will, consequently, check the outcome of members deliberations at our final review. We remind the Clerk that the minutes must record the actual value of the adopted precept.

Conclusions

We are pleased to report that no issues arise in this area of our review process warranting formal comment or recommendation.

Review of Income

The Trustees receive only limited income annually, primarily through the annual precept; occasional grants and contributions towards Trustees' sponsored events and reclaimable VAT.

The Trustees also receive income from the “Blessing of the Seas” although this is normally a net expense to the Trustees.

We have checked detail of income received in the year to date to available supporting documentation with no issues arising.

Conclusions

We are pleased to report that no issues arise in this area of our review process warranting formal comment or recommendation. We will check to ensure that all other income receivable in the financial year is duly and accurately accounted for.

Petty Cash Account

We are required, as part of the annual IA certification process on the AGAR, to indicate the soundness of controls in this area of financial activity: we note from our review of minutes that the Trustees approved the establishment of an “Imprest” style petty cash scheme with a holding of £20, supplemented by the acquisition of a debit /credit card. In discussion with the Clerk, we understand that no petty cash account has been set up or is considered by herself to be necessary. With regard to a debit / credit card, the Clerk has made enquiries of various banks, but has as yet been unable to arrange provision of a suitable card.

Conclusions

No issues arise in this area of our review process warranting formal comment or recommendation: we will monitor any progress in the acquisition of a suitable debit / credit card at our final review.

Review of Staff Salaries

We aim, in this area of our review process, to ensure that staff are paid in accordance with rates approved by the Trustees and in line with the terms of their employment contracts, that tax / NI and any pension contributions payable are calculated in accordance with current legislation and appropriate deduction rates and that they are paid over to the relevant agencies accurately and in a timely manner. To achieve this objective, we have, by reference to the September 2021 payslips for the Clerk, Mayor and Deputy Mayor: -

- Reviewed the Trustees’ payroll preparation procedures, noting that the payroll is processed “in house” using bespoke Sage payroll software;
- Noted that the Mayor and the Deputy Mayor have received the correct allowances in line with the Trustees’ approved rate;
- Checked to ensure that, where appropriate, any overtime hours are paid in accordance with appropriately prepared time records;
- Checked to ensure that Income Tax and NIC deductions have been made applying the appropriate PAYE codes and NIC Tables;
- Ensured that the appropriate deductions and contributions have been paid over to HMRC in a timely manner;

- Checked to ensure that the appropriate percentage deduction rate has been applied in respect of the Clerk's pension contributions; and
- Verified that the appropriate net pay has been paid to each person for the month in accord with the summary payments listing and relevant cashbook and bank statement entries.

Conclusions

We are pleased to report that no issues arise in this area of our review process warranting formal comment or recommendation.

Investments and Loans

Our objectives here are to ensure that the Council is "investing" surplus funds, be they held temporarily or on a longer term basis in appropriate banking and investment accounts; 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 and that any loan repayments due to or payable by the Trustees are transacted in accordance with appropriate loan agreements.

We noted last year that the Trustees approved an Investment Policy at their meeting on 30th November 2020 and have reviewed the content considering it appropriate for present requirements. That said, the Trustees hold no long-term investments requiring disclosure in the Statement of Accounts, nor are there any loans with external bodies in existence repayable by or to it.

Conclusions

We are pleased to report that no issues arise in this area of our review process warranting formal comment or recommendation.