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# **Swaffham Town Council**

*Internal Audit Report 2018-19 (Interim)*

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*Stephen Christopher*

*for Auditing Solutions Ltd*

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## **Background and Scope**

All town and parish councils are required by statute to make arrangements 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 Annual Governance and Accountability Return (AGAR). Auditing Solutions Ltd has been appointed to provide this service to Swaffham Town Council for 2018-19.

This report sets out the results of our recent interim audit visit to the Council for 2018-19, which took place over two days on 19<sup>th</sup> and 20<sup>th</sup> November 2018.

## **Internal Audit Approach**

In undertaking our internal audit work 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 audit programme is 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. It is also designed to facilitate our completion of the 'Annual Internal Audit Report' in the AGAR, which requires independent assurance over a number of internal control objectives.

## **Overall Conclusion**

On the basis of the programme of work we have undertaken, we have concluded that, in overall terms, the Council has maintained adequate and effective internal control arrangements during the year to date. However, we have identified a number of areas where we consider the controls could be further enhanced.

During our audit visit, we followed up on the matters raised in our 2017-18 internal audit reports. We found that good progress has been made, but further action needs to be taken in relation to certain matters.

As previously, the key issues arising from our internal audit work are set out in the body of the report, with the recommendations further summarised in the appended Action Plan. We ask that Members consider the content of this report and respond in due course to the recommendations set out in the Action Plan, indicating, where appropriate, the actions to be taken and the likely timescale for their implementation.

This report has been prepared for the sole use of Swaffham Town Council. To the fullest extent permitted by law, no responsibility or liability is accepted by Auditing Solutions Ltd to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

## Detailed report

### Accounting Records and Bank Reconciliations

The Council continues to maintain its accounting records using the RBS Omega software. This software, which has recently been subject to a major upgrade, affords an effective basis to record financial transactions and to report on budget performance during the year.

Banking services are provided by Unity Trust Bank. As in the previous year, there are four accounts in use, with the main current and deposit accounts supplemented by a separate account for the 'SK8 Park & MUGA', together with a Capital Reserve account both of which are instant access saver accounts.

Our objective in this area is to ensure that the accounting records are being maintained accurately and kept up to date, and that no anomalous entries appear in cashbooks or financial ledgers. To that end, we have confirmed that:

- the prior year's closing balances were accurately rolled-forward to 2018-19 on the Omega accounting system;
- an appropriate cost centre and nominal ledger structure remains in place;
- the financial ledgers remained in balance as at 30<sup>th</sup> September 2018 (the latest completed month on Omega at the time of our interim audit visit);
- from a sample review of two months transactions (May and June 2018), the details recorded in the Omega cash books reconcile to the bank statements. We also verified all inter-account transfers;
- bank reconciliations are being undertaken at the end of each month, using the Omega software. We checked and agreed the bank reconciliations as at 30<sup>th</sup> September 2018 on all four accounts, to confirm that these were accurate and that there were no long-standing uncleared cheques or deposits, or other anomalous entries;
- appropriate controls are in place over the preparation and review of accounting journals; and
- effective IT back-up arrangements remain in place – noting that the Council has recently changed its IT support provider from Netmatters to ICO.Systems.

#### **Conclusion**

***We found that the controls in place in this area were adequate and were operating effectively. There are no matters arising from our interim audit visit that require a formal comment or recommendation.***

## Corporate Governance

Our objective is to confirm that the Council has robust corporate governance arrangements 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.

In the course of our interim visit, we have confirmed that:

- our review of Council and committee minutes for the year to date, has not identified any issues that we consider may have an adverse effect on the Council's financial stability in the short, medium or longer term, or that give us concern that the Council may either be considering, or have taken, decisions that might result in ultra vires expenditure being incurred.
- the Standing Orders and Financial Regulations were both considered at the Full Council Finance meeting in July 2018, in accordance with the review programme for key policies and procedures which is now in place. In both cases, the documents take into account the latest national guidance from NALC.
- at the November 2017 Full Council meeting, the Council formally adopted the "General Power of Competence", having satisfied itself that it meets the necessary criteria;
- detailed financial and operational procedures documentation is in place for key areas, underpinning the Financial Regulations.

We have reviewed the approach followed with regard to tendering of the contract for refurbishment of the Buttercross and related work, and confirmed that this was undertaken in accordance with the Council's Financial Regulations.

We have also discussed with the Town Clerk the current position regarding the future of Day's Field. We note that the Council is taking professional advice on the approach it is proposing to follow and is also undertaking public consultation. We will review the position further at our final audit visit.

### *Conclusion and recommendations*

***On the basis of our audit work in this area to date, we consider that, in general, the Council has adopted a sound approach to its responsibilities in relation to corporate governance. However, there were two areas where we identified that action needs to be taken:***

#### ***a) Approval of minutes***

***From our review of the minutes of Council and committee meetings for the year to date, we identified that in several instances the formal copies of the minutes held have not been signed (e.g. Personnel Committee meetings held on 16<sup>th</sup> April and 4<sup>th</sup> June 2018, and the Full Council and Annual Council meetings held on 9<sup>th</sup> May 2018).***

*R1 In accordance with the requirements of the Local Government Act 1972 (Schedule 12), the Chairman of the meeting at which the minutes of Council or committee meetings are approved must ensure that the last page of the minutes is signed and all other pages are initialled.*

**b) Information reported on the Council website**

*From our review of information reported on the Council's website, we noted that a number of the policies currently shown (including the Standing Orders and Financial Regulations) have not been updated to reflect the reviews undertaken in the current financial year and some are not reported (e.g. the Investment Strategy).*

*R2 The Council should ensure that the latest versions of its Policies are reported on the website.*

## **Expenditure**

Our objective is to ensure that:

- Council resources are released in accordance with the approved procedures and 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;
- an official order is raised, where appropriate, for any expenditure not the subject of a formal contract;
- any 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 review of the procedures in place in this area, selecting a sample of 23 non-pay related payments across the first half of the financial year for examination, to check compliance with the above criteria. Our test sample included all payments in excess of £2,500, together with a more random selection of every 35th cashbook transaction, totalling £125,170 and equating to 69% of non-pay expenditure to date.

The Council also makes use of a Lloyds Corporate Credit Card, for internet payments. As part of our expenditure testing, we reviewed the payments made in months 5 and 6 and confirmed that all were supported by appropriate documentation and effective controls were in place.

We confirmed that VAT Returns continue to be prepared and submitted quarterly in electronic format, as required by extant legislation, with detail being reconciled to the Omega financial

ledger. We have examined the first two quarterly reclaims submitted in 2018-19, noting that repayment has been made in full by HMRC.

### **Conclusion**

*There are no matters arising from this area of our audit work to date that require a formal comment or recommendation.*

## **Assessment and Management of Risk**

Our objective is to confirm 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 in order to minimise the opportunity for their coming to fruition.

There is a regulatory requirement for the Council to formally review and approve its risk management arrangements during each financial year. We have confirmed that the risk register was updated and reviewed at the Full Council Finance meeting on 16<sup>th</sup> April 2018, thus satisfying the requirement for 2018-19.

The Council reviewed its insurance arrangements in 2016, when it entered into a five-year agreement with Zurich Municipal. The level of insurance cover for 2018-19 includes Public Liability of £15 million, Employer's Liability of £10 million and Fidelity Guarantee of £500,000, all of which we consider to be appropriate to meet the needs of the Council.

As noted last year, the Council continues to ensure that health and safety inspections are undertaken on a regular basis for its offices and facilities. Annual inspections of playground equipment are undertaken by PlayMaintain, to check compliance with relevant health and safety standards, with Council staff carrying out their own detailed checks throughout the year. We also note that the Council continues to receive support from external consultants on a range of other health and safety matters.

### **Conclusion and recommendations**

*On the basis of our audit work in this area to date, we consider that, in general, the Council has adopted a sound approach to its responsibilities in relation to risk management. The one area we would highlight the scope for further action is in relation to the inspection of playgrounds by Council staff.*

*As reported last year, whilst these inspections are being undertaken throughout the year, the frequency of inspections and an inspection timetable has not been formally agreed. We understand that, in response to our recommendation, enquiries were made to try to ascertain whether there is a recommended frequency for inspections, but this appears to vary from one council to another. In the absence of any definitive external advice, the Council should determine its own inspection frequency and ensure that this is adhered to.*

R3 *The Council should determine the frequency with which its staff are to undertake inspections of playgrounds and play equipment during the course of the year and a formal timetable for inspections should be agreed and monitored.*

*Last year we also noted that, whilst a written record is kept of each inspection visit, identifying who carried it out and any matters arising, there was no clear “audit trail” confirming that all actions identified are being addressed in a timely manner. In response to this, an action plan has been introduced. However, in its current form, whilst it identifies each matter arising, it does not indicate a timescale for action or who is responsible for ensuring the necessary work is completed (although we acknowledge, in practice, this will normally be the Works Manager).*

R4 *The action plan for monitoring how matters arising from playground inspections are addressed should be expanded to record the date each matter was identified, the significance of the matter, the action required and the planned/actual date of completion, together with responsibility (where this is someone other than the Works Manager). Members should be kept abreast of the position, on an exception basis. (We have provided the Works Manager with an example of the approach followed elsewhere)*

## **Precept Determination and Budgetary Control**

Our objective here is to confirm that the Council has robust procedures in place for identifying and approving its future budgetary requirements and the 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 confirm that the Council retains an appropriate level of earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate general reserves to cover any unplanned expenditure that might arise.

Our interim review took place before the Council had given formal consideration to the budgetary and precept requirements for 2019-20 and we will review the process followed at our final audit visit. We will also examine the year-end budget outturn for the current year. We are, however, pleased to note that Members continue to be provided with sound budget monitoring reports, as recorded in the Council minutes.

### **Conclusion**

*There are no matters arising from this area of our audit work to date that require a formal comment or recommendation. As noted above, we will undertake further, more detailed, work at our final visit.*

## **Income**

The Council receives income from a variety of sources; in particular, allotment rents, cemetery and associated fees, market trader rents, rental of offices and hire fees for use of the Town Hall Chamber.

Our objective is to ensure that robust procedures are in place to help ensure that all income due to the Council is identified and invoiced appropriately, with recovery effected within a reasonable timespan.

At our interim visit, our audit work focused on the various income streams, as follows:

- confirming with officers our understanding of the procedures in place in relation to various income streams, in particular markets, the cemetery and allotments;
- confirming that the Council formally reviewed its fees and charges as part of the 2018-19 budget setting process;
- examining the controls in place over the identification, invoicing and recovery of allotment rents and deposits. Rents fall due from the beginning of October annually, with payment required by mid-October. We found that good progress has been made in collecting the rents due and deposits required, and that appropriate action is being taken to follow-up on the few outstanding invoices;
- reviewing the invoicing and payment of cemetery and associated fees between 1<sup>st</sup> April to 16<sup>th</sup> November 2018;
- reviewing the arrangements for collecting market rent income, examining in detail the rents collected in October 2018, and
- confirming that the overall level of outstanding debtors at 30<sup>th</sup> September 2018 was very low.

### **Conclusion**

*There are no matters arising from this area of our audit work to date that require a formal comment or recommendation.*

## **Petty Cash**

When completing the ‘Annual Internal Audit Report’ in the AGAR, we are required to confirm that there are effective controls over the petty cash account operated by the Council. To meet that objective, we confirm that:

- any petty cash accounts in operation are managed effectively and that all expenses incurred are appropriately supported by a trade invoice or relevant till receipt;
- only low value expenditure is incurred from any petty cash account(s) in use;
- where appropriate, VAT is identified and coded accordingly for periodic recovery from HMRC; and
- the physical cash held is periodically reconciled to the supporting records.

The Council operates a petty cash account on an imprest basis with a “float” of £400, with monthly expenditure reimbursed to bring the cash holding back to that value. During the course of our interim audit, we reviewed the account and confirmed that it is being managed effectively



and that the balance held as at the date of the audit visit agreed to the underlying accounting records. We also checked the physical cash held, agreeing the detail to the Omega cash book record as at 30<sup>th</sup> September 2018, less subsequent transactions and reimbursements. At the final audit visit, we will check that the correct year-end balance is included in the accounts.

### ***Conclusion***

***There are no matters arising from this area of our audit work to date that require a formal comment or recommendation.***

## **Salaries**

In examining the Council's payroll function, our objective is to confirm that extant employment legislation is being adhered to, that the requirements of HM Revenue and Customs (HMRC) legislation are satisfied regarding the deduction and payment over of income tax and NI contributions and that the requirements of the local government pension scheme are met.

To test compliance with the above criteria, we have:

- confirmed that the "BrightPay" software continues to be used to compute the monthly payroll, which includes the production of independent monthly pay slips;
- confirmed that the Council had approved the employees' gross pay rates for the financial year (and those subsequently agreed following the staff appraisal process), and that these have been duly and accurately applied;
- checked the detail of payroll transactions for Month 8 (November 2018);
- checked to ensure that appropriate PAYE tax codes and NIC table deduction rates, depending on whether the employee was a member of the pension scheme or not, have been applied;
- checked to ensure that the appropriate percentage pension deductions, based on the most recent LGPS salary bandings, have been applied to those staff in the pension scheme;
- verified that the net salaries, paid by BACS, were in line with the relevant payslips and were reviewed and approved;
- confirmed that when approving the monthly salary and wages payments and the payments to HMRC and the Norfolk Pension Fund, the Members involved continue to agree the payments to the salary, tax and pension information produced by the payroll software.

The Council continues to provide a payroll service for the local branch of Age Concern and we have confirmed that the costs relating to these staff are netted out of the Council's accounts.

During 2018-19, a formal agreement has been entered into with Watton Town Council for a jointly funded Project Officer post. The employee is paid through Swaffham Town Council's payroll, with half of the overall staff and related costs recharged to Watton Town Council each month. We have confirmed that the costs of this employee are being accounted for correctly.

## Conclusion and recommendation

*On the basis of our audit work in this area to date, we consider that the controls over payroll are adequate and are operating effectively. However, there are two matters that we would draw to Members' attention.*

### *a) Payroll service provided to Age Concern*

*In last year's interim and final audit reports, we reiterated a recommendation from the previous year that, as this arrangement now involves providing a payroll service for three Age Concern employees (initially it had only been one), a formal written agreement should be put in place setting out the responsibilities of both parties. The Council's response confirmed that this would be done. However, as at the time of our interim audit visit, no formal agreement has been put in place. Therefore, we would reiterate our previous recommendation.*

*R5 In accordance with the agreed recommendation from our 2016-17 and 2017-18 internal audits, in order to safeguard the Council's position, there should be a formal written agreement with Age Concern regarding the payroll service provided, which clearly sets out the responsibilities of both parties.*

### *b) Staff contracts*

*During the course of our audit testing, we checked to confirm that signed contracts of employment are held for all members of staff. In doing so, we established that no signed contracts of employment were held for four members of staff, including the jointly funded project officer, and the contract for another employee needed to be amended for a change in contracted hours.*

*R6 The Council must ensure that it holds signed contracts of employment for all staff and that these are fully up to date.*

## Investments and Loans

Our objective is to confirm that the Council is investing "surplus funds", be they held 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 and that any loan repayments due to or payable by the Council are transacted in accordance with the relevant loan agreements.

As noted earlier in this report, the Council holds no long-term investments, with all "surplus" funds being held in accounts with Unity Trust Bank, which attract only a minimal rate of interest. In last year's report, we recommended that consideration should be given to investing some of the funds in longer term fixed rate accounts or bonds and confirmed with the Town Clerk that this would be done at the point when the future of Council-owned land at Day's Field is resolved. This point has still not yet been reached.

We also recommended last year that, in accordance with the revised statutory guidance on local government investments, a formal investment policy/strategy should be put in place, as it is now a requirement for all councils with reserves of more than £100k (either long or short term). We note that an Investment Strategy was formally approved by the Full Council Finance meeting on 23<sup>rd</sup> July 2018.

We have checked and agreed the half-yearly instalment repayments on the Council's existing PWLB loans to their third party "demand" notices for the current financial year.

***Conclusion***

***There are no matters arising from this area of our audit work to date that require a formal comment or recommendation.***

# Action Plan

Rec. No.	Recommendation	Response
<b>Corporate governance</b>		
R1	In accordance with the requirements of the Local Government Act 1972 (Schedule 12), the Chairman of the meeting at which the minutes of Council or committee meetings are approved must ensure that the last page of the minutes is signed and all other pages are initialled.	<i>AGREED - The minutes will be duly signed by the Mayor or Chair of each meeting.</i>
R2	The Council should ensure that the latest versions of its Policies are reported on the website.	<i>AGREED – The website policies will be updated accordingly, recording the adoption date.</i>
<b>Assessment and management of Risk</b>		
R3	The Council should determine the frequency with which its staff are to undertake inspections of playgrounds and play equipment during the course of the year and a formal timetable for inspections should be agreed and monitored.	<i>AGREED – A schedule will be drawn up for approval at the next Open Spaces Committee meeting in January 2019.</i>
R4	The action plan for monitoring how matters arising from playground inspections are addressed should be expanded to record the date each matter was identified, the significance of the matter, the action required and the planned/actual date of completion, together with responsibility (where this is someone other than the Works Manager). Members should be kept abreast of the position, on an exception basis. (We have provided the Works Manager with an example of the approach followed elsewhere)	<i>AGREED – The Action Plan resulting from the inspection schedule will be updated and presented to the Open Spaces Committee each time they meet.</i>
<b>Review of Salaries</b>		
R5	In accordance with the agreed recommendation from our 2016-17 and 2017-18 internal audits, in order to safeguard the Council's position, there should be a formal written agreement with Age Concern regarding the payroll service provided, which clearly sets out the responsibilities of both parties.	<i>AGREED – A formal written agreement will be drawn up by the Town Council for the payroll service offered to Age Concern, and signed by both parties.</i>
R6	The Council must ensure that it holds signed contracts of employment for all staff and that these are fully up to date.	<i>AGREED – contracts of Employment are all in draft, will finalise these with the employees concerned and get them signed by both parties.</i>

## Town Clerk | Swaffham Town Council

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**From:** Town Clerk | Swaffham Town Council  
**Sent:** 04 December 2018 14:18  
**To:** 'Stephen Christopher'  
**Cc:** Deputy Clerk | Swaffham Town Council  
**Subject:** RE: Swaffham Town Council: Internal audit 2018-19 Interim Report  
**Attachments:** Swaffham TC 2018-19 Interim Report (2).doc

Dear Stephen,

I acknowledge receipt of the Interim Internal audit and have attached a copy with my comments on the six actions listed.

I can confirm that the report will be circulated to all Councillors and signed off at their meeting next Wednesday 12<sup>th</sup> December.

Claire and I look forward to seeing you on Thursday 18<sup>th</sup> April 2019 for your end of year visit.

Wishing you a Merry Christmas and a Happy New Year.

Best regards,

Richard Bishop  
**Town Clerk**



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**From:** Stephen Christopher <stephen@councilaudit.co.uk>  
**Sent:** 26 November 2018 16:40  
**To:** Town Clerk | Swaffham Town Council <townclerk@swaffhamtowncouncil.gov.uk>  
**Cc:** Deputy Clerk | Swaffham Town Council <deputyclerk@swaffhamtowncouncil.gov.uk>  
**Subject:** Swaffham Town Council: Internal audit 2018-19 Interim Report

Mr R Bishop

Town Clerk

Swaffham Town Council

4 London Street

Swaffham

Norfolk

PE37 7DQ

26<sup>th</sup> November 2018

Dear Richard

**Internal Audit 2018-19 (Interim Visit – 19<sup>th</sup> and 20<sup>th</sup> November 2018)**

Please accept my thanks for the courtesy and attention afforded me during my visit last week.

I am pleased to attach our internal audit report, summarising the work undertaken at the interim visit and setting out the matters arising and our recommendations for action. I trust that the report is factually accurate and reflects the discussions with you and Claire. However, if you or the team have any comments or concerns, please let me know, so that I can discuss and agree any amendments that may be necessary.

May I remind you that the Practitioners' Guide requires that our internal audit reports are presented to the Council and I would appreciate your written confirmation of compliance in this respect. I would also ask that, in due course, you could let me have the Council's formal written response to the recommendations, as set out in the Action Plan appended to the report.

As previously, we do not propose to issue a hard-copy version of the report or our invoice, unless specifically required by the Council. The invoice will be emailed to you shortly in PDF format. However, if you do require a hard copy version of either document, please contact Sarah in our office and she will make arrangements to post it/them to you.

Please can you acknowledge safe receipt of this e-mail together with the attached report?

I look forward to the final audit visit to Swaffham Town Council for 2018-19, which we have agreed for Thursday 18<sup>th</sup> April 2019.

Yours sincerely

Stephen Christopher

**Stephen Christopher**

**Consultant Auditor**



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