

Dawlish Town Council

Internal Audit Report: Final update 2018-19

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Background

All town and parish councils are required by statute to arrange for an independent internal audit examination of their governance arrangements, accounting records and system of internal control and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR). We at Auditing Solutions Ltd were approached by the former Clerk requesting assistance for 2015-16 following the illness of the Council's existing internal audit service provider and were subsequently appointed for 2016-17 and beyond. This report details the work undertaken at our three visits for the year which took place on 31st October 2018; 10th January and 16th May 2019.

Internal Audit Approach

In conducting our review for 2018-19, we have 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, as applied to all clients, 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 / or the national statutory regulatory framework. The programme is also designed to facilitate our completion of the 'Internal Audit Report' in the Council's AGAR, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

Detail of the work undertaken this year is set out in the following detailed report, together with any issues arising. We have also reviewed progress in addressing issues highlighted in our 2017-18 and interim 2018-19 reports and acknowledge the responses and positive action taken to the recommendations raised. We have incorporated the Town Clerk's responses to our interim reports for the year both in the body of the report and in the appended Action Plan and will recheck progress on implementation of those, together with any matters arising from this update visit at our final review.

We again wish to acknowledge the positive and clear improvement in record keeping and the way the accounting records are now being actioned with significant savings arising on costs following cessation of the external accountant's contract and use of "in-house" bespoke accounting software.

Based on the generally satisfactory conclusions drawn from our review programme this year, we have signed-off the Internal Audit Certificate in the AGAR assigning positive assurances in each relevant area.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in the cashbooks and financial ledgers prepared on behalf of the Council by the Responsible Finance Officer (RFO) with appropriate support from RBS Rialtas who developed and installed the Omega accounting software at the start of the current financial year.

Bank accounts are in place with the majority of “current” transactions now processed through a Lloyds bank account, together with the residual three accounts with NatWest: separate cashbook accounts are being maintained for all four accounts in the Omega financial ledgers. A further cashbook is in use in the ledger to record detail of the NatWest One Card (credit card) transactions.

To assess the adequacy, accuracy and appropriateness of transactions for 2018-19 and this being the first year using the Omega accounting software, we have:

- Agreed the opening cashbook balances for the year with those in the 2017-18 AGAR;
- Ensured that the accounts remain “in balance” at the financial year-end;
- Reviewed the coding structure in place in the Omega software for appropriateness, noting that the structure has been significantly revamped and simplified for 2019-20;
- Examined and verified five months’ transactions on the Lloyds Current account (April, July, September and December 2018, plus March 2019 by reference to supporting bank statements;
- Given their low volume, verified detail of all account transactions on the residual three NatWest bank and One Card accounts for the full financial year;
- Verified the accuracy of bank reconciliations on each account as at 30th April; 31st July; 30th September and 31st December 2018, plus 31st March 2019;
- Considered the controls in place over the use of journals on the Omega software;
- Discussed the Council’s software, financial and other, “back-up” arrangements noting the existence of an on-site server, which also “backs-up” daily to the Council’s IT service provider; and
- Ensured the accurate disclosure of the combined cash and bank balances at the financial year-end in the year’s AGAR.

Conclusions and recommendations

We are again pleased to acknowledge the ongoing and significant improvement in the way that accounting records are now maintained, although we have noted a few anomalies in the March 2019 main cashbook when the RFO was off duty. We note that, following our previous recommendation, monthly bank reconciliation details are presented to members routinely, although they are not being “signed-off” by a councillor confirming their review. The NALC model Financial Regulations and Governance and Accountability Manual (G&AM) give guidance in this respect.

We also note that financial journals have not been subjected to independent scrutiny and “sign-off” and have suggested to the Clerk that he should periodically review the documents, both signing / initialling and dating them accordingly as evidence of his review.

In reviewing the coding structure linking to the individual lines in Section 2 of the AGAR at our first interim visit we noted two codes (4020 - temporary agency staff and 4050 - staff training) that were incorrectly linked to Box 4: these have, following our recommendation, now been linked correctly to Box 6.

In examining the 31st December 2018 Lloyds bank reconciliation at our second interim review visit, we noted that six cheques dating from July 2018 or earlier (four still from April and May 2018) remained uncleared through the bank account: we are pleased to record that these had been paid or reversed by the year-end closedown with no long-standing uncleared cheques remained in the accounts as at 31st March 2019.

However, in examining the main March 2019 cashbook and yearend bank reconciliation, we have identified anomalies in the cheques drawn in favour of Rogers Cleaning and the amounts physically paid with one cheque (no. 1137) showing as outstanding on the year-end bank reconciliation at a value of £3,201.01: however, that number and an amount of £3,210.01 (a £9.00 difference) actually cleared the bank account in mid-March 2019. Cheque number 1111 also drawn in favour of Rogers Cleaning in February 2019 for £3,245.89 is recorded as such in the Omega cashbook, but the bank statements show a payment on that cheque number of £35.88, which is the difference between the actual value paid through the bank on cheque numbers 1111 and 1137. The position regarding these payments will need to be examined in depth and corrected appropriately in the 2019-20 Omega cashbook, as the 2018-19 Omega accounts have now been closed down.

We have made previous reference to the relatively poor rate of interest return the Council is receiving from its current banking arrangements (£440 for the nine months to 31st December 2018, equating to 0.05% on the average cash at bank holding in the year to date, currently standing in excess of £0.7 million). Whilst we cannot act as financial advisors, we again draw Council’s attention to the probable higher rate of return that could be achieved were surplus funds placed with the CCLA Deposit fund, which many of our clients use.

In previously examining the Omega coding structure, we noted a significant degree of duplication in cost centres with separate centres set up for expenditure and income, which we consider unnecessary. We discussed the position with the Clerk and RFO at our first visit and are pleased to note that RBS Software visited the Council in January 2019 and set up a simplified cost centre and nominal coding structure for 2019-20.

*R1. The Council should consider seeking alternative “investment” opportunities for surplus funds to achieve a better rate of interest return than is being received currently. **The Clerk is taking a report to Council in the near future recommending placement of surplus funds with the CCLA Deposit Fund.***

*R2. A nominated councillor should formally review, sign-off and date the monthly prepared bank reconciliations, ideally at least once quarterly to evidence their review having appropriately questioned any detail on the reconciliations. **The Chairman of F&GP will sign off documentation at the end of each agenda item from April 2019.***

- R3. *Similarly, journals raised on the accounting software should be subjected to independent scrutiny (ideally by the Clerk) and “sign-off”. **The RFO will provide the Clerk with a list of journals monthly for sign-off.***
- R4. *The payees of all long-standing cheques (i.e. those drawn three or more months ago) that remain uncleared at the bank should be pursued to determine whether they still hold the cheque and intend to bank it or require a replacement. If not required or “lost”, the cheques should be written back in the accounts and, if necessary, a replacement issued. **The RFO will identify long-standing cheques remaining uncleared at the bank and take appropriate action as necessary: the specific transactions have either cleared the bank or been reversed at the year-end.***
- R5. *The coding structure and consequently the budget analysis should be reviewed and simplified to provide members with more relevant performance reporting information and to reduce the risk of incorrect coding. **The RFO, together with the Clerk and budget Sub-Committee, have established a new coding structure for 2019-20.***
- R6. *The identified errors in linking of temporary / agency staff costs and staff training as Staff Costs currently to Box 4 of the AGAR should be amended to ensure that they are linked to Box 6 – Other expenditure. **This has been amended appropriately.***
- R7. *The anomaly surrounding cheques drawn in favour of Rogers Cleaning in March 2019 needs to be examined closely and corrected appropriately in the 2019-20 Omega ledgers as soon as practicable.*

Review of Corporate Governance

Our objective here 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 (SOs) and that, as far as we are reasonably able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We also aim to ensure that appropriate policies, procedures and protocols are in place to prevent and provide a reasonable assurance of the detection of any fraudulent or corrupt activity.

We have continued our review of the Council’s minutes, examining those for the financial year and to date in 2019-20, as posted on the Council’s website, to determine whether any issues exist that may have an adverse effect, through litigation or other causes, on the Council’s future financial stability and are pleased to record that no such concerns exist currently.

We are pleased to note that the Council’s SOs and Financial Regulations (FRs) have been subjected to further review and re-adoption during the current financial year with appropriate reference to the 2015 changes in Procurement Regulations.

We also note that, following the Clerk’s success in achieving the CiLCA qualification, the Council now meets the qualifying criteria to apply the General Power of Competence and has duly adopted it.

We note that the external auditors (PKF Littlejohn) signed-off the 2017-18 AGAR following clarification on an outstanding issue in the 2017-18 year-end bank reconciliation prepared by the Council’s former external contract accountants, the reconciliation identifying the apparent non-

clearance at bank of a few cheques totalling £ 2,036.41. In order to try and assist the Clerk and Council resolve the matter, we undertook further work in this respect at our first visit for the year identifying apparent anomalies with the year-end detail on the Lloyds final bank reconciliation as provided by the former contract accountants and supplied to the external auditors.

We noted that, the contract accountant's "year-end bank reconciliation" identified the Lloyds bank balance as £112,284.20, which was adjusted by the above (seemingly uncleared cheques) to reflect an adjusted "Cashbook" balance of £110,247.79: notwithstanding these apparently uncleared cheques, the Sage closing Trial Balance records the identical balance as the year-end bank statement (i.e. £112,284.20).

Consequently, we examined a small sample of bank statements for 2017-18 noting that for two seemingly uncleared cheques included as such on the bank reconciliation, the cheques had actually cleared through the bank soon after they were drawn, although the amount appearing on the bank statement exceeded that recorded against the cheque numbers in the Sage nominal cashbook account. Examination of the relevant invoices / payment vouchers indicated that, in the two cases examined, more than one invoice comprised the payment on the relevant cheques which appears to have been processed in the Sage accounts: we understand that the invoices were being scanned and forwarded to the contract accountants and that only the first page / invoice in the batch may have been scanned and forwarded. We do not have access to the nominal ledgers subsequent to 30th September 2017 and it is probable that subsequent adjustments may / must have been made by the accountants in order to reconcile the account, although that seems unlikely given that the software identifies these original entries as uncleared at the bank. ***The RFO has endeavoured to clarify the position with the former accountants but with no success: as the cashbooks now reconcile appropriately to the bank statements no further action is considered necessary in 2018-19.***

Conclusions and recommendation

We are pleased to record that no issues of concern arise in this review area in relation to 2018-19 transactions: however, the former accountants have been reluctant to undertake further work on the 2017-18 accounts detail and, as indicated above, with current year bank reconciliations effectively balancing to the penny, subject to the satisfactory resolution and correction of the anomalies surrounding a few payments in February and March 2019, we consider no further action is required in this respect.

We shall continue to review minutes at future visits, also reviewing the Council's approach to governance.

R7. The contract accountants will need to review their records and provide appropriate explanations for the seemingly "uncleared" cheques at the financial year-end detail of which will need to be forwarded to the external auditors. The RFO has endeavoured to clarify the position with the former accountants to ascertain and amend discrepancies arising from the 2017-18 audit review, although this has proved unsuccessful with the former accountants not prepared to undertake further work.

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 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 examined the process for the approval of payments and their release noting at our first visit that the Clerk was considering the use of internet banking in the future: we also discussed the controls that should be in place if and when use of internet banking is implemented suggesting that a formal procedure is drafted and presented to members for agreement and approval.

In order to confirm the effectiveness of the present control and governance arrangements over payments, we have selected an extended sample of individual payments processed in the financial year: our test sample now includes 65 individual payments comprising all those over £1,500, together with every 40th payment as recorded in the Lloyds current account cashbook and totals £256,500 equating to 63% by value of non-pay related payments in the year. We are again pleased to acknowledge the continuing improvement in the evidencing of members' review and certification of invoices together with further improvements in the way invoices are now being filed.

We note that VAT reclaims are prepared at the end of each quarter and have agreed the value of the first three quarterly reclaims prepared and submitted to HMRC for 2018-19 to the quarter-end Omega control account balances in the financial ledger. However, we also note the existence of a VAT debtor totalling £16,807 recorded in the Omega accounting software as dating from September 2016. The Council is employing the services of DCK Accounting to undertake a review of the Council's VAT position, carrying out a Partial Exemption calculation currently and assisting with appropriate VAT registration of the Manor House Community Centre: their work will include resolving the issues surrounding this long-standing debtor and other minor VAT adjustments recorded in the year-end Trial Balance to help the Council ensure that, going forward, its VAT affairs are operated appropriately. The Council will need to ensure that the long-standing reclaim dating from 2016 is resolved swiftly in order that the deadline for submission does not pass and the Council is no longer able to recover these funds from HMRC.

Conclusions

We are pleased to acknowledge the positive improvements made in the processing and filing of trader invoices and have not identified any issues as part of our review warranting formal comment or recommendation. We shall, however, monitor the outcome of DCKs review of VAT issues at our next visit when, hopefully, the residual issues will have been resolved satisfactorily.

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 2018-19 insurance policy schedule with Aviva to ensure that appropriate cover is in place, noting that Employer's and Public Liability both stand at £10 million, together with Fidelity Guarantee cover at £742,000 and Business Interruption – Loss of Revenue at £70,000 all of which we consider appropriate for the Council's present requirements.

We note that, following our previous recommendation, the Council approved and acquired the LCRS risk management software, which the Clerk intends to apply in due course. As an interim measure, a different form of Policy / Register has been prepared and was adopted by the Council in June 2018.

Conclusions

No issues arise in this area currently: we shall continue to monitor the Council's approach to risk management at future visits reporting our conclusions accordingly. We do, however, urge that, having acquired the LCRS software, further consideration / action be taken to ensure its application as it not only generates a detailed risk report on each area assessed, but also generates insurance and health / safety checklists.

Budgetary Control & Reserves

We aim in this area to ensure that the Council has sound procedures in place for determining its annual budgetary and precept requirements, together with sound monitoring procedures to highlight any potential overspending as soon as it becomes apparent.

We are pleased to note that following due deliberation, the Council approved and adopted the budget and precept for 2019-20 setting the latter at £435,373.

Whilst we note that members receive regular budget performance reports, we have, as indicated above, noted a few concerns with the format of the 2018-19 coding structure and discussed these with the Clerk and RFO at our first visit the year. We note that a revised and simplified structure has been developed for 2019-20 which, we believe, will provide more meaningful and readily interpretable budget performance information.

We have at this update visit reviewed the year-end budget outturn report in the Omega accounts seeking and obtaining appropriate explanations for any significant variances in existence currently.

We have again considered the appropriateness of the level of retained reserves to meet the Council's ongoing revenue spending requirements and future development aspirations. Funds totalling £698,860, including earmarked funds (EMRs) of £172,375, are in place at the financial year-end. The residual General Fund Reserve balance of £525,485 equates to in excess of a year's revenue spending at the present level and is significantly in excess of the generally recognised holding of between 2 & 6 months' revenue spending, which appears more than adequate to finance the Council's ongoing revenue spending.

Conclusions and recommendation

As indicated above, no specific concerns have been identified in this area, other than in relation to the meaningfulness of the 2018-19 structure, which has been addressed appropriately for 2019-20 going forward. We do, however, consider that the Council needs to be mindful of the

level of funds held in its General Reserve balance ensuring that they are maintained at an appropriate level to meet the ongoing revenue spending requirements of the Council.

R8. *The Council should ensure that the retained General and Earmarked Reserves are maintained at an appropriate level to meet both the Council's ongoing revenue spending requirements and any future development aspirations, ideally establishing formal Earmarked Reserves for the latter.*

Review of Income

The Council receives income primarily by way of the annual precept and Support Grant, together with office rentals and hire fees at the Manor House and Riverside Hall, together with annual allotment rents and various other minor income sources.

We have examined the controls over bookings at both the Manor House and Riverside Hall by reference to a week's bookings (w/c 1st October 2018) as recorded on the RBS bookings software. In discussing the operative controls with the relevant officer, we note her intention to expand the existing booking form to incorporate provision for a signature by the hirer confirming that they have, read, understand and accept the terms of hire (this is currently embodied in the hire / booking documentation pack issued to all hirers). We understand that several hirers have complained / refused to complete and return this document as it is considered too bulky. Consequently, we suggest that, as being considered by the relevant officer, the documentation be simplified with a signed acknowledgement of the terms and conditions of hire being embodied in the booking form.

In examining the sample of bookings we noted a few anomalies, detail of which we have discussed with the responsible officer: these included two instances where the incorrect fees were charged, one where the wrong / lower room fee was charged and one where, instead of charging for 4¼ (4.25) hours, the fee was charged for 4.15 hours and one where no fee had been charged. In a number of other instances, we were advised that, for several regular hirers, fees are paid in advance or on the date of hire, although it was not possible during our visit to verify that payment had been received of the appropriate fees.

We note that, effective from 1st April 2019, the bookings Sales Ledger has been incorporated into the Omega accounts, which will improve management / monitoring and reporting of any uncleared long-standing debts.

We have, at this final visit, endeavoured to examine the procedures in place for controlling the recovery of allotment rental fees, although our review has been restricted due to the unavailability of the managing officer. Notwithstanding that, we note that an appropriate spreadsheet control record is in place identifying the fees due, but not the dates on which payment is received. Whilst the total income recorded in the Omega accounts for the year exceeded the anticipated income based on the number of plots and fees receivable, we consider that a clearer audit trail should be established wither by raising invoices through the Omega Sales ledger or by identifying the date of payment on the spreadsheet control record.

We have again examined the Omega "Sales Ledger – Unpaid Debts by Date" report, a copy of which is appended to this report, noting the continued existence of a number of long-standing debts, the oldest dating back to June 2017, together with a few "unmatched" receipts, one being for £74.00 and dating back to March 2015. As indicated in our previous interim update report, these should be reviewed and, if recovery is deemed unlikely, they should be referred to Council for

formal write-off. Any “unmatched” receipts should, if not related to specific invoices, be cleared with the income journalled to a miscellaneous or other appropriate income code.

We have also examined the Omega nominal income transaction record for the financial year ensuring, as far as is reasonably possible, that all income due to the Council has been identified and recovered, with no issues identified.

Conclusions and recommendations

Consequent on our review of the Council’s income streams and detail of outstanding / unpaid debts, the following recommendations are made to both improve controls and ensure appropriate action is taken to pursue outstanding debts. We shall undertake further work on the Council’s income streams at our final visit.

*R9. The existing hall booking form should be amended, as we understand is intended, as soon as practicable to incorporate hirers’ signatures confirming agreement and acceptance of the hire terms and conditions. **This has been actioned accordingly.***

*R10. All regular hirers should also be required to complete and sign an agreement form at least once annually or as and when a change in organiser occurs. **This has been addressed with signed forms now acquired from regular hirers.***

R11. Urgent action should be taken to pursue the numerous long-standing (i.e. those older than 3 months) debts identified on the booking system’s Sales Ledger - “Unpaid debts by Date” report.

R12. Consideration should be given to either raising allotment rental invoices using the Omega Sales Ledger or annotating the spreadsheet control record with the payment date in order to provide a clear audit trail to help ensure all rents are recovered appropriately.

Petty Cash Account

We are required, as part of the AGAR Internal Audit Report process, to review and verify the soundness of controls over the operation of the Council’s petty cash account. Consequently, we would normally examine a sample of transactions on the account.

However, we noted at our first visit that the account previously in existence had not been used in the current financial year with only a limited residual cash balance held and recommended that the residual cash holding should be banked and coded to a miscellaneous income heading: no petty cash balance is identified in the newly established Omega accounting software.

Conclusions and recommendation

No issues arise in this area, although we note that the residual cash holding has still to be banked.

*R13. The residual small petty cash balance held should be banked and coded to an appropriate miscellaneous income code. **The RFO has banked the residual petty cash balance.***

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. The Council uses the services of Teignbridge DC (TDC) to process the monthly payroll for its members of staff: we have reviewed the monthly gross salary paid to each in October 2018 by reference to the individuals' payslips, as provided for our review by TDC, ensuring that detail corresponds to the Council agreed salary rates.

We have also reviewed the tax, National Insurance (NI) and pension deductions, where applicable, processed on that month's payslips agreeing detail to the extant tax and NI tables, together with ensuring that the appropriate pension contribution percentages are being applied.

Where staff are also paid overtime and travel expenses, we have examined the enhanced hours and mileage paid in October 2018, by reference to supporting staff time sheets and travel claims and are pleased to note that no issues have arisen in this area this year with the previously identified anomaly in mileage rate charged both corrected and with the prior year overpayments recovered accordingly.

Conclusions

We are pleased to record that no issues arise in this area warranting formal comment or recommendation, although we consider that, as the employing body, the Council should be provided with copies of each month's payslips

Fixed Asset Registers

The G&AM requires all councils to maintain a record of all assets owned. We have noted previously the existence and maintenance of an asset register, with detail of the Council's asset stock duly recorded.

We undertook limited work in this area at our first review visit for 2018-19 discussing the ideal content of the asset register (and supplementary record of lower value inventory items such as office furniture and equipment) with the Clerk and Finance Officer.

We are disappointed to note that no action has been taken to update the existing register to include the few new assets acquired during the year and have asked that the Clerk ensures that it is appropriately updated to record the new assets and their values before completing the AGAR detail for presentation to members.

We also note that the Clerk is considering acquiring the RBS Asset Register software and undertaking a full "back to basics" review of the Council's asset stock and populating that register accordingly, although this is unlikely to be achievable prior to submission of the year's AGAR to the external auditors.

Conclusions and recommendation

In accordance with the requirements of the Governance and Accountability Manual the Council's asset register should be updated routinely as and when assets are acquired or disposed.

We commend the intended action to acquire appropriate software which will incorporate not only asset financial and positioning detail, but also a photographic record (where appropriate) and will monitor progress in this respect at future visits. We have asked the Clerk to provide us with an electronic copy of the updated register for 2018-19 in order that we may verify the accurate disclosure of the asset values as at 31st March 2019 in the year's AGAR.

R14. The Council must ensure that the asset register is updated routinely to identify all new acquisitions and disposals ideally using the potentially acquired RBS software.

Investments and Loans

The Council holds no funds in specific investments, surplus moneys being held, as indicated earlier in this report, in the two NatWest deposit bank accounts.

We are pleased to note that the Council has prepared and adopted an appropriate Investment Strategy / Policy as now required.

A single loan received from PWLB remains in place with repayments made at half-yearly intervals. We have, as part of our above expenditure review test sample, examined both repayments made in 2018-19 by reference to the PWLB repayment demand, also ensuring the accurate disclosure of the residual loan liability as at 31st March 2019 in the year's AGAR at Section 2, Box 10.

Conclusions

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

Statement of Accounts and AGAR

The Council's year-end Statement of Accounts including a Balance Sheet and Income and Expenditure Account, together with financial detail for inclusion at Section 2 of the years AGAR are now generated automatically by the Omega accounting software, thereby negating the need for employment of externally contracted accountants to assist with the exercise. We do, however note the assistance sought and provided by the RBS software provider to close down the Omega accounts for the year.

As part of our overall review of the Council's accounting transactions, we have, on a sample basis, verified the accuracy of the recording of transactions in the accounting software and consequently for reporting in the year's AGAR and, subject to the issues identified in earlier sections of this report, are satisfied that the AGAR accurately reflects the year's transaction detail.

Conclusions

No additional issues arise in this area to those raised in earlier sections of this report and we have duly signed off the Internal Audit Certificate in the AGAR assigning positive assurances in each relevant area with the exception of that element relating to asset registers, which we trust will be addressed prior to completion and formal adoption of the AGAR by the Council.

We ask that we be provided with copies of the certified Sections 1 & 2 in due course.

Rec. No	Recommendation	Response
Review of Accounting Arrangements and Bank Reconciliations		
R1	The Council should consider seeking alternative “investment” opportunities for surplus funds to achieve a better rate of interest return than is being received currently.	<i>The Clerk is taking a report to Council in the near future recommending placement of surplus funds with the CCLA Deposit Fund.</i>
R2	A nominated councillor should formally review, sign-off and date the monthly prepared bank reconciliations, ideally at least once quarterly to evidence their review having appropriately questioned any detail on the reconciliations.	<i>The Chairman of F&GP will sign off documentation at the end of each agenda item from April 2019.</i>
R3	Similarly, journals raised on the accounting software should be subjected to independent scrutiny (ideally by the Clerk) and “sign-off”.	<i>The RFO will provide the Clerk with a list of journals monthly for sign-off.</i>
R4	The payees of all long-standing cheques (i.e. those drawn three or more months ago) that remain uncleared at the bank should be pursued to determine whether they still hold the cheque and intend to bank it or require a replacement. If not required or “lost”, the cheques should be written back in the accounts and, if necessary, a replacement issued.	<i>The RFO will identify long-standing cheques remaining uncleared at the bank and take appropriate action as necessary (NB: this still requires action, as in the body of the report).</i>
R5	The coding structure and consequently the budget analysis should be reviewed and simplified to provide members with more relevant performance reporting information and to reduce the risk of incorrect coding.	<i>The RFO, together with the Clerk and budget Sub-Committee, have established a new coding structure for the 2019-20 budget.</i>
R6	The identified errors in linking of temporary / agency staff costs and staff training as Staff Costs currently to Box 4 of the AGAR should be amended to ensure that they are linked to Box 6 – Other expenditure.	<i>This has been amended appropriately.</i>
Review of Corporate Governance		
R7	The contract accountants will need to review their records and provide appropriate explanations for the seemingly “uncleared” cheques at the financial year-end detail of which will need to be forwarded to the external auditors.	<i>The RFO has endeavoured to clarify the position with the former accountants to ascertain and amend discrepancies arising from the 2017-18 audit review, although this has proved unsuccessful with the former accountants not prepared to undertake further work.</i>

Rec. No	Recommendation	Response
Budgetary Control and Reserves		
R8	The Council should ensure that the retained General and Earmarked Reserves are maintained at an appropriate level to meet both the Council's ongoing revenue spending requirements and any future development aspirations, ideally establishing formal Earmarked Reserves for the latter.	
Review of Income		
R9	The existing hall booking form should be amended, as we understand is intended, as soon as practicable to incorporate hirers' signatures confirming agreement and acceptance of the hire terms and conditions.	<i>This has been actioned accordingly.</i>
R10	All regular hirers should also be required to complete and sign an agreement form at least once annually or as and when a change in organiser occurs.	<i>This has been addressed with signed forms now acquired from regular hirers.</i>
R11	Urgent action should be taken to pursue the numerous long-standing (i.e. those older than 3 months) debts identified on the booking system's Sales Ledger - "Unpaid debts by Date" report.	
R12	Consideration should be given to either raising allotment rental invoices using the Omega Sales Ledger or annotating the spreadsheet control record with the payment date in order to provide a clear audit trail to help ensure all rents are recovered appropriately.	
Petty Cash Account		
R13	The residual small petty cash balance held should be banked and coded to an appropriate miscellaneous income code.	<i>The RFO has banked the residual petty cash balance.</i>
Fixed Asset Registers		
R14	The Council must ensure that the asset register is updated routinely to identify all new acquisitions and disposals ideally using the potentially acquired RBS software.	