



FINAL

Internal audit report 2020/21

Visit 1 of 3

SOMERTON TOWN COUNCIL

Date: 23rd February 2021

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Introduction

This report contains a note of the audit recommendations made to Somerton Town Council following the carrying out of internal audit testing remotely on the 6th January 2021 with subsequent follow-up work.

The audit work has been carried out in accordance with Appendix 9 of the 2014 'Governance and Accountability for Local Councils: A Practitioners' Guide', as amended by the additional requirements in the 2018/19 AGAR.

An internal audit covers the review of the operation of the Council's internal control environment. It is not designed to review and give full assurance over every transaction carried out by the Council. Instead it enables the auditor, following the sample testing of a number of different types of transaction, to give an opinion as to whether or not the control objectives are being achieved across a range of financial and governance systems.

Audit Opinion

As this audit report is an interim one, no audit opinion is offered at this stage.

The report issued after the final visit for 2020/21 (which will be in May or June 2021) will contain the audit opinion.

The following areas were reviewed during this audit visit:

1. Proper Book-keeping
2. Payments
3. Risk Management
4. Budgetary Control
5. Exemption
6. Public Rights

Audit Recommendations

Recommendations made during the audit are shown in appendix one to this report. Recommendations are graded as follows:

Rating	Significance
High	Either a critical business risk is not being adequately addressed or there is substantial non-conformity with regulations and accepted standards.
Medium	Either a key business risk is not being adequately addressed or there is a degree of non-conformity with regulations and accepted standards.
Low	Either minor non-conformity with procedure or opportunity to improve working practices further.

The number of recommendations made at this audit visit and their priority are summarised in the following table:

Rating	Number
High	0
Medium	3
Low	5
Information	0
TOTAL	8

I would like to thank Lisa Newby, Town Clerk for her assistance during this audit.

Darkin Miller ~ Chartered Accountants
2020/21 INTERNAL AUDIT OF SOMERTON TOWN COUNCIL
FINAL REPORT VISIT 1 OF 3: 23rd FEBRUARY 2021

Appendix 1 – Recommendations and Action Plan

Recommendation number	Detail	Priority (Low/ Medium/ High)	Management Response	Responsible Officer	Due Date
2.1 – Use supplier's invoice number in reference field	<p>I noted that the reference input on Sage for payments is either the supplier reference number, or the date that the invoice was paid (if paid by direct debit). It is more common to use the supplier invoice number as the reference, as this makes it easy to locate the transaction when searching on the finance system; or to enable certainty when checking which payment relates to which invoice where there are several payments for the same amount to the same supplier.</p> <p>I recommend that the reference field on Sage is used to record the supplier's invoice number; and that any additional information required is recorded in the 'Ex-ref' field.</p>	L	After speaking with Sue (RFO) today, there are two reference fields on Sage, both are now being used to record the invoice number and then the reference number allocated when inputting the details		Already in place
2.2 – Ensure VAT receipt/invoice obtained to support input VAT reclaimed	I checked to see that VAT on payments had been identified, recorded and reclaimed. I found that VAT had been properly accounted for on 15/17 samples. I was unable to check for 1/17 samples as I was not provided with the invoice. For the remaining 1/17 samples, I found that a small amount (under £5) of VAT had been reclaimed on a copy email order from Screwfix. The information contained in the order does not appear to match all of the information	M	It has been confusing for both the Clerk and Deputy Clerk to realise that some of the paperwork has not been a VAT invoice. Work has been done to obtain any paperwork which		Immediate:

	<p>required by HMRC to reclaimed VAT. HMRC provide guidance here: https://www.gov.uk/vat-record-keeping/vat-invoices</p> <p>I recommend that the additional information, or a VAT invoice/receipt is obtained for all purchases on which VAT is claimed.</p>		is not correct. Sue (RFO) is very specific that the correct VAT invoice is required to be part of the VAT return.		
2.3 – Use correct invoice date on finance system	<p>I noted that the invoice date noted on Sage for 2/17 was a different date to the invoice/tax point date shown on the related invoice, albeit that on the samples concerned the Sage date and invoice date fell within the same VAT period. The Sage date should be the same as the invoice date in order to ensure that the invoice is captured in the correct VAT return, and this could cause problems if the dates concerned fell in different VAT periods.</p> <p>I recommend that the actual invoice date is used as the invoice date when inputting the invoices onto Sage.</p>	L	As entries have been viewed during the audit period, those that are incorrect are/have been amended to reflect the invoice date rather than the posting onto Sage date. Sue (RFO) ensures this is the case for VAT periods as part of submitting the VAT return.		Already taking place
2.4 – Authorise invoices	<p>I checked to see that a sample of payments in the cashbook were supported by invoices, authorised and minuted. I found that all samples were supported by paperwork, but that that only 9/17 samples were authorised (initialled or signed by the Clerk to confirm that the invoice had been checked for accuracy, and that the goods or services had been satisfactorily received). Many Councils' processes for authorising invoices were disrupted at the start of</p>	L	Invoices are now signed by the clerk to authorise payment.		The Town Council 'COVID' procedures covered making payments during the

	<p>the pandemic, and I note that there was also a change of Clerk during the year.</p> <p>The new Clerk has confirmed that invoices are now being authorised.</p> <p>I recommend that the authorisation of invoices continues in order to improve the audit trail.</p>				first quarter of this year..
2.5 – Record total in minute approving payments	<p>I found that 16/17 samples had been minuted for approval by Council, but was unable to prove that the first sample (relating to a payment made in April 2020 on a March 2020 invoice) had been minuted for approval. I also noted that during the year, the Council minutes stopped recording the value of payments approved on the payments list. Putting the total on the payments list and including a note in the related minute improves the audit trail, and enables the Council to prove that all payments have been properly minuted for approval.</p> <p>The Clerk has confirmed that the minutes are now recording the total again, and has provided copies of the payments lists as signed by the Chairman of Council (to confirm that they were the lists approved by Council) for all but 1/17 samples.</p> <p>I recommend that the minutes continue to record the total value of payments approved at each meeting.</p>	L	<p>A total for payments to be authorised, and a total to confirm what has been paid, have been included in the minutes for Feb 2021, to confirm that the hard copy list in the relevant folder is in fact that list that is presented and authorised at the Full Council meeting. Additional signing by the Chairman when the draft minutes are produced, and then these are lodged in the invoices folder for that payment period (filed quarterly)</p>		Commenced February 2021

2.6 – Correct coding	<p>I checked that a sample of payments were correctly coded. I found two payments which appeared to relate to new equipment which were coded to repairs.</p> <p>The Clerk confirmed that these had been identified by the Finance Officer and would be corrected.</p> <p>I recommend the correction take place as planned.</p>	L	Sue has already queried this occurring in the accounts this year. Action taken to remedy		immediate
4.1 – Amend budget monitoring spreadsheet to show adjustments to agreed budget	<p>I checked to see that there were no significant unexplained variances from budget. I found that the budget monitoring report to 30/09/20 (Q2) indicated that the Council was underspent on its expenditure budget by £240k (actual spend of £289k against the full year budget of £529k), and that it had almost achieved its full year income budget of £477k, with cumulative income of £417k.</p> <p>I noted that there were differences between the budgeted income and expenditure per the agreed budget for 20/21, and the budgeted income and expenditure figures shown on the budget monitoring report. The differences on the expenditure budget (a £48k increase on the original £481k budget) appear to relate to transfers from earmarked funds relating to projects from prior years that were rolled over to 20/21. I have been unable to identify the reasons for the income budget changes (a £3.9k decrease on the original £103k budget). I confirmed that, as compared to the original base budget, the Council is</p>	M	The budget reporting format is not meaningful. A more representative spend to budget was formulated when budget setting to enable precept setting. The current budget spreadsheet is currently multiple pages long and quite overwhelming, but the Clerk has made some changes to make it more accessible. The spreadsheet is still unwieldy, but gives more relevant information. The		April 2021

	<p>underspent at month 6.</p> <p>I recommend that the budget monitoring spreadsheet is revised in order to clearly show the original budget as approved by Council and, where appropriate, virements and transfers agreed after the budget was set. This will ensure that results for the year can be compared to the budget set by Council.</p>		<p>intention is to move to a sector specific accounts packaged</p>		
<p>4.2 – Consider revising format of budget monitoring spreadsheet, and use of pro-rata budgets</p>	<p>I further recommend that consideration is given to revising the format of the budget monitoring report as the current layout is not user-friendly. As the budget is reported by cost centre, it may be more accessible if the income and expenditure for each cost centre is reported in one column (with a net position for each cost centre shown as a sub-total). This would allow the comments column to be used for comments relating to either income or expenditure, rather than including all comments for that cost centre on one line.</p> <p>Members should also consider whether a pro-rata budget would be helpful for budget monitoring, as this enables Members to see if the Council is overspent at that point in time (the use of a comparison of cumulative expenditure to budget only allows Members to see what has been spent, not if it should have been spent by that point).</p>	<p>M</p>	<p>I completely agree that the budget reporting needs to be revised. The new accounts package will assist with that. Furthermore, each committee will have the relevant budget reported back at each committee meeting. This will give ownership and greater understanding of spend to budget as a whole.</p>		<p>April 2021</p>