

AGENDA ITEM 16.2

System: Payroll

Auditor: Ken Goddard

Date: April 2024

Control Objective 1: To ensure all payroll processing since the last audit has been carried out correctly

Ref	Expected Control	Actual Control	Test Findings & Recommendations	Council's Response And Target Date
1.1	Payroll operations are carried out by 2 officers.	The payroll is prepared by the Deputy Town Clerk.	The payroll is prepared by the Deputy/Town Clerk and is approved by the Chairman of the Council.	None required
1.2	Before the credit transfer is made, figures are matched against the payroll figures.	This is included in the Bills for Payment to Full council on a monthly basis and depending on the date of the meeting can be retrospectively	This was evidenced during the audit.	None required
1.3	All overtime claims are approved before payment.	The Town Clerk approves all overtime claims.	Overtime is usually dealt with by TOIL. Overtime claims were seen in the selected month's payroll run, and were approved by the Town Clerk.	None required
1.4	The Internal Auditor checks for accuracy the payroll run including any pay rise.	This was carried out during the audit	Checks were made on the payroll runs for the months of November 2023.	None required

1.5	Monthly HMRC processes are carried out as per regulations	At the end of each payroll run, an e-mail is sent to HMRC together with listings of all income tax and NI deductions for each member of staff.	Evidence of this procedure was seen during the audit.	None required
1.6	The software and data is backed up to facilitate recovery of files.	The payroll data and software together with all, other data and software is stored in the Cloud.	Yes. All payroll data and systems are stored each evening in the Cloud. An e-mail is received to confirm that the back-up process has been fully completed.	None required

INTERNAL AUDIT REPORT – Southwell Town Council

System: Payroll

Auditor: Ken Goddard

Date April 2024

Control Objective 2: To ensure that all statutory and voluntary deductions are correctly deducted and paid away.

Ref	Expected Control	Actual Control	Test Findings & Recommendations	Council's Response and Target Date
2.1	All Income Tax and NI contributions are deducted from gross salary	Statutory deductions are made from gross or taxable pay.	This was seen for month of November 2023 selected for review.	None required
2.2	Income Tax is calculated using the latest advice from the Inland Revenue	Statutory deductions are made according to advice received from Central Government	Tax code notices seen during the audit and evidence that the current tax codes for staff are being used in the payroll runs.	None required

2.3	Income Tax, employee NI and employer NI contributions are forwarded to the Inland Revenue by the deadline date.	Forwarded to Inland Revenue each month.	The submissions to HMRC in respect of PAYE and NI (ee) and NI (er), were seen for the November 2023 payroll run. An amount of £6,424.29 was paid to HMRC on 29 November 2023.	None required
2.4	All occupational pension contributions by the employee are matched with an agreed amount from the employer.	Employer contributes 21.3% plus a fixed sum of £268.33 each month.	These calculations were seen to have been used for the payroll runs selected for testing.	None required
2.5	All occupational pension scheme deductions were made at the correct rate.	Employees' contributions based on a sliding scale.	All occupational pension contributions are being made at the correct rate – this was confirmed during the review of the selected payroll runs.	None required
2.6	All pension deductions are forwarded to the pension provider	All deductions for pension are made to Notts County Council.	The staff's pension contributions plus the Council's contributions for the November 2023 run was seen on the bank statements showing the correct amounts of £5,177.49 paid to NCC on 29 November 2023.	None required

INTERNAL AUDIT REPORT – Southwell Town Council

System: Purchase Ledger

Auditor: Ken Goddard

Date: April 2024

Control Objective 3. To ensure all payments made for goods/services are authorised and legitimate.

3.1	There are guidelines to be followed when purchasing goods/services for the Council.	There is a policy statement regarding purchases.	Conversation with the Town Clerk.	None required
3.2	Invoices are stamped and their details entered onto financial records.	All invoices are stamped and initialled as being checked.	A sample of 12 invoices selected from November 2023 and 9 from February 2024 was seen during the audit and all had been endorsed with a stamp and a reference assigned. VAT was clearly shown on all invoices and correctly posted for inclusion on the appropriate VAT return.	None required
3.3	Invoices are checked for accuracy etc	All invoices are checked before being authorized for payment.	This was confirmed during the audit.	None required
3.4	Payment is authorized by Members.	All payments are submitted to the Members of the F & S Committee who authorize payment.	This was evidenced during the audit.	None required
3.5	All purchases valued in excess of £1,500 are subject to a formal quotation/tender exercise	Quotes are obtained for large orders.	An example of the tendering process was seen during the audit in respect of the new skate-park contract. Five companies were invited to tender, of which two submitted tender offers. The preferred offer was selected after an official review of both tenders.	None required

INTERNAL AUDIT REPORT Southwell Town Council

System: VAT Returns

Auditor: Ken Goddard

Date: April 2024

Control Objective 4. To ensure that VAT is accounted for correctly on sales and purchases, and VAT Returns are submitted promptly to HMRC.

Ref	Expected Control	Actual Control	Test Findings & Recommendations	Council's Response and Target Date
4.1	The Accounting System holds all the current VAT rates.	When there is VAT rate change, the file in the Omega system is up-dated.	Yes, current rates were in use by the system during the audit.	None required
4.2	VAT is correctly identified on all sales and purchase transactions	On all sales transactions the gross amount is entered for each good/service and the computer automatically calculates the VAT using the appropriate rate indicated by the operator. The invoice will show the split between the net and VAT amounts. Incoming invoices from suppliers show the VAT amount.	A sample of sales and purchase invoices was examined during the audit to ensure VAT amount was calculated and recorded correctly.	None required
4.4	VAT is correctly accounted for when making the VAT returns to HMRC.	The Accounts system includes all VAT elements from the sales and purchase ledgers when producing the VAT returns.	The VAT returns for the October-December 2023 and the January – March 2024 quarters of 2022/23 were re-calculated during the audit and found to be correct. All VAT on purchase invoices sampled were included in the appropriate VAT return.	None required

4.5	Any VAT refunds are received by the Council.	HMRC refund any monies owed to the Council in respect of Vat.	I checked the receipt of VAT refunds to the bank statements as follows: Oct-Dec 2023 £10,506.67 was received on 23 January 2024; Jan-March £29,590.28 was claimed – payment not checked back to bank statement.	None required
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INTERNAL CONTROL QUESTIONNAIRE

System: Asset Management

Auditor: Ken Goddard

Date: April 2024

Control Objective 5: To ensure registers of assets are adequately maintained.

No	Expected Control	Actual Control	Test Findings & Recommendations	Council's Response and Target Date
5.1	A statement exists explaining the Council's Policy regarding the management of assets	Section 14 of Financial Regulations explains the policies regarding management of assets	A statement regarding assets as included in the Council's Financial Regulations section 14 was seen during the audit.	None required
5.2	All assets are purchased with proper budget approval	All assets are approved by Members after quotes are received for larger-cost items and in accordance with budgets.	Several large items were purchased during the current financial year including the skate-park.	None required
5.3	A register is maintained of all assets	A financial asset register is maintained office equipment.	The asset register has been reviewed and a correct valuation figure arrived at of £2,716.010,	None required
5.4	All assets are included in the Council's insurance policies	Regular valuations are carried out for insurance purposes.	The current long-term insurance policy with Zurich Municipal ending 1 June 2026 was reviewed during the audit. The premium was £4,080.34 for the current year. The overall coverage is adequate with	

			<p>the insurance cover exceeding the book value of property etc to cover replacement values.</p> <p>RECOMMENDATION:</p> <p>It was noticed that there was Business Interruption cover specified on the policy.</p>	
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INTERNAL CONTROL QUESTIONNAIRE

System: Investments

Auditor: Ken Goddard

Date: November 2023

Control Objective 5: To ensure that the Council has effective management controls over its investments

No	Expected Control	Actual Control	Test Findings & Recommendations	Council's Response and Target Date
5.1	The Council has an investment policy document detailing the Council's strategy regarding the investment of funds.	The Council has a policy that determines the procedures to be followed in investing surplus monies for the Council.	The Investment Policy was seen during the audit – Investment Funds Policy, which had been recently amended. The initial investment was £305,000 but has been reduced to £180,000 as at 31 March 2024.	None required.
5.2	Regular reports on investments, and their returns are submitted to a managing body	Interest earned on investments with CCLA are reported periodically to the G & F Committee.	Seen in the minutes.	None required.
5.3	When funds are moved into and out of interest bearing accounts, they should be approved by those authorised so to do.	Movements into and out of the CCLA saving account are approved in advance by	Evidence see during the audit.	None required.

		Members and then acted upon by the Town Clerk.		
5.4	All interest/dividends received from investments are correctly banked in a timely manner.	The main investment income comes from the CCLA which are paid each month.	<p>Payments of dividends were checked back to the bank statements as follows:</p> <p>Interest from the investment was received by the Council as follows: November 2023 £1,395.28 December 2023 £1,319.39 January 2024 £1,365.36 February 2024 £1,299.74 March 2024 £965.55.</p> <p>All receipts were checked back to the bank statements.</p>	

INTERNAL CONTROL QUESTIONNAIRE

System: Main Accounting System

Auditor: Ken Goddard

Date: March 2021

Control Objective 7: To ensure that the Council has adequate control over its Main Accounting Records on the Omega System

No	Expected Control	Actual Control	Test Findings & Recommendations	Council's Response & date of Implementation
7.1	All DRs and CRs net off to zero	Yes. For entries to the Sales and Purchase ledgers the OMEGA system automatically posts a balancing figure.	Demonstrated during the audit. Regular trial balances were seen during the audit.	None required
7.2	All data input from feeder systems is subject to control and agreement.	The Purchase Ledger, Sales Ledger and payroll are all fed into the Cash Book.	This was verified during the audit of the various sub-systems.	None required

7.3	Control accounts are reconciled regularly with subsidiary records.	Bank accounts reconciled monthly on the Omega system.	Evidence seen during this audit and also during the review of the bank reconciliations.	None required
7.4	All journal transfers contain substantive information and are authorised.	Journals are used to make adjustments when data has been posted to the wrong NL code or cost code.	These were checked during the audit but it noticed that none were checked by a second person.	
7.5	All access to update/amend data on the main accounting system and feeder files is restricted to authorised personnel.	Bankline and Payroll systems are protected by distinct passwords. Access to Omega is restricted to specific computer workstations.	Access to the Omega system is restricted by ID and password.	None required
7.6	Daily copies of data/software are taken for recovery purposes	Data and systems are stored overnight offsite.	Data and systems are stored on to the SNAS (Streamline Network Analytical System) and then stored in the Cloud.	None required.

INTERNAL CONTROL QUESTIONNAIRE

System: Risk Management

Auditor: Ken Goddard

Date: March 2021

Control Objective 8: To ensure that the Council has identified and assessed the impact of all risks that might prevent the achievements of its objectives

No	Expected Control	Actual Control	Test Findings & Recommendations	Council's Comments and Target Date
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8.1	The Council has a formal written risk management strategy document	The Council has an existing Risk Assessment Policy which has just been updated, reviewed and approved on 13 February 2020.	<p>The updated document was reviewed by the Auditor during the audit.</p> <p>The policy contains the following headings:</p> <ul style="list-style-type: none"> Key Risks Key Documents Key Processes Risk Panel General Responsibility Review. <p>The Policy is supported by a Risk Assessment Detailed Process outlining the steps to be taken to prevent and minimise the aftermath of an emergency.</p> <p>RECOMMENDATION</p> <p>The policy has not been reviewed since 2020 and needs to be examined to ensure it meets current risks, financial and environmental.</p>	None required
8.2	The Risk document addresses all likely risks to the Council's provision of public services.	All key areas of the Council's services are listed.	This assessment of risk was reviewed during the audit and was found to have addressed all relevant risks but see 10.3 below. The Internal Auditor noticed that an Emergency Plan had	None required

			been prepared to deal with the Coronavirus Lockdown restrictions.	
8.3	All risk areas are included in the risk management strategy document.	There is an area that could be considered for inclusion to the document.	<p>I was pleased to see that a Business Continuity Plan has been prepared showing all the obvious emergency conditions that the Council be faced with.</p> <p>RECOMMENDATION</p> <p>I would recommend that an additional column be considered headed Precautionary Steps, to show what measures could be taken to mitigate against any emergencies that might occur.</p>	