

The Councillors  
Earley Town Council  
Council Offices  
Radstock Lane  
Earley  
Reading RG6 5UL

14<sup>th</sup> July 2020

Dear Ladies and Gentlemen

## **Internal audit – year ended 31<sup>st</sup> March 2020**

Further to my post year-end work which has been carried out remotely, I am pleased to report that I have now completed my internal audit review. My internal audit was based on the guidelines included in the JPAG Governance & Accountability for Smaller Authorities: A Practitioners' Guide to Proper Practices.

I am satisfied with the figures that will be disclosed on the Annual Governance & Accountability Return (AGAR) and in the Annual Accounts. It should be noted that the external auditors will give their opinion on the figures disclosed in the AGAR and they do not see the Annual Accounts.

I have detailed below additional matters which need to be disclosed to you relating to the 2019-20 audit. Appendix 1 to this letter provides a summary of internal audit findings this year.

### **Overall conclusion**

Following the departure of the previous Finance Manager, the Finance Department has been managed by the Senior Operations Support Officer (SOSO). Under her management, much progress has been made including the implementation of a new finance package which allows tailored access to the system to be granted to any staff who need it. In particular, this means that the Town Clerk can access the system at any time.

An accountant with experience in the sector has been brought in on a consultancy basis to support the finance function within the Council and a new permanent member of the finance team started in March 2020. Due to the restrictions that arose from the Covid-19 situation, most of the end of year work was carried out by the SOSO. As the lockdown relaxes, it will be possible to give further training to the new finance staff member so that she can take on more responsibilities which will in turn free the SOSO to take on other roles within the Council.

### **Intermediate audit requirements for the external auditors**

All Councils are required to submit the following documents to the external auditors:

- AGAR
- Bank reconciliation as at 31<sup>st</sup> March 2020
- Reconciliation between the reserves carried forward and cash held as at 31<sup>st</sup> March 2020
- Explanation of any variances >15% in the figures disclosed on the AGAR (none for Earley Town Council this year)

As the Council's income and expenditure exceed £200,000, the Council falls into the intermediate audit regime. In addition to requesting the documents listed above, the external auditors test compliance with the assertions made in Section 1 of the AGAR on a cyclical basis. This year they are testing assertion 8 and are asking for copies of minutes and agenda papers from the meeting at which the budget for 2020/21 was approved.

### **Standing Orders, Financial Regulations and Compliance with the Transparency Code**

My audit report in June 2019 reported that the Standing Orders and Financial Regulations were in need of updating. I also reported that the Council was not fully complying with requirements of the Transparency Code 2015.

The Financial Regulations have now been updated and at the time of writing were due to be reviewed by the Policy & Resources Committee. Work has commenced in updating the information provided on the website so that the Council is compliant with the Transparency Code. The Standing Orders are still to be revised.

### **Signing of the audit report**

The external auditors have commented in previous years that "sufficient internal audit work needs to be completed and reported before the Members approve the Annual Governance Statement". This letter should therefore enable the Council to approve the Annual Return in the knowledge that the internal audit for the year is complete.

As in previous years, I will wait until the Members have approved the Return, and assuming that the figures on the Return are as agreed during my visit and the Governance Statement is approved, I will then sign my section of the Return, giving an **unqualified report**. My internal audits in the previous two years have both had qualifications (firstly for inadequate accounting records and then in the following year failure to operate payroll correctly) so an unqualified report clearly shows the progress that has been made in strengthening the internal controls at the Council.

Yours faithfully



Claire Connell

## Appendix 1: Summary of internal audit findings in 2019-20

<u>Annual Internal Audit Report Section</u>	<u>Comments</u>
A. Appropriate accounting records have been properly kept throughout the year	<p>A new accounting package was introduced during the year. This package is specifically designed for parish and town councils.</p> <p>Appropriate accounting records have been maintained during the year. An accountant with experience in the local council sector was engaged on a consultancy basis to give guidance after the resignation of the Finance Manager in the summer of 2019.</p>
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for	Testing and review of systems shows that expenditure is properly incurred, payments approved and VAT generally appropriately accounted for.
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	<p>Minutes, Standing Orders, Financial Regulations, insurance cover and the Risk Register indicate that there are proper risk assessment and management procedures.</p> <p><u>As mentioned above, the Standing Orders are in need of review.</u></p>
D. The precept resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	Agreed.
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	There were no significant issues regarding income.
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	Amounts paid out of petty cash were few in number and low in value.
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	<p>Payroll was operated in-house until the summer of 2019 when a payroll company was engaged.</p> <p>No significant errors were found.</p>
H. Asset and investments registers were complete and accurate and properly maintained.	An adequate fixed assets register is maintained in Excel. There has been some small movement in the assets this year.
I. Periodic and year-end bank reconciliations properly carried out	Yes, these are reviewed by the Town Clerk and the Leader.
J. Accounting statements prepared during the year were prepared on the correct accounting basis, agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	These assertions have been met.

<p>K. IF the authority certified itself as exempt from a limited assurance review in 2018/19, it met the exemption criteria and correctly declared itself exempt. (<i>“Not Covered” should only be ticked where the authority had a limited assurance review of its 2018/19 AGAR</i>)</p>	<p>Not covered – the Council had a limited assurance review of its 2018/19 AGAR</p>
<p>L. During summer 2019 this authority has correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations.</p>	<p>Yes</p>
<p>K. The Council met its responsibilities as a trustee</p>	<p>Not applicable</p>