
Corsham Town Council
(Incorporating The Methuen Hall Trust)

Internal Audit Report (Final update) 2017-18

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Background

Statute requires all town and parish councils to arrange 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).

This report sets out the work undertaken in relation to the 2017-18 financial year, during our three visits to the Council for the year, which took place on 1st September 2017; 26th January & 24th May 2018.

Internal Audit Approach

In undertaking our review for 2017-18, we have again 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 is also designed to afford appropriate assurance that the Council's financial systems remain 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. The programme is also designed to facilitate our completion of the 'Internal Audit Report' in the Council's AGAR, which requires independent assurance over ten internal control objectives.

In view of the close links between the Council and Methuen Hall Trust, we have, as in prior years, included coverage of transactions on the separately maintained accounting records of the Methuen Hall Trust. Consequently, this report incorporates detail of the work undertaken in respect of the Trust as well as the Council.

Overall Conclusion

We are pleased to again conclude that the Council continues to maintain adequate and effective internal control arrangements, with no issues identified warranting formal comment or recommendation this year.

Based on the satisfactory conclusions drawn from our review of the Council's accounting and other records for the financial year, we have duly signed-off the Internal Audit Report in the AGAR assigning positive assurances in each area.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

Officers have continued to maintain the Council and Trust accounting records using Omega software with separate current bank accounts in place at Lloyds (one each for the Council, Methuen Hall & Coppershell Charity), and Santander banks. Further surplus funds of £100,000 each are now retained respectively in the CCLA Property and Deposit Funds, following closure of the HSBC accounts.

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. We have consequently:

- Verified the accurate carry forward of closing trial balance detail in the 2016-17 Statement of Accounts for both the Council and Trust to the current year's Omega records;
- Verified that the financial ledgers remain "in balance" for both entities at the financial year-end;
- Examined detail in the Council & Trust's current a/c cashbooks for April, July and December 2017, plus March 2018 agreeing detail to the relevant bank statements;
- Examined the full year's transactions, in view of their low volume, on all other accounts to bank statements;
- Checked and agreed detail on the Council and Trust's current account bank reconciliations as at 30th April, 31st July and December 2017, plus March 2018 including those on the other accounts, also as at 31st July and December 2017 and March 2018; and ensured the accurate disclosure of the combined cash and bank balances in the year's AGAR at Section 2, Box 8.

Conclusions

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

Review of Corporate Governance & Regulatory Framework

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 and that, as far as we are able to ascertain (as we do not attend meetings), no actions of a potentially unlawful nature have been or are being considered for implementation.

We note that both Standing Orders (SOs) and Financial Regulations (FRs) have again been reviewed and re-adopted by the Finance & Admin Committee at the February 2018 meeting, together with the previous adoption of an FR checklist also prepared by the CX, which highlights the timing of various actions to be performed necessarily during the year.

We have continued our review of minutes for the financial year and to date in 2018-19 to ensure that the Council has neither considered nor is considering taking any action that may result in ultra vires expenditure being incurred.

Conclusions

No matters arise in this area warranting formal comment or action by officers or members at present. We shall continue to monitor the Council's overall approach to governance at future visits.

Review of Expenditure

Our aim here is to ensure that: -

- Council and Trust resources are released in accordance with the approved procedures and budgets;
- Payments are appropriately supported, 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;
- An official order has been raised on each occasion when one would be expected;
- 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 again reviewed the procedures in place for the placement of orders, approval and release of funds in respect of expenditure and consider them sound. We have extended our review of payments for the year to ensure compliance with the above criteria examining a sample of 68 Town Council payments totalling £225,200 equating to 58% of non-pay related payments in the financial year with all the above criteria appropriately met. We have also examined a sample of six months (October 2017 to March 2018) Trust payments to ensure compliance with the above criteria, again with no issues arising.

We note that VAT reclaims for both the Council and Trust continue to be prepared and submitted to HMRC for repayment at the end of each quarter and have checked and agreed their detail to the underlying control accounts in the financial ledgers for each body for the financial year.

Conclusions

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

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 in order to minimise the opportunity for their coming to fruition.

We have also noted previously that the CX has revised the Risk Management Strategy and more detailed risk assessment register, detail of which was presented to the Finance and Administrative

Committee for formal review and re-adoption in April 2017. This has, we note, been further represented and re-adopted in April 2018.

We have also examined the content of the Council's current insurance schedule, renewed with Zurich and are pleased to acknowledge that cover appears appropriate for the Council's present requirements with Public, Employer's and Fidelity Guarantee cover in place at £15 million, £10 million and £1 million respectively. We note that the Council's insurance policy includes detail for the Methuen Hall Trust with specific and relevant areas pertaining to that body paid separately by the Trust. We consider that adequate cover remains in place and is appropriate to the Council's / Trust's present requirements.

Conclusions

No issues arise in this area: we shall continue to review the Council's approach to risk management at future visits, also ensuring compliance with the requirements of the Governance and Accountability Manual – "The Practitioner's Guide" with the previously prepared, approved and adopted assessment register further examined and re-adopted in due course.

Budgetary Control and Reserves

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and level of precept to be drawn down from Wiltshire Council: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

We are pleased to note that, following due deliberation, the Council agreed its budgetary and precept requirements for 2018-19 setting the latter at £726,604 at the January 2018 full Council meeting.

We remain pleased to note that members continue to receive routine budget reports throughout the year based on the accounting software, with a commentary explaining any significant variances that might exist: we have examined detail of the year-end Omega budget report detail following up and obtaining appropriate explanations for the few minor variances existing with no issues identified warranting comment or further action.

Finally, in this area, we have examined the level of retained reserves at the year-end noting that, overall, they have increased to £936,489 (£719,439 as at 31/3/17) with the General Fund (GF) balance increasing to £578,555 (£382,146 at the previous year-end). The GF balance now equates to approximately 6½ months' revenue spending at present levels and is considered more that appropriate for the Council's current requirements, given the retention of Earmarked funds of approximately £306,000.

Conclusions

No issues arise in this area this year warranting formal comment.

Review of Income

Our objective in this area is to ensure that the Council and Trust identify and recover all income to which they are entitled and have appropriate arrangements in place to ensure its prompt recovery.

We have during our two interim visits this year examined income arising from allotments, burials and associated income, plus hire of the Methuen Hall, together with that from the provision and watering of hanging baskets and rental of the flats in Arnold House. One or two potential issues were identified during our review, which, we are pleased to record, were satisfactorily resolved with the assistance of the controlling officers.

Finally, in this area, we have updated our year-on-year analysis of income across the various budget headings, the results of which will be fed into the planning of next year's review programme, although no significant or unexplained variances have been identified for the year.

Conclusions

We are pleased to record that no significant issues have arisen in the areas examined this year warranting formal comment or recommendation.

Review of Staff Salaries

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HM Revenues and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions and the implementation of the nationally agreed pay award payable from 1st April 2017. To meet the above objective, we have:

- Agreed the gross salaries paid to all staff in August 2017 by reference to the Council's approved pay scales and, for the three new employees, to their employment contracts;
- Ensured that tax and NI deductions have been made applying the appropriate tax code and NI Table by reference to the relevant HMRC web site calculators and that they are being paid over to HMRC accurately and in a timely manner each month;
- Ensured that appropriate employee and employer contributions to the pension scheme have been determined and paid over to the Pension Fund Administrators also in a timely manner;
- Reviewed the timesheets and travel claims processed with the August 2017 payroll ensuring that each has been signed appropriately by the employee and certified as appropriate for payment by their line manager; and
- Ensured the accurate payment of staff net salaries and deductions due to HMRC and Pension Fund Administrators again for August 2017.

Conclusions

We are pleased to report that no issues have arisen from our work in this area warranting formal comment or recommendation.

Fixed Asset Registers / Inventories

The Governance and Accountability Manual requires all councils to maintain an appropriate register of its asset stock: the Council has complied with the requirement differentiating, to a great degree, between those assets that would be regarded as capital spending were the Council subject to full FRSSE accounting principles requiring the assets to appear on the Balance Sheet and capital charges to be applied. We are pleased to note the continued maintenance and update of this very comprehensive register to reflect new acquisitions and / or disposals during 2017-18.

We are pleased to note that the Council's external contract accountants have observed the extant guidance and purely shown the prior year reported asset value in the detailed Statement of Accounts and Annual Return (Box 9) together with the cost of new purchases / acquisitions in 2017-18, less the nominal value of any disposals. They have also ensured that the value of the CCLA "investment" (as below) is also recorded appropriately as a fixed asset in the year's Annual Return.

Conclusions

No matters arise in this area this year.

Investments and Loans

We aim here to ensure that the Council is maximising its interest earning potential through "investment/deposit" of surplus funds in high interest bearing accounts/deposits. We have made previous reference to the closure of HSBC current account and term deposits and placement of £100,000 in the CCLA Property Fund in March 2015, together now with £100,000 in the CCLA Deposit Fund, the former being correctly identified as a "Fixed asset" at Box 9 of the year's AGAR.

We have checked and agreed the two half-yearly PWLB loan repayment instalments for the year as part of our payment review by reference to the relevant PWLB demand notices, also verifying the accurate disclosure of the residual loan liability in the AGAR at Box 10, by reference to the PWLB website.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

Statement of Accounts & AGAR

We are required as part of the internal audit reporting process to provide assurance to the external auditor that the financial detail reported in Section 2 of the AGAR corresponds to the underlying financial and other records of the Council and that appropriate arrangements exist for the identification and reporting of any year-end debtors and creditors due to or payable by the Council.

As indicated earlier in this report, the contract accountants (DCK Accounting) have again prepared a detailed Statement of Accounts for the financial year, the content of which we have verified by reference to their working papers and the year-end Omega Trial Balance. The detailed Accounts provide the basis for data entry in the AGAR Section 2, which we have also verified subject to noting an error in the value assigned at Boxes 4 & 6 for Staff and Other expenditure. We have drawn this error to the attention of the CX and Accountants who have confirmed our findings and issued an amended schedule of values to be reported in the AGAR.

Conclusions

No significant issues have been identified in this area, although, as indicated above, the Staff Costs and Other Expenditure values require amendment on the AGAR prior to its submission to the external auditor.

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