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**Corsham Town Council**  
**(Incorporating The Methuen Hall Trust)**

*Internal Audit Report (Final update) 2018-19*

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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 systems 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 2018-19 financial year, during our three visits to the Council for the year, which took place on 18<sup>th</sup> October 2018; 4<sup>th</sup> January & 10<sup>th</sup> May 2019.

## **Internal Audit Approach**

In undertaking our review for the year, we have continued to have 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 a number of internal control objectives.

In view of the close links between the Council and Methuen Hall Trust, we have, as previously, undertaken work on the Trust's transactions and include detail herein, where applicable.

## **Overall Conclusion**

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

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 Certificate in the AGAR assigning positive assurances in each relevant 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.

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 2017-18 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, September and November 2018, plus March 2019 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 30<sup>th</sup> April, September and November 2018, plus 31<sup>st</sup> March 2019 including those on the other accounts as at 30<sup>th</sup> September and November 2018 and 31<sup>st</sup> March 2019 and
- Ensured the accurate disclosure of the combined year-end cash and bank balances in the AGAR.

### *Conclusions*

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

## 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 reasonably 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 Standing Orders (SOs) were reviewed and re-adopted at the July 2018 full Council meeting. We have also continued our review of minutes for the financial year reading those to date 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 currently. We shall continue to review minutes at future visits, also monitoring the Council's overall approach to governance.*

## 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 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 commenced our review of payments for the year to the date of this visit to ensure compliance with the above criteria examining an extended sample comprising 71 Town Council payments totalling £355,525 equating to 65% of non-pay related payments in the financial year with all the above criteria appropriately met. We have also examined all, in view of their low volume, Methuen Trust payments for the year to also 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 detail of those prepared and submitted for the year on both the Council and Trust to the underlying control accounts in the financial ledgers for each body.

### *Conclusions*

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

## Assessment and Management of Risk

In this area we aim 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 Chief Executive (CX) has revised the Risk Management Strategy and more detailed risk assessment register, detail of which was presented to and formally re-adopted at the Finance and Administrative Committee in April 2018.

We have also examined the content of the Council's current year insurance schedule 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.

### *Conclusions*

*No issues arise in this area for 2018-19: 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.*

## **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 note that, following due deliberation, the Council agreed its budgetary and precept requirements for 2019-20 setting the latter at £966,670 at the January 2019 full Council meeting.

We are also 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 £976,635 (£936,489 as at 31<sup>st</sup> March 2018) with the General Fund (GF) balance increasing to £607,979 (£578,555 at the previous year-end). The GF balance equates to approximately 11 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 £372,000 and the planned development of the cemetery extension which should commence in 2019-20.

### **Conclusions**

*We are pleased to report that no issues arise in this area and will continue to monitor the Council's approach to budgetary control and the level of retained reserves at future visits.*

## **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 visits for the current 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.

**Allotments:** we have examined the allotment registers, ensuring the timely recovery and banking of all income due for the year, also noting that the income recorded in the registers is accurately reflected in the relevant nominal income code in the financial ledger with no issues identified warranting further action or comment.

**Cemetery activities:** we note the continued use of a detailed spreadsheet identifying income arising from burial and associated fees and have examined the Burial Register at our interim update visit selecting a sample of interments for the financial year to 30<sup>th</sup> September 2018 ensuring that, for each, the relevant undertakers' documentation and Burial / Cremation certificates are held, also ensuring that the correct fees have been charged and recovered. We are also pleased to note that the long-standing unpaid fees from one undertaker have now been settled.

We also reviewed a sample of stonemasons' applications for placement of new headstones and/or additional inscriptions to existing headstones, again ensuring that the appropriate fees have been charged and paid and, together with burial fees, been recorded appropriately in the financial ledger.

**Hanging baskets:** we have also reviewed the recovery of income relating to the provision and watering of hanging baskets to local traders, noting that they are paid gross, with VAT appropriately coded to the VAT control account in the financial ledger.

**Methuen Hall:** we have also examined the Methuen Hall booking diary selecting bookings in October 2018 to ensure that, for each, the appropriate fees were charged and recovered, also noting that the Town Council is recharged for its usage of the hall on a single monthly invoice. In examining the invoices raised, we noted that regular hirers are awarded a 15% discount on their fees: whilst not a concern, we note that neither the schedule of approved fees and charges, booking forms nor invoices raised make any reference to the availability of this discount to regular hirers and discussed this with the CX and Finance Officer who agreed to ensure that all relevant documentation is amended appropriately to clearly identify the availability of this discount for regular hirers.

We have, at this final visit again examined the detailed nominal account transaction detail ensuring that, as far as we are reasonably able to ascertain, no miscodings have occurred. We have also updated our year-on-year analysis of income across the various headings, which will again be used to add focus to our 2019-20 review programme.

### **Conclusions**

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

## **Petty Cash Account**

We are required, as part of the internal audit certificate in the AGAR to assess the Council's approach to and control of the management of petty cash account transactions.

In order to meet that requirement, we have ensured that appropriate documentation is being maintained; that the account is being used for appropriate purchases and that individual purchases are not made for too high value items (i.e. purchases are for "petty" amounts only where it is not practicable for an account to be established with suppliers) and that VAT is being identified accordingly for periodic recovery. To that end, we have: -

- Examined transactions for the period 1<sup>st</sup> November to 31<sup>st</sup> December 2018 to ensure that all expenditure has been appropriately supported by a trade invoice or till receipt;
- Ensured that VAT has been identified for recovery, where appropriate; and
- Physically verified the petty cash physically held on 4<sup>th</sup> January 2019.

### **Conclusions**

*We are pleased to record that no issues have been identified in this area this year.*

## **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 1<sup>st</sup> April 2018. To meet the above objective, we have:

- Agreed the gross salaries paid to all staff in September 2018 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 September 2018 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 September 2018.

### **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 FRSSSE 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 2018-19.

We also note that the Council's contract accountants have observed the extant guidance and purely shown the prior year reported asset value in the detailed Statement of Accounts and AGAR (section 2, Box 9) together with the cost of new purchases / acquisitions in 2018-19, with no disposals occurring in the year. We also note that the value of the "investment" in the CCLA Property Fund (as below) is correctly included as a fixed asset in the year's AGAR.

### **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 noted in our interim reports that members approved the transfer of a further £100,000 to the CCLA Deposit Fund during the course of the current financial year and have verified its accurate disclosure in the AGAR as part of the Council’s combined cash and bank balances in the AGAR at Section 2, Box , together with the £100,000 long term deposit in the CCLA Property Fund being included as a fixed asset at Box 9 of the AGAR, as required by the Governance and Accountability Manual.

We have checked and agreed the two half-yearly PWLB loan repayment instalments as part of our payment review by reference to the relevant PWLB demand notices also, at this final visit, ensuring the accurate disclosure of the residual loan liability in the AGAR by reference to the PWLB website where detail of all councils loans are reported annually.

### ***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 Council’s financial records prepared during the year are maintained on the correct accounting basis and are pleased to confirm compliance with that requirement. As a service to the Council and double check on the accuracy of detail presented in the detailed Statement of Accounts prepared by the contract accountants, which also feeds into the AGAR, we have reviewed the accountants’ working papers ensuring the accurate transfer and reporting of the detailed transactions by reference to the year-end Omega Trial Balance, also ensuring that appropriate arrangements exist for the identification and reporting of any year-end debtors and creditors.

### ***Conclusions***

*No issues have been identified in this area this year and, based on the satisfactory conclusions drawn from our review programme, we have signed off the Internal audit Certificate in the year’s AGAR assigning positive assurances in each relevant area.*