
Corsham Town Council
(Incorporating The Methuen Hall Trust)

Internal Audit Report (Final update) 2019-20

Stuart J Pollard

Director
Auditing Solutions Ltd

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 2019-20 financial year, during our two interim visits to the Council, which took place on 19th September 2019 and 9th January 2020. Due to the impact of the Covid-19 pandemic, we have undertaken our final review for the year remotely: we wish to thank the Chief Executive and Head of Finance and Admin in assisting the process, providing all necessary additional (to that examined at our interim visits) documentation in electronic format to facilitate completion of our review for the year and sign off of the Internal Audit Certificate in the year's AGAR. We have, obviously in the circumstances, reduced the volume of transactions examined, whilst still ensuring governance and financial controls remain effective.

Internal Audit Approach

In conducting our review for 2019-20, 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, as previously, 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 Certificate' 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 in prior years, included coverage of transactions on the separately maintained accounting records of the Trust. Consequently, this report incorporates detail of the work undertaken in respect of that body as well as the Council.

Overall Conclusion

We are pleased to report that, in the areas examined this year, the Council continues to operate adequate and effective internal control arrangements, with no significant areas of concern identified, although we have identified one or two areas where we consider controls / documentation could and should be strengthened. We acknowledge and include updated reference to the recommendations that arose at our interim visits for the year in this report.

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 bank accounts in place at Lloyds (one each for the Council, Methuen Hall & Coppershell Charity), and Santander banks. Further surplus funds are now retained in the CCLA Property (£100,000) and Deposit (£200,000) 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 2018-19 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's Current a/c cashbook for May, August & December 2019, plus March 2020
- Examined the full year to 31st December 2019 on the Santander and Methuen Trust's a/cs, plus March 2020 agreeing detail to the relevant bank statements
- Checked and agreed detail on the Council, Current and Santander accounts, plus the Trust's, bank reconciliations as at 31st May, August & December 2019 plus March 2020, and
- Ensured the accurate disclosure of the combined cash and bank balances in the year's AGAR.

Conclusions

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

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 the Council's combined Standing Orders (SOs), Financial Regulations (FRs) and Terms of Reference were reviewed and re-adopted by the Council in March 2019: we reviewed their content accordingly at our last interim visit with no issues arising. We now also note that they were further reviewed and re-adopted in March 2020 with minor changes to Terms of Reference

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

We are pleased to note that work on the cemetery extension is drawing to a conclusion with MHC&LG loan approval having been granted and the loan drawn down in August 2019 from PWLB. We noted at our first visit that the net value of the loan receipt (i.e. £100,000 less the PWLB £35 admin fee) as actually received had been coded as income: the correct treatment should be for the full loan value (i.e. £100,000) to be coded as income with the admin fee of £35 coded as an admin expense.

Conclusions and recommendation

No residual significant matters arise in this area. We shall continue to monitor the Council's approach to governance issues at future visits.

We also understand that, following the UK's exit from the EU, NALC were, prior to the current Covid-19 crisis, preparing a further revision to both SOs and FRs which was due to be promulgated in the summer of 2020: this timescale will obviously now slip and we will keep the Council advised as soon as we hear of any developments in this respect.

R1. A journal should be raised crediting the loan receipt account (1186/101) with £35 with a corresponding debit entry to an appropriate admin expense code. This has been corrected accordingly.

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 reviewed, at our first visit for the year, the procedures in place for the placement of orders, approval and release of funds in respect of expenditure and consider them sound. We have now further extended our review of payments to cover the full financial year to ensure compliance with the above criteria examining a total sample of 58 Town Council payments totalling £503,150 equating to 78% of non-pay related payments in the year with all the above criteria appropriately met except in relation to the April 2019 Idverde payment where the VAT element of the transaction (£310) had not been identified and coded accordingly for recovery.

At our interim update review, we noted one reimbursement to a member of staff with a supporting voucher identifying the existence of VAT of £5.50 on the purchase documentation. However, as the voucher did not identify the supplier's VAT Registration No. the Finance Officer has, correctly, not coded this VAT to the VAT control account for recovery: we discussed the position with her during

the course of that visit suggesting that the supplier be contacted and asked to provide their VAT Reg. No. and ideally a formal VAT invoice so that the amount may be added to the next VAT reclaim.

We have also examined, due to their low volume and ease of reference, all Methuen Trust payments for the year to 31st December 2019 to ensure compliance with the above criteria, again with no issues arising. Due to the Covid-19 restrictions, we have not examined any further invoices as part of this final review.

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 the first three quarterly returns prepared and submitted during the year for both the Council and Trust to the underlying control accounts in the financial ledgers for each body with no issues arising. We also note that the fourth quarterly reclaims for both are correctly identified as debtors in the year-end Accounts for each body.

Conclusions and recommendation

We are pleased to report that no residual significant issues arise in this area.

R2. A journal should be raised to identify the currently unrecorded VAT on the April Idverde invoice payment for inclusion in the next quarterly VAT reclaim. An appropriate journal has been raised to correct this oversight with the VAT now coded to the VAT control account and recovered accordingly.

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 note that the risk management and strategy register has been updated and was duly adopted by the Finance and Admin Committee in April 2019 and have no issues to raise in this context considering the document as continuing to be appropriate for the Council's present requirements.

We have also examined the Council's 2019-20 insurance policy, which again affords cover for the Methuen Trust with specific and relevant areas pertaining to that body paid by the Trust accordingly. With Public and Employer's Liability cover in place at £15 million and £10 million respectively, together with Fidelity Guarantee cover of £2 million, we consider that adequate cover remains in place and is appropriate to the Council's and Trust's present requirements.

Conclusions

No issues arise in this area warranting formal comment or recommendation: we shall continue to review the Council's approach to risk management at future visits.

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 2020-21 setting the latter at £985,035 at the January 2020 full Council meeting.

We are again 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 reviewed the year-end budget outturn, as detailed in the Omega accounts seeking and obtaining appropriate explanations for the few significant variances arising.

Finally, in this area, we have examined the level of retained reserves at the year-end noting that, overall, they have increased to £1,216,073 (£976,635 as at 31st March 2019) with the General Fund (GF) balance increasing to £896,357 (£607,979 at the prior year-end). The GF balance equates to approximately five months' revenue spending at present levels and is considered more than appropriate for the Council's current requirements, given the retention of Earmarked funds of approximately £320,000 and work on the cemetery extension.

Conclusions

No issues arise in this area this year warranting formal comment or recommendation. We shall continue to monitor the budgetary performance at future visits seeking explanations for any significant variances that may exist, also considering the ongoing appropriateness of the retained General and Earmarked reserves to meet the Council's ongoing revenue and development spending plans.

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.

At our interim update visit, we examined income arising from allotment rents, burials and associated fees, provision and watering of hanging baskets and hire of rooms at the Methuen Hall.

With regard to allotment rents, we examined the spreadsheet register of tenants which identified rents receivable of £4,818 for 2019-20, with none identified as unpaid. The financial ledger records total income of £4,853, the excess arising from additional fees where tenancies are "given-up" and new tenants take over the plots: consequently, no issues arise in this review area.

We also reviewed the formal hand-written Burial Register selecting a sample of 16 interments in the financial year to 11th July 2019. We ensured that all legally required documentation (Burial and Cremation Certificates) were held for each interment and that each was supported by a completed undertaker's interment application and that the correct fees had been charged and recovered accordingly. We have also examined a selection of Stonemasons' applications for the erection of new

headstones and addition of further inscriptions to existing headstones for the same period, again ensuring that the appropriate fees were charged and recovered, recording that no issues arose in this area.

With regard to hanging baskets, we compared the income recorded as received in the Omega accounts (£2,332 – code 2151) with that anticipated and recorded as due on the controlling spreadsheet, noting a small shortfall of £24 with £2,356 recorded as due on the latter document. Our examination of the spreadsheet indicated that all “purchasers” of baskets had paid their fees.

We examined the office diary recording detail of room hire at the Methuen Hall for all of October 2019, noting that 19 separate bookings occurred during the month. We were pleased to acknowledge the detail recorded in the diary with appropriate cross-referencing to the invoices raised, date paid and, where applicable, income receipt number. We examined the fees charged for each booking agreeing detail to the approved schedule of fees and charges with the following observation arising.

It appeared that the Hiring Charges schedule was not being applied consistently with, in some cases, fees charged calculated on the actual time booked, rather than charging for a full hour, whilst in others, the session (4 hours) rate was applied even though the booking was for less time than the full 4 hours. This could potentially lead to a loss of income, albeit small, and confusion for hirers on the basis of charges being applied.

Conclusions and recommendation

Whilst we are pleased to record that no significant issues have arisen in this area.

We also suggested that further consideration be given to restructuring the Methuen Hall hire charges removing any potential ambiguity where hire times are for less than the current 4-hour “session”.

R3. When reviewing the Methuen Hall hire fees for 2020-21, consideration should be given to applying a simple hourly rate rather than a sessional fee for 4 hours with additional hourly fees payable over the 4-hour session. Consideration will be given to simplifying the Methuen Hall hire charges as part of the budget setting process in autumn 2020.

Petty Cash Account

We are required, as part of the AGAR internal audit certification process 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 July, August & December 2019 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 held on 9th January 2020.

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 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 2019 with staff duly assimilated to the revised pay spinal points. To meet the above objective, we have:

- Agreed the gross salaries paid to all staff in September 2019 by reference to the Council's "Establishment record" noting that staff have been assimilated appropriately onto the new NJC spinal points introduced with effect from 1st April 2019;
- Ensured that tax and NI deductions, together with pension contributions, have been calculated applying the appropriate tax code and NI Table, also ensuring that the relevant deductions / contributions have been paid over to HMRC and the Pension Fund Administrators accurately and in a timely manner each month in the year to date;
- Reviewed the timesheets and travel claims supporting payments processed with the September 2019 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 for September 2019.

Conclusions

We are pleased to report that no issues have arisen from our work in this area warranting formal comment or recommendation: however, we noted that the April 2019 payment to HMRC appeared to have been underpaid by approximately £11 due to a formula error in the supporting spreadsheet with the final employee's deductions / Council contributions not included. Further examination of the position by the Finance Manager during the course of our first visit confirmed that the HMRC records identified the correct value as having been paid over, so no further action is considered necessary.

We wish to draw the Clerk's attention to the changed rules as regards recording of Staff Cost expenditure in Box 4 of the AGAR which come into effect from the 2020-21 financial year: the JPAG Practitioner's Guide 2020 refers at Page 17.

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 2019-20.

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 during 2019-20. 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 have made previous reference to the closure of the HSBC current account and term deposits and placement of £100,000 in both the CCLA Property and Deposit Funds.

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. We have also, as part of this final review verified the accurate disclosure of the residual loan liability repayable to PWLB as at 31st March 2020 by reference to the PWLB website which lists the outstanding balances due from all councils across England and Wales.

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.

We have identified one or two minor issues affecting the information as presented in the detailed Statement of Accounts prepared by the accountants for the Council and have referred the queries back to them for further consideration. They do not, however, affect the detail disclosed in the AGAR’s financial statement subject to external audit certification.

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.

Rec. No.	Recommendation	Response
Review of Corporate Governance		
R1	A journal should be raised crediting the loan receipt account (1186/101) with £35 with a corresponding debit entry to an appropriate admin expense code.	<i>This has been corrected accordingly.</i>
Review of Expenditure & VAT		
R2	A journal should be raised to identify the currently unrecorded VAT on the April Idverde invoice payment for inclusion in the next quarterly VAT reclaim.	<i>An appropriate journal has been raised to correct this oversight with the VAT now coded to the VAT control account for recovery.</i>
Review of Income		
R3	When reviewing the Methuen Hall hire fees for 2020-21, consideration should be given to applying a simple hourly rate rather than a sessional fee for 4 hours with additional hourly fees payable over the 4-hour session.	<i>Consideration will be given to simplifying the Methuen Hall hire charges as part of the budget setting process in autumn 2020.</i>