

Corsham Town Council
(Incorporating the Methuen Hall Trust)

Internal Audit Report (Final update) 2020-21

Stuart J Pollard

Director
Auditing Solutions Ltd

Background

Statute requires all town and parish councils to arrange for an independent Internal Audit (IA) 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 2020-21 financial year, during our three separate reviews for the year, which have effectively been undertaken remotely following collection of all necessary records from the Council's offices, the latest being undertaken on 16th May 2021. We wish to thank the Chief Executive (CX) and Head of Finance and Admin (HoFA) in assisting the process, providing all necessary documentation to facilitate our review.

Internal Audit Approach

In conducting our review for 2020-21, we have again had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover is 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 'IA 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 again report that the Council continues to operate adequate and effective internal control arrangements, with no significant areas of concern identified: we have, however, identified one or two issues during our interim reviews that required attention to detail as recorded in the accounting records of both bodies and we acknowledge the responses to the resultant recommendations and corrective action taken in advance of this final review.

We have duly signed-off the IA Certificate in the year's AGAR assigning positive responses to each assertion. We take this opportunity to remind the CX and HoFA of the need to ensure compliance with the website disclosure requirements and timing of actions in relation to the posting of the Notice of Public Rights and submission of the AGAR to the external auditors, as set out in the preface to the year's AGAR.

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: -

- Checked the accurate carry forward of closing trial balance detail in the 2019-20 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 transactions in the Council's Current a/c cashbook for April & September 2020, plus January and March 2021 agreeing detail to the underlying bank statements;
- Examined the full year detail (due to the low volume of transactions) on the Council's Santander and the Methuen Hall Trust's a/cs, agreeing detail to the underlying bank statements;
- Checked and agreed detail on the Council, Current and Santander accounts, plus the Trust's, bank reconciliations as of 30th April and September 2020, plus 31st January and March 2021; and
- Ensured the accurate disclosure of the Council's combined cash and bank account balances in the year's AGAR at Section 2, Box 8.

Conclusions and recommendation

We are pleased to record that no significant issues arise in this area, although at our first review we noted that the closing balances in the 2019-20 Council Omega Trial Balance on Codes 120 & 201 [Accrued interest & Santander bank account (£13,092.11 & £936,146.65 respectively)] differed from the 2020-21 opening balances in Omega (£12,982.43 & £936,256.33 respectively). We have confirmed that the changes in the closing balances were made by the contract accountants at their offices following onsite closedown of the 2019-20 Accounts.

R1. The contract accountants should be contacted to assist in ensuring that the opening balances are appropriately amended. The changes have been confirmed as made by the contract accountants subsequent to the 2019-20 year-end closedown on site.

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 (SOs) 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 the Council's combined SOs, Financial Regulations (FRs) and Terms of Reference were reviewed and re-adopted by the Council in March 2019: we reviewed their content accordingly last year with no issues arising, also noting that they have been further reviewed and re-adopted in March 2021 with only one minor change.

We have continued our review of minutes reading those for the financial year and to date in 2021-22 to ensure that the Council has neither considered nor is considering taking any action that may result in ultra vires expenditure being incurred and are pleased to record that no such issues have been identified to date.

We are also pleased to note that the external auditors signed-off the 2019-20 AGAR with no comments or qualifications.

Conclusions

We are pleased to record that no matters arise from the work undertaken in this area. We shall continue to monitor the Council's approach to governance issues at future reviews, also continuing to review minutes.

We have previously referred to NALC's intention, following the UK's exit from the EU, to prepare further revisions to both SOs and FRs: these were due to be promulgated during the summer, but for obvious reasons this timescale has slipped. We will keep the Council advised as soon as we hear of any further developments in this respect.

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 examined, during the course of our 2019-20 reviews, the procedures in place for the placement of orders, approval and release of funds in respect of expenditure and considered them sound. We are pleased to note the continued review and sign off of covering payment schedules by members as and when they review and approve invoices for payment, albeit those in the early months of the financial year and during the latest "lockdown" being released prior to approval of the covering schedules due to the ongoing Covid situation.

We have continued our review of payments for compliance with the above criteria examining an extended sample to date of 55 Council payments totalling £589,200 equating to 72% by value of non-pay related payments in the financial year with all the above criteria appropriately met. We have similarly examined all, due to their low volume, Trust invoices for the full financial year with no issues arising.

At our first review for the year, we noted the payment of a grant to the Trust, as approved by Council, with an element of VAT included on the Council's Omega accounts. The invoice was paid from the Trust's accounts with VAT included in the Trust's records. Consequently, the Council should not also reclaim the VAT: we have discussed the position with the CX and are pleased to note that the position has been corrected with assistance from the contract accountants. The CX also drew our attention to a further VAT issue where a 2019-20 year-end accrual was entered in the year's Accounts at gross cost, which was duly reflected as an opening credit balance on the expenditure head in the 2020-21 accounts: this has also been resolved satisfactorily with the assistance of the contract accountants.

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: we have checked and agreed detail of the final 2019-20 reclaim and first three quarters reclaims 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. The final quarter's balances are consequently recorded as debtors in the year-end Accounts of both bodies.

Conclusions

We are pleased to report that no issues arise in this area currently 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 note that the risk management and strategy register has been reviewed, updated and duly adopted by the Finance and Admin Committee in August 2020 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 2020-21 insurance policy, which again includes cover for the Trust with specific and relevant areas pertaining to that body repaid 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 appropriate cover is in place for 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 are pleased to note that, following due deliberation, the Council agreed its budgetary and precept requirements for 2021-22 setting the latter at £1,030,642 at the January 2021 full Council meeting.

We remain pleased to note that members continue to receive routine budget reports based on the accounting software, with a commentary explaining any significant variances that might exist. We have reviewed the final year-end budget outturn report with no unanticipated or significant variances arising currently, other than in relation to Methuen Hall income, which has obviously reduced due to the closure of the Hall due to the Covid situation. Where overspends are apparent we have examined the Omega detailed nominal ledger account transactions on the relevant codes obtaining appropriate explanations and satisfactory explanations for their existence.

Finally, in this area, we have examined the level of retained reserves at the year-end noting that, overall, they have increased to £1,295,370 (£1,216,073 as at 31st March 2020) with the General Fund (GF) balance increasing to £384,897 (£319,716 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 £900,000.

Conclusions

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

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 examined income arising from activity at the Council's cemetery, selecting a sample of 14 interments in the financial year to 31st July 2020, together with a sample of 10 stonemason's applications for the erection of new memorials or the addition of further inscriptions to existing memorials. With regard to both areas of "activity", we have ensured that the appropriate fees have been charged and recovered in a timely manner and that all legally required documentation is held in relation to burials and / or cremations. We noted one instance where the necessary cremation certificate was not held on file (Burial Register entry no. 1579) and urge that this be obtained from the undertaker in due course.

As previously the HoFA has maintained a spreadsheet record of income and we have agreed detail of income from our test sample to the register with no issues arising.

With regard to allotment rents, we have compared the actual income as reported in the Omega accounts a (£4,772) with that anticipated on the HoFA's spreadsheet register (£4,812): the marginal shortfall appears to result from one plot remaining unoccupied.

We also note that no income has arisen during the year from the provision of hanging baskets. Similarly, the Hall Trust has only received regular monthly income from the Council being effectively “closed” to the general public for virtually the whole year.

Finally, in this area, we have examined the nominal income detail in Omega ensuring, as far as we are reasonably able, that all income due to the Council and Trust has been recovered including that in relation to the recovery of rents from the letting of the two flats at Arnold House.

Conclusions and recommendation

We are pleased to record that no residual issues of concern exist in this area.

R2. The undertaker should be asked to provide the one missing cremation certificate. The Council has established that no certificate was required as no ashes were buried in the plot, purely mementos of a family member.

Petty Cash Account

We are required, as part of the AGAR IA 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 reviewed transactions between mid-December 2020 and the financial year-end ensuring each is supported by either a trade invoice or a till receipt, 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.

Conclusions and recommendation

We are pleased to record that no significant issues have been identified in this area, although, whilst not significant in value, we have again noted that the VAT on two vatable purchases in the period have not been identified for recovery.

R3. As advised previously, care should be taken to ensure that when vatable purchases are made, a VAT receipt is obtained and that the VAT incurred is identified for recovery.

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 2020, which was processed with the October 2020 salaries. To meet the above objective, we have:

- Agreed the gross salaries paid to all staff in September and October 2020 by reference to the Council’s “Establishment record” with no issues arising: we checked these two months’ payments to ensure accuracy of the basic pay and arrears paid in October;
- Ensured that tax and NI deductions, together with pension contributions, have been calculated applying the appropriate tax code and NI Table for the same two months, 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 timesheets and travel claims supporting payments processed with both months' payrolls 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 again for the same two months.

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 2020-21.

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 2020-21. 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 placement of £100,000 in the CCLA Property Fund and £200,000 in the CCLA Deposit Fund.

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 now also ensured the accurate disclosure of the residual loan liability repayable to PWLB as at 31st March 2021 by reference to the UK Debt Agency website where detail of all outstanding LG authority loans is recorded.

Conclusions

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

Statement of Accounts & AGAR

We are required as part of the IA 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 to ensure 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 a few issues affecting the information as presented in the AGAR prepared by the accountants for the Council and have referred the queries back to them for appropriate amendment, which has been actioned accordingly.

Conclusions

No residual issues exist in this area this year following the accountants' amendments to the originally provided AGAR detail 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 Accounting Arrangements and Bank Reconciliations		
R1	The contract accountants should be contacted to assist in ensuring that the opening balances are appropriately amended.	<i>This arose due to journal adjustments by the contract accountants following on site closedown of the accounts, which had been supplied to us.</i>
Review of Income		
R2	The undertaker should be asked to provide the one missing cremation certificate.	<i>The Council has established that no certificate was required as no ashes were buried in the plot, purely mementos of a family member.</i>
Review of Petty Cash Account		
R3	As advised previously, care should be taken to ensure that when vatable purchases are made, a VAT receipt is obtained and that the VAT incurred is identified for recovery.	<i>We were unable to recover the VAT of £1.99 on this occasion as the VAT invoice was not addressed to the Town Council. The purchase was made by an employee and reclaimed via petty cash.</i>

