
Corsham Town Council
(Incorporating the Methuen Hall Trust)

Internal Audit Report (Final update) 2021-22

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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 2021-22 financial year, during our three reviews, which took place on 26th October 2021, 18th February & 1st June 2022. We thank the Chief Executive (CX) and his staff in assisting the process, providing all necessary documentation to facilitate our review.

Internal Audit Approach

In undertaking our review for the year, 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, 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 '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. We have also completed and issued an Independent Examiner's Certificate on the Trust Accounts for the year.

Overall Conclusion

We are pleased to again 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: we identified one potential anomaly in relation to prior year accrued investment interest income at our first review, which on further investigation and liaison with the Council's contract accountants we have identified as a prior year error in accruing for potential investment interest that did not materialise. Consequently, as the 2021-22 interest earned will fall below that value, the current year's Accounts will reflect a negative level of earned interest.

We have duly signed-off the IA Certificate in the year's AGAR assigning positive responses to each assertion, except in relation to that arising in the 2020-21 external audit report relating to the timing of posting the 2020-21 Notice of Public Rights. The Council will, as advised in the external auditor, need to also give a negative assertion at Box 4 of the 2021-22 Governance Statement.

Consequently, 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.

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Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

Officers have continued to maintain the Council and Methuen Hall 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 2020-21 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 2021, plus January and March 2022 agreeing detail to the underlying bank statements;
- Examined the full year transactions on the Santander, CCLA and Methuen 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 2021, plus 31st January & March 2022; and
- Ensured the accurate disclosure of the combined cash and bank balances in the year's AGAR at Section 2, Box 8.

Conclusions and recommendations

Whilst no significant issues arise in this area, we have noted that the cashbook month-end balances on the printed cashbooks held on file for February and March 2022 did not match the cashbook balance values recorded on the reconciliations for those two months. This appears to have arisen due to final adjustments being made to the cashbooks after they have been printed. The potential concern is that, whilst the reconciliations are being reviewed by a councillor and signed-off, they do not appear to have noticed the anomaly. We have discussed the position with the CX and HoFA and suggested that the cashbooks should only be printed off once the bank reconciliations have been completed to ensure consistent cashbook balances re recorded on both printed copies.

- R1. *The cashbooks should be printed off when closing down the Omega accounts for the month, with the Head of Finance & Admin ensuring that the cashbook value recorded on the reconciliation matches that on the cashbook.*
- R2. *The bank reconciliation reviewing member should, in addition to signing-off the reconciliation, also sign-off the month-end cashbook page and bank statement, thereby evidencing their agreement of the values recorded on the reconciliation statement.*

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 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 have been reviewed, updated in relation to procurement matters and re-adopted by the Council in March 2022: we have reviewed their content with no issues arising.

We have continued our review of minutes for the current financial year and to date in 2022-23 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.

We note that the external auditors signed-off the 2020-21 AGAR with one "Other matter" raised relating to the timing of posting the 2020-21 Notice of Public Rights: this will require, as advised, a negative response in the 2021-22 AGAR Governance Statement at Assertion 4.

Conclusions

No matters arise from the work undertaken in this area. We shall continue to monitor the Council's approach to governance issues 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 previously examined 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.

We have extended our test sample of payments for compliance with the above criteria examining 57 Council payments totalling £432,930 equating to 61% by value of non-pay related payments in the year with all the above criteria appropriately met. We have similarly examined all, due to their low volume, Trust invoices for the financial year 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: we have checked and agreed detail of the reclaims prepared and submitted during the current financial year to the underlying control accounts in the financial ledgers for each body with no issues arising.

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 note that the risk management and strategy register has been reviewed, updated and duly re-adopted by the Finance and Admin Committee in both April 2021 and 2022 and have examined the content with no issues arising: we consider the document appropriate for the Council's present requirements.

We have also examined the Council's 2021-22 insurance policy, now with Zurich, which as previously, includes cover for the Trust with specific and relevant areas pertaining to that body paid by the Trust accordingly. Public and Employer's Liability cover are in place at £15 million and £10 million respectively, together with Fidelity Guarantee cover of £2 million, which we consider appropriate to the Council's and Trust's present requirements.

Conclusions

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

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 2022-23 setting the latter at £1,093,192 at the January 2022 full Council meeting.

We are again 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 year-end Omega budget outturn report with no unanticipated or unexplained variances arising. However, as identified in our first report for the year and now confirmed, the contract accountants had in a prior year created three accruals for receivable interest totalling in

excess of £11,800 on the CCLA Deposit & Property Funds together with Santander Bank. Examination of the prior year journal raised in this respect implied that the accrued interest might, in part, date from 2019-20. Even so, the Council has not received such income in 2021-22. Consequently, the Council's accounts for 2021-22 will record a fairly significant negative value for earned interest.

Finally, in this area, we have examined the level of retained reserves at the year-end noting that, overall, they have decreased to £1,225,569 (£1,295,370 as at 31st March 2021) with the General Fund (GF) balance also decreasing to £259,712 (£384,897 at the prior year-end). The GF balance equates to approximately three months' revenue spending at present levels and is considered appropriate for the Council's current requirements, given the retention of Earmarked funds of almost £970,000 (should an urgent need arise, there could be reverted to the General Reserve).

Conclusions and recommendation

The identified anomaly existing in relation to prior year receivable interest as shown in the Council's Omega accounts for the current financial year has, as indicated above, resulted in a negative value being recorded in the 2021-22 Accounts in this respect.

R3. Officers should, in liaison with the prior year contract accountants, seek to resolve the apparent anomaly existing in relation to potential interest receivable that has not yet been received by the Council. This has been further investigated and appears to result from a significant overstatement of anticipated interest income in a prior year: consequently, as 2021-22 interest earned will be significantly less than the previously anticipated income, it will result in a negative interest value in the 2021-22 accounts.

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. Income for the Council and Trust arises from a variety of sources, the controls over which have been examined as set out in the following paragraphs.

Cemetery: At our first review visit, we examined income arising from the Council's cemetery, selecting a sample of 13 interments as recorded to that date in the formal Burial Register for the current financial year, together with a sample of 12 stonemason's applications for the erection of new memorials / addition of further inscriptions to existing memorials. With regard to both areas of "activity", we ensured that the appropriate fees had been charged and recovered in a timely manner and that all legally required documentation was held in relation to burials and / or cremations with no issues arising.

Allotments: As previously, the HoFA has maintained a spreadsheet record of allotment rental income due to the Council identifying for each site the individual plots, amounts due and received and date of receipt. In total, the anticipated income for the year totals £4,812, whilst the actual income to date recorded on the spreadsheet totals £4,652. All rents due to the Council have been paid.

Hanging baskets: As with allotments, the HoFA maintains a spreadsheet control record of premises partaking in the Council's hanging basket scheme recording the premises' / traders' names, amount receivable, and received together with the date of receipt. We have compared the income recorded as received on the spreadsheet in the financial year with that recorded in the Omega accounts at Code 2151 noting that the latter records a higher value than the net (of VAT)

amount receivable as shown on the former by £247.50. This was identified as being partly due to the coding of summer bedding income of £223.34 to the hanging basket nominal income code, leaving a de-minimus excess charged to the code of £24.16, which we did not consider warranted further investigation.

We have also examined all nominal income codes ensuring that, as far as we are reasonably able, income due to the Council has been received and coded appropriately, subject to the noted anomaly on hanging basket income.

We have reviewed the year-end position on unpaid debts noting that two undertaker fees had still to be settled at the year-end.

Conclusions

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

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 the current financial year to the date of this review visit, ensuring that each recorded on the spreadsheet control record were appropriately supported by a till receipt, or trade invoice, with no issues identified;
- Noted that transactions to 9th August 2021 totalling £225.73 were reimbursed / "topped-up" to return the account to the imprest holding value of £300.00; and
- Examined subsequent transactions and checked that they, together with the physical cash holding in the petty cash tin equate to the £300 imprest value, noting a minor potential shortfall of £0.99;

Conclusions

We are pleased to record that no significant issues have been identified in this area this year. Following our identification of the above apparent cash shortfall in the petty cash account at our first visit, we were advised subsequently that the HoFA had identified the source of the £0.99 "imbalance" as a withdrawal at the end of the week prior to our visit and when she was not in the office, the appropriate till receipt being produced subsequently. Consequent upon that, we also understand that all staff have been reminded of the correct procedures in relation to drawing and using petty cash.

Review of Staff Salaries

In examining the Council's payroll function, we aim to confirm that extant legislation is being observed appropriately as regards adherence to the Employee Rights Act 1998 and the requirements

of HMRC legislation as regards the deduction and payment over of income tax and NI contributions. To meet the above objective, we have:

- Agreed the gross salaries paid to all staff in October 2021 by reference to the Council's "Establishment record" with no issues arising;
- Subsequent to that, at this final review, we have verified the accurate calculation of the revised 2021-22 salaries paid to staff in March 2022, together with arrears backdated to 1st April 2021 (or date of employment commencing for one or two staff) following the national agreement on the year's pay award;
- Ensured that tax and NI deductions, together with pension contributions, have been calculated applying the appropriate tax code and NI Table for the same month: we will ensure that the relevant net salary payments and above deductions / contributions have been paid over to staff, HMRC and the Pension Fund Administrators accurately and in a timely manner at our next review visit; and
- Reviewed timesheets and travel claims supporting payments processed with the month's payroll ensuring that each has been signed appropriately by the employee and certified as appropriate for payment by their line manager.

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 2021-22.

Conclusions

No matters arise in this area this year warranting formal recommendation. However, in discussing the recording of assets with the CX, we note the intention to develop a more robust asset register, which will take account of potential maintenance issues and have suggested that, in line with best practice and to assist any potential insurance claim or police enquiry following theft or wilful /

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, both of which earn the Council dividends / interest. We have also ensured that the monthly interest earned on these deposits have been accurately recorded in the Santander account.

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 ensuring the accurate disclosure of the residual loan liability repayable to PWLB as at 31st March 2022 by reference to the UK Debt Agency notification of that value.

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 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. The Omega accounts generate the financial information relating to entries in the AGAR Section 2, Boxes 1 to 8 which we have duly verified the accuracy of. We have, similarly, as indicated earlier in this report, verified the accurate disclosure of the year-end Asset and outstanding loan liability at 31st March 2022 by reference to the relevant supporting documentation.

Conclusions

No issues exist in this area this year other than the need for both ourselves and the Council to assign negative assertions in relation to compliance of publication requirements for the 2020-21 Notice of Public Rights. Consequently, apart from in that respect, we have signed-off the IA Certificate in the year's AGAR assigning positive assurances in all other areas.

Rec. No.	Recommendation	Response
Review of Accounting Arrangements and Bank Reconciliations		
R1	The cashbooks should be printed off when closing down the Omega accounts for the month, with the Head of Finance & Admin ensuring that the cashbook value recorded on the reconciliation matches that on the cashbook.	<i>This occurred as the report was printed prior to one invoice (Hills Waste) being reconciled. This will be checked in future to ensure the figures match.</i>
R2	The bank reconciliation reviewing member should, in addition to signing-off the reconciliation, also sign-off the month-end cashbook page and bank statement, thereby evidencing their agreement of the values recorded on the reconciliation statement.	<i>An amended procedure with this additional check will be put in place prior the next bank reconciliation check carried out by a Councillor.</i>
Budgetary Control and Reserves		
R3	Officers should, in liaison with the prior year contract accountants, seek to resolve the apparent anomaly existing in relation to potential interest receivable that has not yet been received by the Council.	<i>This has been further investigated and appears to result from a significant overstatement of anticipated interest income in a prior year: consequently, as 2021-22 interest earned will be significantly less than the previously anticipated income, it will result in a negative interest value in the 2021-22 accounts.</i>