

Corsham Town Council
(Incorporating the Methuen Hall Trust)

Internal Audit Report (Final update) 2022-23

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 2022-23 financial year, during our three review visits, which were undertaken on 20th October 2022, 27th February and 15th May 2023 together with work at our offices reviewing minutes, etc. We thank the Chief Executive (CX) and his staff in assisting the process, providing all necessary documentation to facilitate our review in either hard copy or electronic format.

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.

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 areas of concern identified.

We have duly signed-off the IA Certificate in the year's AGAR assigning positive responses to each assertion.

We again 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 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), together with a deposit account with Santander bank. Further surplus funds are also retained in the CCLA Property (£100,000) and Deposit Fund account (£1,200,000) Funds following transfer of £1 million to the latter from the Santander bank account in November 2022.

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 2021-22 Statement of Accounts for both the Council and Trust to the current year's Omega records;
- Verified that the financial ledgers of both remain "in balance" at the financial year-end;
- Verified transactions in the Council's Current a/c cashbook for April, May & September 2022 plus January and March 2023, agreeing detail to the underlying bank statements;
- Agreed the full year transactions on the Santander, CCLA and Methuen Hall Trust's a/cs to the underlying bank statements,
- Checked and agreed detail on the Council's, Current and Santander accounts, plus the Trust's, bank reconciliations at 30th April and September 2022, plus 31st January and 31st March 2023; and
- Ensured the accurate disclosure of the combined cash and bank account balances in the Council's AGAR for the financial year and also the Methuen Hall's accounts.

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 (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 been re-adopted by the Council at the March 2023 Council meeting: we have reviewed their content with no issues arising, also noting that the financial procurement limit for publicising tenders in accordance with the Public Contracts Regulations has been amended in the adopted documents to reflect the recently clarified increase to £30,000 (including VAT) for publicising formal tender action on that website.

We have continued our review of minutes for the financial year 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, although we have noted the Wiltshire Constabulary' request for financial assistance to acquire electric bicycles to ease officers patrols in the town: the Council will need to ensure that it has the appropriate powers to grant such financial support however commendable the idea may be.

We are also pleased to note that the external auditors signed-off the 2021-22 AGAR with no issues arising, also noting that the Council has published an appropriate Notice of Public Rights for 2021-22 in accordance with the Accounts and Audit Regulations for 30 working days.

Conclusions

No matters arise from the work undertaken in this area, although we urge caution in funding the acquisition of electric bicycles for the local police. We shall continue to monitor the Council's approach to governance issues at future visits, also extending our review of minutes for the remainder of the financial year.

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 review of payments for compliance with the above criteria examining for the full year a sample of 69 Council payments totalling £396,600 equating to 57% by value of non-pay related expenditure in the year with all the above criteria appropriately met. We have similarly examined all, due to their low volume, Methuen Hall 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 final 2021-22 quarter and all 2022-23 quarterly reclaims prepared and submitted to HMRC for both the Council and Trust 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 recorded in previous reports for this year that the Risk Management Strategy and Strategic Risk Register were both reviewed and duly re-adopted by the Finance and Admin Committee in April 2022: we have examined the content of both documents with no issues arising, considering both appropriate for the Council's current and ongoing requirements.

We have also examined the Council's 2022-23 insurance policy schedule 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: we shall continue to monitor the Council's approach to risk management at future review 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 2023-24 setting the latter at £1,126,728 at the January 2023 full Council meeting.

We are also 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 referring to the year's detailed transaction reports where necessary with no unanticipated or unexplained 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 £1,324,995 (£1,225,569 as at 31st March 2022) with the General-Purpose Fund (GPF) balance also decreasing further to £144,442 (£259,712 at the prior year-end). The GPF balance equates to approximately 1½ months' revenue spending at present levels and is potentially low when compared with the generally recognised guideline holding of between 3 and 12

months ‘ revenue spending, although should the need arise a portion of the EMRs could be released back to the GPF.

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.

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 £4,876, whilst the actual income to date recorded on the spreadsheet totals £4,784, as is also reflected in the Omega accounts. Examination of the tenant’s register at our first review for the year indicated that rents for 3 plots had, as at that date not been paid: the income recorded in the Omega nominal account has not changed subsequently and, whilst not a significant concern, should the rents for these 3 plots actually be due for recovery, appropriate action should be taken to ensure recovery in advance of the tenants renewing their tenancy in 2023-24.

Cemetery

At our interim update review visit, we examined income arising from the Council’s cemetery, selecting a sample of 12 interments and 6 memorials / additional inscriptions as recorded from 1st November 2022 to the date of that review by reference to the formal Burial Register and the HoFA’s spreadsheet record of income due and received for the current financial year. 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 with no issues arising.

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 t 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.

Methuen Hall Hire

We have, at this final visit, examined the handwritten booking diary for January 2023 ensuring that appropriately priced invoices were raised in respect of each of the month’s bookings, fees being charged in accordance with the approved schedule of fees and charges for the year: we have also ensured that none of the respective fees remained unpaid at the financial year-end.

We have again also examined the detailed content of the Omega nominal income codes ensuring that, as far as we are reasonably able, income due to the Council has been received and coded appropriately.

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 examining that relating to expenditure between 1st August 2022 and the date of our first review in October 2022 with all payments appropriately supported, also ensuring that the account is being used for appropriate purchases and that VAT is being identified accordingly for periodic recovery.

We also checked the physical cash holding at that time together with any unreimbursed vouchers with a minor deficit of £0.05 noted, which we do not consider significant or warranting further investigation.

Conclusions

We are pleased to record that no issues have been identified in this area 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 observed appropriately 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. To meet the above objective, we have:

- Agreed the gross salaries paid to all staff in October 2022 by reference to the Council's "Establishment record" with no issues arising;
- 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 also ensuring 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; 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.

We note that the 2022-23 nationally agreed pay award was implemented and paid with arrears backdated to 1st April 2022 with the November 2022 salaries.

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 note that the Council has during the year acquired and populated the Rialtas asset register software and have reviewed the content considering the level of recorded detail appropriate for the Council's purposes. We have also ensured the accurate disclosure of the register's cost price valuation in the year's AGAR at Section 2, Box 9.

Conclusions

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

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 in this report to the placement of £100,000 in the CCLA Property Fund and £1,200,000 in the CCLA Deposit Fund with a resultant significant increase in the level of interest earned monthly: the CCLA monthly interest is paid into the Santander account automatically and we have agreed detail of the year's transactions by reference to the CCLA monthly statements and Santander cashbook account detail.

We have also 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 and, at this final review, also ensured the accurate disclosure of the residual loan liability repayable to PWLB as at 31st March 2023 by reference to the UK Debt Management Agency's year-end advice note.

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 values at 31st March 2023 by reference to the relevant supporting documentation.

Conclusions

No issues arise in this area this year warranting formal comment or recommendation and we have duly signed-off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.