



AUDITING SOLUTIONS LTD

Agenda item 26.

Corsham Town Council
(Incorporating the Methuen Hall Trust)

Internal Audit Report (Final update) 2023-24

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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 2023-24 financial year, during our three review visits, which were undertaken on 17th October 2023, 8th February and 9th May 2024, 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 Charity), together with a deposit account with Santander bank. Further surplus funds are also retained in the CCLA Property Fund (£100,000) and Deposit Fund account (£1,200,000) 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 & September 2023, plus January & March 2024, 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, Current and Santander accounts, plus the Trust's, bank reconciliations at 30th April and September 2023, plus 31st January and March 2024; 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 Charity 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

In this review area we aim to ensure 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 noted in last year's final report that the Council's combined SOs, Financial Regulations (FRs) and Terms of Reference were reviewed, updated in relation to procurement matters and re-adopted by the Council in March 2023: we have reviewed their content with no issues arising.

We have continued our review of minutes for the financial year to ensure that the Council has neither considered nor is considering 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 2022-23 AGAR with no significant issues raised and are also pleased to note the appropriate publication of a Notice of Public Rights to examine the Council's financial records for 2022-23 for the requisite 30 working days.

Conclusions

No matters arise from the work undertaken in this area this year. 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, which remain in place, and considered them sound. We are also 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 79 Council payments totalling £481,750 equating to 60% 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 2022-23 quarter and reclaims prepared and submitted during the current financial year 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 are pleased to note that the Risk Management Strategy was reviewed and duly re-adopted by the Finance and Admin Committee in April 2023 and have examined the content with no issues arising: we consider the document to remain appropriate for the Council's present requirements.

We have also examined the Council's 2023-24 insurance policy 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 and Business Interruption cover in place at £30,000, all of which we consider appropriate to the Council 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 reviews.

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 the 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 has agreed its budgetary and precept requirements for 2024-25 setting the latter at £1,227,300 at the January 2024 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 for both the Council and Trust seeking and obtaining explanations for the few significant variances existing at that date. Overall, the Council's total income currently stands at 106% of the approved budget, whilst expenditure stands at 103%.

We have also considered the ongoing appropriateness of the level of retained reserves noting that they have increased to £1,363,900 (£1,325,000 at 31st March 2023). Of that total, a raft of earmarked reserves (EMRs) are in existence and have increased to £1,363,900 (£1,180,550 at the prior year-end). The increased residual General Reserve balance of £273,180 (£144,440 at the prior year-end equates to approximately 2½ months' revenue spending at the 2023-24 level and is potentially low when contrasted with the generally accepted level of between 3 and 6 months' such expenditure, although, should an urgent need arise, some of the EMRs could be reverted back to the General Reserve.

Conclusions

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

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.

Allotment rents

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 £5,140, whilst the actual income recorded in the Omega accounts at Code 2277 totals £5,194.

Whilst we are pleased to note and record that actual income from tenants exceeds the anticipated amount receivable, we have, unfortunately, been unable to effectively verify the amounts received and recorded in the accounts as the Omega records do not identify for each receipt the site or plot number. However, examination of the spreadsheet indicates that one or two tenants have paid their rents twice which may account for some of the marginal over-receipt of income.

Arnold House Rents

We have ensured, by reference to the Omega nominal income account relating to rental income from the two flats at Arnold House and are pleased to record that no issues arise in this respect.

Cemetery income

At our interim update review visit, we examined income arising from the Council's cemetery, selecting a sample of 11 interments and 16 memorials / additional inscriptions as recorded from 1st September 2023 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. We noted, from examining the file of supporting interment documentation, two instances where interments had occurred in the review period, but had not been recorded in the official Burial Register: we also noted one instance where the cremated remains interment fee, paid by relatives had been paid at the 2022-23 fee level rather than that pertaining to 2023-24 interments. We drew these matters to the HoFA's attention for appropriate remedial action, which, where possible, has been actioned although we appreciate that it would be insensitive to pursue the underpaid fee.: We also noted that Register entries were generally only being recorded on receipt of the relevant fees and suggested that they should be recorded as and when each interment occurs rather than await settlement of the fees due.

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 for the financial year totalling £2,506 net of VAT with that recorded in the Omega accounts at Code 2151 (£2,745). As with the allotment rents, the Omega nominal account detail does not identify the payees' detail, so it is not possible to effectively cross-check with the Omega nominal

account code and verify payment by all shops taking part. We have discussed this with the HoFA and agreed that, in future years, the sales invoice number will be recorded in both the spreadsheet control record and the Omega nominal income account to provide full and effective cross-referencing between the two records.

Methuen Hall hire

We have at our interim update visit, examined the office diary recording detail of room hires at the Methuen Hall for all of November 2023, noting that the diary records detail of the invoices raised for each hire and the settlement date with all settled promptly. We have also examined the file of raised invoices ensuring that each of the month's hires has been invoiced at the appropriate Council approved fee rate with no issues arising.

Outstanding debt and coding of income received

At the interim update visit, we examined the files of sales invoices raised and were pleased to note that no long-standing debts existed. We have also examined the content of the Omega nominal income codes at the financial year-end ensuring that, as far as we are reasonably able, income due to the Council has been received and coded appropriately.

Conclusions and recommendations

To ensure that clear audit trails exist between the allotment and hanging basket spreadsheet registers and detail of receipts recorded in the Omega nominal accounts, when entering the latter, full and effective referencing to raised invoice numbers, or in the case of allotments the plot reference, should be recorded in both the spreadsheets and Omega nominal ledgers on receipt of the fees to provide an effective audit trail between the two records. Burial register detail should also be recorded as soon as practicable either on the interment date or soon after.

- R1. To ensure that a clear audit trail is in place between the allotment registers and Omega accounts, the site and plot reference numbers should be recorded when income is received and recorded in the Omega accounts. This will be carried out from April 2024 when the next allotment rents are due.*
- R2. Similarly, an effective cross-referencing of the receipt of hanging basket fees due should be implemented by inclusion of the invoice numbers in both the control spreadsheet and Omega nominal income code. From April 2024, the invoice numbers will be entered against the payments on the Omega accounting system.*
- R3. To reduce the risk of any recording oversight in the official Burial Register, interment details should be recorded on or as soon as possible thereafter the date the interment occurs, rather than await receipt of the fees due to the Council. This procedure has now been implemented.*

Petty Cash Account

We are required, as part of the AGAR IA certification process to assess the Council's approach to the control and management of petty cash account transactions.

In order to meet that requirement, we have ensured that appropriate documentation is being maintained examining documentation relating to expenditure from 1st November 2023 to the date of our interim update visit with all appropriately supported, also ensuring that the account is being used for appropriate purchases and that VAT is being identified accordingly for periodic recovery.

We have also checked and agreed the physical cash holding, together with unreimbursed vouchers, at this interim update review with no issues arising.

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 of HMRC legislation in relation to the deduction and payment over of income tax and NI contributions. To ensure compliance with the above objective, we have:

- Agreed the gross salaries paid to each member of staff in September 2023 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 and LG Pension scheme percentage contribution for the same month: we have also ensured that the relevant net salary payments and above deductions / contributions have been paid over to staff, HMRC and the Pension Fund Administrators accurately; 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 arise in this area warranting 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 now using the Rialtas Asset Register to record detail of its stock of Fixed Assets. In examining the content of the Rialtas Asset Register we note that the total "original cost" value is recorded as £3,229,446, whilst the Omega accounts AGAR value at Box 9 for 2023-24 is recorded as £3,226,749. Whilst not a significant variance. We suggest that prior to completing the year's AGAR an submitting it to the external auditors the total value be rechecked with the Asset Register value applied accordingly.

Conclusions and recommendation

Due to the above identified inconsistency between the Asset Register value and that recorded in the Omega AGAR return value, we ask that the position be reviewed to ensure that the correct value is recorded in the AGAR.

R4. The asset value to be reported in the AGAR at Section 2, Box 9 should be that as recorded in the Rialtas Asset Register.

Investments and Loans

We aim here to ensure that the Council is maximising its interest earning potential through "investment / deposit" of surplus funds in interest bearing accounts / deposits. We have made previous reference to the placement of £100,000 in the CCLA Property Fund and £1,200,000 in the CCLA Deposit Fund and have ensured that the monthly interest earned on the CCLA Deposit Fund has been accurately brought to account on their transfer to 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 now ensuring the accurate disclosure of the year-end outstanding loan balance to the UK Debt Agency confirmation 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 values at 31st March 2024 by reference to the relevant supporting documentation, subject to final agreement of the asset value as referred to above.

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.

Rec. Recommendation No.	Response
Review of Income	
R1	To ensure that a clear audit trail is in place between the allotment registers and Omega accounts, the site and plot reference numbers should be recorded when income is received and recorded in the Omega accounts. <i>This will be carried out from April 2024 when the next allotment rents are due.</i>
R2	Similarly, an effective cross-referencing of the receipt of hanging basket fees due should be implemented by inclusion of the invoice numbers in both the control spreadsheet and Omega nominal income code. <i>From April 2024, the invoice numbers will be entered against the payments on the Omega accounting system.</i>
R3	To reduce the risk of any recording oversight in the official Burial Register, interment details should be recorded on or as soon as possible thereafter the date the interment occurs, rather than await receipt of the fees due to the Council. <i>This procedure has now been implemented.</i>
Fixed Asset Registers	
R4	The asset value to be reported in the AGAR at Section 2, Box 9 should be that as recorded in the Rialtas Asset Register. <i>Section 2, Box 9 is correct. The Rialtas Asset Register report was produced after year end when the list had been updated to take into account two asset acquisitions and a disposal (supported by reports). In future the Asset Register will be produced and saved at year end as part of the closedown procedure.</i>