



Wilton Town Council

Internal Audit Report 2020-21 (Final up-date report)

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*For and on behalf of
Auditing Solutions Ltd*

Background

Statute requires all town and parish councils to arrange for an independent internal audit examination of their accounting records and system 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 for our 2020/21 audit of the Council which took place on February 15th and 21st June 2021 together with our preparatory work. It consolidates the matters detailed in our interim report. Due to the Covid-19 pandemic our work was done remotely. We wish to thank the Clerk and Assistant Clerk for providing the information in electronic format 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 miss recording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover is designed to afford appropriate assurance that the Council has robust financial systems in place that 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 Report' as part of the Council's AGAR process, which requires independent assurance on eleven internal control objectives.

Overall Conclusion

Based on the work completed, the Council operates suitable financial systems. We made a number of recommendations following our interim review which are set out below together with the Council's responses.

We have duly signed the Internal Audit Report in the AGAR providing a copy to the Clerk.

We wish to thank the Council's officers for the courtesy and attention afforded during this review and we ask that this report is provided to Members.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Council uses the Rialtas accounting software to maintain the Council's accounting records. There are two bank accounts with Lloyds with the transactions recorded in a combined cash book on the Rialtas system. We note the Council has recently engaged the support of DCK in maintaining its Ledger.

Our objective in this area is to ensure that the accounting records are being maintained accurately and in a timely manner and that no anomalous entries appear in cash books or reconciliations. We have consequently:

- Verified that the closing balances for the financial year 2019/20 were rolled forward on the Rialtas accounting system for 2020/21;
- Ensured that an appropriate Cost Centre and Nominal Account Coding Schedule remains in place;
- Confirmed the Rialtas accounting system was in balance overall based on the back-ups supplied for our interim and final reviews. This was done by running a data check to confirm the trial balance agreed to the nominal ledger;
- Discussed arrangements for backing up the Rialtas system. We understand the Ledger is backed up manually after each use, also that the Rialtas system is backed up to the server which we understand is backed up to a cloud;
- Confirmed arrangements for processing journals on the Rialtas system, (manual adjustments usually done at the year-end to prepare the accounts). This was done by DCK in discussion with officers;
- Reviewed the report of the External Auditor for 2019/20;
- Checked and agreed detail of transactions in the Lloyds bank statements for December 2020 and January (up to January 22nd when that month's reconciliation was completed) and March 2021 to the cash book, as a sample. (For the current account officers downloaded and provided us with the statements, for the deposit account covering December and January we were provided with an excel spreadsheet which we understand officers downloaded from the Lloyds banking system); and
- Tested and agreed the bank reconciliation at 22nd January and 31st March 2020 on the combined bank accounts.

Conclusions and recommendation

We note that due to the lockdown and changes in staffing there were delays during the year in completing reconciliations but the Council with the help of DCK brought the accounts up to date. We note in doing this DCK had to post entries in December relating to prior month's activity. At the stage of our interim review the reconciliation contained a number of still unidentified items including;

- *In respect of a receipt per the bank received on 10th November for £232.61, an amount was posted to the cash book in December for £183.87 with the balance of £48.74 remaining unidentified in the reconciliation at the time of our interim review;*
- *A further amount appearing in the bank on 9th October 2020 for £52.78 had yet to be identified;*
- *An amount of £21.31 received 22nd July 2020 was removed from the cash book in December, we were unable to identify the original entry in the cash book presumably as it was part of another entry but understand this related to a cheque that was returned.*

Progress with reconciliations was reported to Members during the year. Control would be strengthened if reconciliations are printed off for Members to sign, accepting this would have been difficult earlier in the year due to the lock-down.

At the year end we confirmed the reconciliation had no anomalous adjustments and agreed the balance to the AGAR.

Whilst not making a formal recommendation the Council should consider the benefits of continuing to obtain accounting support during the year. There are clear benefits to having an independent accountant periodically visiting the Council during the year providing increased staff capacity and ensuring reconciliations are completed and financial controls maintained, invoices retained and filed etc. such an arrangement is in place at other town councils.

R1. Officers should work with DCK to identify the differences on the reconciliation. Response: This was completed by the year end with no anomalies remaining on the reconciliation.

Review of Corporate Governance

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, that financial transactions are made in accordance with the extant Financial Regulations and that, as far as we are able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We have:

- Completed our review of the minutes (as posted on the website) of the full Council meetings for the financial year to ensure that no issues affecting the Council's financial stability either in the short, medium or long term exist, also that no legal issues are in existence whereby the Council may either be considering or have taken decisions that might result in ultra vires expenditure being incurred;
- Noted that the Council keeps its Governance framework under review having confirmed a range of policies and procedures at its meeting in July 2020. Procedures considered included Financial Regulations, Standing Orders and Code of conduct; and
- Confirmed the Council advertised the audit of its 2019/20 accounts by publishing the notice of public rights.

Conclusion

No issues have arisen from our work this year in this area.

Review of Expenditure

Our aim here is to ensure that:

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Appropriate procedures are in place to ensure compliance with the Council's Standing Orders and Financial Regulations with regard to tendering and quotation action;
- Payments are supported by appropriate documentation, 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;
- 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 again considered the Council's approach to the review and authorisation of payments for release and are pleased to note the continued use of the certification stamp on invoices presented to Members and that Members sign the summary schedule of payments with the actions being recorded in the minutes. We note this has, in some cases, been impacted by the lockdown with invoices not always being available for Member signature.

We have examined a sample of payments made in the financial year to 31st March 2021. The sample included all amounts with a value in excess of £2,000 and randomly every twentieth item in the cash book. The total value of our sample was £122,160 being 63% of the total value of non-pay expenditure in the year. From our testing we noted the following:

- The Council has made ten monthly payments to Idverde from April to January 2021 for £4,079. Whilst we accept these amounts are likely part of a monthly contract, officers were initially only able to provide invoices to support eight of the payments. We provided detail of the payments in the cash book and the invoice numbers supplied;
- A payment to Wilton CIC for £3,500 was supported by detail in the minutes, although at the interim stage no receipt from the CIC was available for our review;
- A payment was made via paypal for £286.54, but no supporting invoice was available;
- Four payments in our sample totalling £301.83 to Covid-19 community volunteers could not be supported by invoices or till receipts; and
- Payments to Amazon for £20.48 and £47.84 were not supported by invoices, although were referenced to Amazon payment requests.

We reviewed the Council's VAT transactions noting the balance due to the Council at 31st March 2020 had been recovered and that the first three quarterly VAT reclaims for 2020/21 had been

completed and funds recovered. We agreed the balance of VAT due for quarter four to the year-end debtors.

Conclusion and recommendations

The Council has systems in place for processing payments, although at the time of our interim review was unable to provide invoices or till receipts to support some payments.

R2. *Officers should confirm the remaining two payments to Idverde either by requesting the company provide copy invoices or a statement of amounts paid in the financial year.*
Response: Invoices obtained and provided to internal audit.

R3. *Officers should seek to obtain a receipt from the Wilton CIC for the grant of £3,500.*
Response: Email acknowledgement obtained by the Clerk from a Director of the CIC.

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. To this end, we have:

- Noted that the Council reviewed and adopted its risk management policy and related assessment of risks at its meeting in July 2020. Unfortunately, the new Clerk was unable to locate the overall risk assessment which was prepared and approved before she commenced at the Council, although additional specific risk assessments had since been done for example in relation to Covid-19. A further risk assessment was prepared and adopted by the Council at the meeting in March 2021. The risk assessment analyses risk by source and includes a section on financial risks. It describes the risk, the impact and then lists the mitigations;
- Examined the Council's 2020/21 insurance policy with Axa to ensure that appropriate cover was in place, noting that cover includes:
 - Property damage
 - Business interruption cover
 - Employer's liability £10m
 - Public liability £10m
 - Hirer's liability £5m and
 - Employee dishonesty £0.31m; and
- Discussed arrangements for completing safety checks on Council play areas which we understand are completed weekly by the ground maintenance contractor supplemented by an annual independent check.

Conclusion and recommendation

The Council is required to approve its overall risk assessment annually. We note this was done in July 2020. To ensure a full risk assessment is available for reference and use we recommend the updated overall risk assessment is readopted before our final visit in May 2021.

R4. The Council should review and re-adopt its risk assessment before our final review in May 2021 so we can confirm in the AGAR that full risk assessments are maintained. Response: Completed in March 2021.

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 value of precept to be drawn down from the Unitary Authority: 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 regular financial monitoring information is provided to Members including details of payments, balance sheets, unpaid sales invoices and detail of cash book transactions.

Due to the changes in staffing at the Council the Clerk was helped with the 2021/22 budget setting process by a Member. A spreadsheet was prepared showing the budget and actual for the prior year, budget and projected for the current year and budget for the coming year. This was done at a detailed level covering income and expenditure. The budget was discussed at a working group before being presented to Full Council. The 2021/22 budget and precept was approved at the full Council meeting in February 2021.

At the year-end 31st March 2020/21 reserves were £208,148. The Council had earmarked reserves of £89,734 and a general reserve of £118,414. Spending in 2020/21 was £222,245 or £18,520 a month. The general reserve was some 6.4 months spending.

We have reviewed the 2020/21 budget outturn comparing income and expenditure to previous years. We note the impact Covid-19 has had on Council income streams.

Conclusion

No issues have arisen in this area from our work this year. We note the Council's general reserve is within the normal range for a town council of 3 to 8 months spending.

Review of Income

In addition to the precept the Council receives income from grants, burial fees and hire charges relating to the pavilion and sports pitches and from the tenant in the Council's offices, Harvey & Snowden.

At the interim visit we:

- Agreed the amount of the Precept for 2020/21 from the minutes to the amounts receipted into the Rialtas cash book;
- Reviewed the arrangements in respect of Covid-19 community support wherein the Council paid volunteers to do shopping for vulnerable people and then sought to recover the sums from the person receiving the goods;
- Tested Section 106 receipts from Wiltshire Council totalling £21,456.25 to the remittance advices;
- Reviewed and agreed one month's income to the Cash Book on a sample basis; and
- Reviewed the unpaid invoices report on Rialtas.

At our final visit we:

- Agreed the precept to the list of town council precepts published independently by the Government;
- Tested a sample of two burials confirming certificates of cremation were held and agreeing the amount charged to the invoice, to the amount accounted for in Rialtas and to the list of charges held by officers;
- Reviewed year-end debtors; and
- Tested a further month's income to the cash book.

Conclusion and recommendations

The Council has procedures for accounting for income. We note the negotiation to conclude the Lease with Harvey Snowden has not been completed.

The Council's scheme for running covid-19 community support has now been handed to Wilton CIC. During the period it operated there were difficulties, specifically:

- ***Income received from recipients of support could not always be identified to the individual and it appears some people did not pay;***
- ***Items purchased by volunteers could not always be supported by till receipts as referred to in the previous section on the testing of payments.***

R5. Upon completion of reasonable efforts to identify the income and payments relating to the Covid-19 support scheme, the Clerk should do a summary report for Members detailing the transactions, unidentified items and the overall cost to the Council and how it was funded. Response: summary provided see action plan comments.

R6. We have requested further information at this interim review in relation to a sample of two burial accounts. This information should be provided for our final review in May. Response: provided details of the burial accounts linking to Rialtas and details of cremation certificates.

Petty Cash Account

The AGAR requires us to confirm arrangements in relation to Petty Cash. The Council does not operate a petty cash account, any out-of-pocket expenses being reimbursed by separate payment as with other trade payments. Therefore, for this control objective in the Internal Audit report in the AGAR, we will note it as not applicable.

Salaries and Wages

In examining the Council's payroll function, we aim to confirm that salary payments are in line with the Council's approved pay rates and that extant legislation is being appropriately observed as regards adherence to the requirements of HM Revenue and Customs (HMRC) legislation in relation to the deduction and payment over of income tax and NI contributions, together with pension contributions in accordance with the percentage contribution rates effective from 1st April 2017.

We note that payroll is processed by a Bureau and that Members approve payroll payments with the total salary cost being included in the list of payments provided for approval and that Members also initial payslips. At the interim visit we:

- Reviewed payroll reports for November 2020, as a sample month, confirming the correct calculation of PAYE tax and National Insurance;
- Checked the calculation of pension contributions for November; and
- Confirmed that payments were made to the HMRC and to the Local Government Pension Scheme.

At our final review we:

- Agreed the gross pay of the Clerk as recorded on her March payslip to a copy of her contract which she provided; and
- Completed a month on month trend analysis of payroll costs to confirm there were no material variations during the year.

Conclusions and recommendation

The Council is maintaining suitable payroll records.

R7. The establishment list confirming for each officer their pay point and hours worked together with minute approval should be provided for our final review. Response: Will consider going forward. Detail of Clerk's new contract provided to audit which could be agreed to payslips. Internal Audit accepted as providing sufficient overall assurance.

Fixed Asset Register

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We have reviewed your asset register and confirmed that it is being kept up to date with new acquisitions recorded at cost and disposals being removed. We note it was reviewed in detail this year with a number of amendments made to remove redundant entries. We have agreed the balance on the fixed asset register to the draft AGAR line 9.

Conclusion

No matters have been identified from this area of our work requiring recommendations, the Council is maintaining its asset register.

Investments and Loans

We have tested the PWLB loan repayment instalments made in the financial year to the third party PWLB demand notices. At the year-end we agreed the balance for loans reported in the Council's AGAR to the balance reported as owing to the PWLB on the Government's Debt Management Office website.

The Council had no funds placed in investments at the year-end.

Conclusion

No issues have arisen in this area of our work this year.

Statement of Accounts and Annual Governance & Accountability Return (AGAR)

The Accounts and Audit Regulations, as amended periodically, require all councils to prepare annually a Statement of Accounts, which is now in the form of the Annual Governance and Accountability Return at Section 2, which is, together with the Annual Governance Statement at Section 1, subject to independent external audit examination and certification.

We have agreed the AGAR data in Rialtas to the underlying financial information and reviewed the year end debtors and creditors. We have agreed this information to the hard copy AGAR.

Conclusions

We have duly signed off the Internal Audit Report in the year's AGAR providing a copy for the Clerk's necessary further action. We also take this opportunity to remind the Clerk of the requirements of the guidance notes in the preface to the year's AGAR in relation to the documentation that should be displayed on the Council's website, together with the need to ensure compliance with the timing requirements for publication of the Notice of Public Rights to examine the Council's documentation for the financial year.

Rec. No	Recommendation	Response
Maintenance of Accounting Records & Bank Reconciliations		
R1	Officers should work with DCK to identify the differences on the reconciliation.	<i>Response: This was completed by the year end with no anomalies remaining on the reconciliation.</i>
Review of Payments		
R2	Officers should confirm the remaining two payments to Idverde either by requesting the company provide copy invoices or a statement of amounts paid in the financial year.	<i>Invoices obtained and provided to internal audit.</i>
R3	Officers should seek to obtain a receipt from the Wilton CIC for the grant of £3,500.	<i>Email acknowledgement obtained by the Clerk from a Director of the CIC.</i>
Assessment and Management of risk		
R4	The Council should review and re-adopt its risk assessment before our final review in May 2021 so we can confirm in the AGAR that full risk assessments are maintained.	<i>Completed in March 2021.</i>
Review of Income		
R5	Upon completion of reasonable efforts to identify the income and payments relating to the Covid-19 support scheme, the Clerk should do a summary report for members detailing the transactions, unidentified items and the overall cost to the Council and how it was funded.	<p><i>The final financial position is show in Rialtas.</i></p> <p><i>The Council received grants of £10,600 (including £8,000 from Wiltshire Council to cover losses incurred arising from the restrictions eg the impact on hire income and £2,600 from the Community Foundation). Reimbursements of shopping totalled £7,281. Total income was £17,881.</i></p> <p><i>Expenditure totalled £11,860 including shopping, the telephone system and other expenses and a grant awarded of £3,500. This left a balance overall of £2,521.</i></p>
R6	We have requested further information at this interim review in relation to a sample of two burial accounts. This information should be provided for our final review in May.	<i>Provided details of the burial accounts linking to Rialtas and details of cremation certificates.</i>
Salaries and Wages		
R7	The establishment list confirming for each officer their pay point and hours worked together with minute approval should be provided for our final review.	<i>Response: Will consider going forward, detail of Clerk's new contract provided to audit which could be agreed to payslips which Internal Audit accepted as providing sufficient overall assurance.</i>