



Wilton Town Council

Internal Audit Report 2021-22 (Final)

Chris Hackett
Consultant Auditor

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 at the Council for the financial year 2021/22 which took place on the 7th March and 6th June 2022, together with our preparatory work. We wish to thank the Clerk and Assistant Clerk for providing the information 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' which is part of the Council's AGAR and requires independent assurance on specified internal control objectives.

Overall Conclusion

Based on the work completed this year, the Council operates suitable financial systems. We made a number of recommendations following our interim review to strengthen control, these together with the Council's response are set out in the detailed report. We have duly signed the Internal Audit Report included in the Council's AGAR assigning positive assurance against the control objectives.

We ask that Members consider the content of this report and acknowledge that the report has been reviewed by Council.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Council uses the Rialtas accounting software to maintain its accounting records. There are now three bank accounts with Lloyds Bank, the Instant Access account, the Treasurer's Account and the recently opened Business Debit Card account with the transactions recorded in a combined cash book on the Rialtas system. We note the Council has support from DCK Accounting in maintaining the Rialtas Ledger including the year-end closedown.

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 2020/21 have been rolled forward correctly in the Rialtas accounting system to 2021/22;
- 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 two 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 from Officers that the Council's Server is backed up every day to a Cloud by the Council's IT provider, Cloudberry;
- Reviewed the report of the External Auditor on the 2020/21 accounts to confirm there are no matters raised requiring our follow up;
- At our interim review checked and agreed detail of all transactions in the Lloyds bank Instant Access and Treasurer's account statements for December and January (up to January 27th) to the cash book, as a sample. At the final review we similarly checked all transactions in March 2022 between the cash book and the bank statements for the three accounts held, including the new Business Debit account. We note the Business Debit account was not used to make purchases in 2021/22; and
- Tested and agreed the bank reconciliations at 30th November and 29th December 2021 and 1st March and 31st March 2022 between the cash book and bank statements.

Conclusions and recommendation

The accounts were in balance at the time of our reviews and reconciled during the year and at the year end. We agreed the cash and bank balances at the year end to the AGAR.

We understand that Members are provided with bank reconciliations, it is good practice for a Member, who is not a cheque signatory, to initial them.

We note that, in common with many councils, Wilton employs DCK Accounting to provide support with maintaining the Rialtas Ledger and the year-end closedown. We regard this as good practice in ensuring the Council has sufficient resources to maintain its financial controls.

R1 The bank reconciliations should be signed by a Member. Response: This was done in April 2022 and will be done going forward.

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 and Committees 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. None were identified;
- Noted that the Council keeps its Governance framework under review, confirming Standing Orders and approving a Code of Conduct during the year;
- Confirmed the Council is posting details of larger payments, over £500, on its website in compliance with the Transparency Code; and
- Confirmed the Council advertised the audit of its 2020/21 accounts by publishing the notice of public rights.

Conclusion and recommendation

The Council has Governance arrangements in place, although at the time of our interim review it needed to up-date the posting of detail of larger payments on to its website.

R2 The Council should post detail of larger payments on to its website. Response: Details of the cash book are posted each month with the agenda papers showing individual payments.

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 discussed with the Clerk the Council's arrangements for processing and authorising payments. We understand this is now mostly done on-line with the Clerk setting up the payment and two members then authorising them. Further that Members are provided with a list of invoices set up by the Clerk and that all payments including direct debits are reported to Council.

We understand the new debit card account has a maximum balance allowable of £1,000 and only a Member can transfer funds in to the account and that payments from this account will be reported with the other payments. We understand the Clerk is drafting a policy for the use of the debit cards.

To gain assurance in this area we have examined a sample of payments made in the financial year to 31st March 2022. 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 £100,940 being 65% of the total value of non-pay expenditure in the year. All payments were supported by invoices except the payment for £750 in August 2021 being 50% of the Mayoral Allowance. We understand this amount was included in the Budget.

We understand the Council tendered two contracts in the year, one for ground maintenance and one for a play area. We discussed tender arrangements with the Clerk and reviewed the tenders received.

We reviewed the Council's VAT transactions noting the balance due to the Council at 31st March 2021 had been recovered and that the first three quarterly VAT reclaims had been completed with the funds recovered and credited to the cash book.

Conclusion and recommendations

The Council has systems in place for processing payments. We understand invoices are provided to Members at meetings. Control would be improved if invoices were checked and initialled by Members against the schedule of payments provided to Members.

R3 Invoices should be initialled by two Members. Response: This is now happening. Members compare invoices to the pay schedules.

R4 Payments of Mayoral Allowance should be specifically minuted. Response: Will be done, but not made payments since interim audit report.

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 on 25th May 2021. It analyses risks by source including a section on financial risks. It describes the risk, the impact and assesses it, then lists mitigations. We understand the Clerk is developing the current year risk assessment;
- Examined the Council's 2021/22 insurance policy with Axa which ran to 31st March 2022, noting that cover included:
 - Property damage
 - Insurance of street furniture and equipment
 - Business interruption cover loss of revenue up to £15,000
 - 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 by Zurich.

Conclusion

The Council has arrangements for managing risk. The Council is required to approve its overall risk assessment annually. We note this was done in May 2021 which is within the year of audit.

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.

From discussion with the Clerk we understand that Members regularly get a cost centre report generated from Rialtas showing income and expenditure for the prior year, current year budget and variance. We confirmed these are posted onto the website with the agenda papers.

We note that a budget working party was set up which met twice. Members had a line by line analysis of income and expenditure showing the budget for 2019/20 and the actual, the 2020/21

budget, 2021/22 budget and YTD, and projections for 2022/23. Members were also provided with a briefing note analysing the precept and comparing to other councils and detailing the council tax base. Full Council then approved the budget and set the precept its meeting on 4th January 2022.

At the 31st March 2022 total balances and reserves stood at £300,075 including a general balance of £141,236 and earmarked reserves of £158,839. Spending in 2021/22 per the AGAR was £171,167 or £14,264 a month. The general balance was some 10 months spending which is slightly above the normal range of 3-8 months. We note reserves are discussed by Members as recorded in the minutes. The Council is keeping relatively high balances in view of the planned projects.

We reviewed the income and expenditure for the full year making comparisons to prior years. We note the main variations year on year reflect a reduction in other income compared to 2020/21 when there were a number of one-off grants and activities. Similarly, the level of general payments in 2021/22 was lower than the prior year due to a number of one off items in 2020/21.

Conclusion

No issues have arisen in this area from our work. The Council has arrangements for managing its budget.

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.

We have:

- Agreed the amount of the Precept for 2021/22 from the minutes to the amounts receipted into the Rialtas cash book. We agreed further the precept recorded in the accounts to the list of 2021/22 precepts published by the Government;
- Confirmed that cemetery fees and charges are reviewed periodically by the Council;
- Tested burial income, selecting a sample of five burials from the Register of Interments confirming a certificate of burial or cremation was held and that the fees had been charged in accordance with the schedule of rates with invoices recorded in Rialtas;
- Confirmed receipt of Section 106 grant from Wiltshire Council of £12,515 to the remittance advice;
- Reviewed and agreed two month's income from the bank statements to the Cash Book; and
- Reviewed the unpaid invoices report on Rialtas at our interim and final stage reviews.

Conclusion

The Council has arrangements for collecting income. There are no matters arising requiring recommendations.

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 published percentage contribution rates.

We note that payroll is processed by a Bureau and that Members approve payroll payments with the total salary cost being recorded on the payment schedules sent to all Members each month. Actual payments through the bank system are authorised by two members. We have obtained and tested the payroll reports for November 2021 as a sample, specifically we:

- Agreed pay, per the payslips, to the schedule of salary costs approved by the Budget Working party for inclusion in the budget 2022/23 which was formally approved by Council on January 4th 2022, (the schedule was provided to us by the Clerk);
- Checked the calculation of tax and NI for staff per the November payroll;
- Agreed tax and NI per payslips and employer's NI to the tax summary report and to the payments recorded in the Rialtas cash book;
- Test checked the calculation of pension contributions;
- Checked the calculation of the back-dated pay-rise for the Clerk and Assistant Clerk which was applied in March 2022 following the agreement of the national pay award; and
- Completed a trend analysis of payroll costs month on month to identify any potential material anomalies.

Conclusion

The Council is maintaining suitable payroll records. There are no matters arising requiring formal comment or recommendation.

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 noting it identifies individual assets and suitably categorises them, for example recording buildings, play equipment, community assets etc. We note there were no acquisitions in the year. 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 year to the third party PWLB demand notices. At the year-end we agreed the balance owed on the two loans as recorded in the AGAR to the amount reported as due on the Government's Debt Management Office website.

We note the Council does not currently have an investment policy, although all funds are placed in current or deposit accounts.

Conclusion and recommendation

Loans reported in the AGAR agree to third party supporting information.

R5 *The Council should approve an investment policy/strategy.*

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	The bank reconciliations should be signed by a Member.	<i>This was done in April 2022 and will be done going forward.</i>
Review of Corporate Governance		
R2	The Council should post detail of larger payments on to its website.	<i>Details of the cash book are posted each month with the agenda papers showing individual payments.</i>
Review of Expenditure		
R3	Invoices should be initialled by two Members.	<i>This is now happening. Members compare invoices to the pay schedules.</i>
R4	Payments of Mayoral Allowance should be specifically minuted.	<i>Will be done, but not made payments since interim audit report.</i>
Investments and Loans		
R5	The Council should approve an investment policy/strategy.	