Wilton Town Council

Internal Audit Report 2022-23 (Interim)

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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 interim audit of the Council which took place on March 8th 2023, together with our preparatory work. We wish to thank the Clerk and Assistant Clerk for providing the information to facilitate our review. This report will be updated following our final review, planned to take place after the 2022/23 financial year end.

Internal Audit Approach

In commencing 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 to date, the Council operates reasonable financial systems, our detailed findings are set out in the following sections. We shall undertake further work at our final review covering the year end accounts.

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 three bank accounts with Lloyds Bank, the Instant Access Account, the Treasurer's Account and the 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.

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 at this stage:

- Verified that the closing balances for the financial year 2021/22 have been rolled forward correctly in the Rialtas accounting system to 2022/23;
- Ensured that an appropriate Cost Centre and Nominal Account Coding Schedule remains in place;
- Confirmed the Rialtas accounting system is in balance overall, based on the back up supplied for our review. 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 2021/22 accounts to confirm there are no matters raised requiring our follow up; and
- Tested the bank reconciliation for the cash book agreeing it to the bank statements at 31st December 2022 (although for the deposit account, (the Business Bank Instant Account), officers provided us with a spreadsheet download of transactions from the bank system rather than a statement). We then checked the January transactions between the bank statements/spreadsheet and the cash book. We noted that payments from the Debit Card Account in January and the interest on the Business Bank Instant had not been recorded in the cash book. We then viewed the reconciliation at 31st January 2023. We noted it showed a difference of £204.47. Two receipts paid into the bank in January were showing incorrectly in the reconciliation as not received. When we adjusted the reconciliation for this and the interest and Debit Card payments not added, we were able to agree the reconciliation.

Conclusions

The Rialtas Ledger is in balance overall. There were anomalies on the January bank reconciliation which will need to be adjusted for the year end. We note that details of the bank reconciliations are reported to Members.

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:

- Commenced 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;
- Noted that in October the full Council, following initial review by Policy and Resources Committee, adopted/or as appropriate re-adopted a suite of Governance Policies including Financial Regulations, scheme of delegation and statement of internal control;
- Confirmed the Council is posting details of larger payments, over £100, onto its website in compliance with the Transparency Code; and
- Confirmed the Council advertised the audit of its 2021/22 accounts by publishing the notice of public rights.

Conclusion

The Council has Governance arrangements in place, we will update our review of minutes at our final audit in the summer.

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; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

To gain assurance in this area we tested a sample of payments selecting from the cash book. Our sample included all payments over £2,000 and randomly every 20th payment and totalled £156,075 representing 78% of non-payroll costs in the year to January 2023. We noted:

- A payment in the cash book for £4,141.91 in October 2022 comprised £808.58 for election and admin costs and £3,333.33 NNDR payments which we agreed to invoices. We noted a further NNDR payment was due to Wiltshire Council in respect of the Cemetery for £474, we were not able to identify this in the cash book. A small amount of VAT should have been shown in the cash book £53.10 in respect of admin costs charged by Wiltshire Council;
- We selected one payment to Good Energy for £4,733.59, paid in August 2022. We understand the Council has had difficulty understanding the billing from this supplier and has subsequently changed provider. We agreed the payment to a spreadsheet summary which we understand from the Clerk was provided by the Company. Although the invoices provided by the Company in August totalled some £1,985.72 less than the cash book payment. (Officers provided 8 invoices paid in August totalling £6,319.31, which we agreed to the purchase ledger. The payment per the cash book was in four parts and totalled £8,305.02 including our sampled payment of £4,733.59. We agreed the cash book payments to a payment schedule provided to Members and to spreadsheet summaries we understand were provided by Good Energy);
- For two payments, one to local trader who provided services at a local event where the income generated was lower than anticipated and one in connection with the Cemetery, for £50 and £500, we agreed the payments to letters generated by the Clerk; and
- One Tesco till receipt for £12 could not be located.

We reviewed the Council's VAT transactions noting the balance due to the Council at 31st March 2022 had been recovered and that the first two quarterly VAT reclaims had been completed with the funds recovered from HMRC.

Conclusion

The Council provided evidence to support the payments in our audit sample, although there was some uncertainty about the amount paid to Good Energy.

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:

- Examined the Council's current year insurance policy with Axa which runs to 31st March 2023, noting that cover includes:
    - Cover for buildings and contents
    - Cover for fixtures such as playground equipment

- Business interruption insurance
- Employer's liability £10m
- Public liability £10m
- Employee dishonesty £310k; 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 June 2022. At our final audit we will confirm whether an up-date has been prepared.

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 Full Council receive regular financial reports detailing income and expenditure as well as details of payments and bank reconciliations; and
- Following review by the Budget Working Group that Full Council approved the 2023/24 budget and precept at its meeting in December. The decision was supported by a detailed report showing 2023/24 projections at service level for both income and expenditure together with prior year comparisons.

Conclusion

No issues have arisen in this area from our work to date. We will review the outturn income and expenditure against budget for 2022/23 and the level or reserves at our year end audit.

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 this interim visit we have:

- Agreed the amount of the Precept for 2022/23 from the minutes to the amounts receipted into the Rialtas cash book;
- Confirmed that Castle Meadow Pavilion charges were reviewed recently by the Council;
- Cemetery: we selected two interments from the register of burials, occurring in October 2022. We confirmed a certificate of burial or cremation was held on file and agreed the fee charged to the schedule of rates and confirmed the income was recorded in Rialtas for recovery;
- Grants: we agreed receipt of Section 106 monies of £43,776 recorded in the accounts, to a remittance advice from Wiltshire Council;
- Castle Meadow Pavilion: we selected two bookings from the diary and checked to confirm the booking form was on file and the usage had been invoiced at the correct rate and the income recorded in Rialtas for recovery. For one, the booking form could not be located, but we understand from officers that the person is a regular hirer and that bookings forms are held for earlier usage;
- Reviewed and agreed one month's income from the bank statements to the Cash Book; and
- Reviewed the unpaid invoices report on Rialtas.

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 latest announced 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. At this visit we have obtained and tested the payroll reports for November 2022 as a sample. Specifically we:

- Agreed pay, national insurance, tax and pension payments, per the payslips, to the Rialtas cash book;
- Checked the calculation of back pay linked to the national pay settlement and the application of the new national scales as recorded on the payslips for the Clerk and Assistant Clerk;
- Checked the calculation of tax and NI for staff per the November payroll;
- Checked the calculation of pension contributions in November; and
- Commenced a trend analysis of payroll costs month on month to identify any potential material anomalies.

Conclusion

The Council is maintaining suitable payroll records.

Investments and Loans

We have tested the PWLB loan repayment instalments made in the current year to the third party PWLB demand notices. We will confirm the accurate recording of the residual loan liability in the AGAR by reference to the PWLB website register of all outstanding loans as at 31st March 2023 at our final visit.

Should the Council have investments placed at the year-end we will confirm the balance to third party statements.

Conclusion

No issues have arisen in this area of our work to date.