
Warminster Town Council

Internal Audit Report 2021-22 (Interim update)

Chris Hackett

*For and on behalf of
Auditing Solutions Ltd*

Background and Scope

The Accounts and Audit Regulations require all Town and Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually. The Council has complied with the requirements in terms of independence from its decision-making process appointing Auditing Solutions Ltd to provide the function.

This report details the work undertaken for our 2021-22 interim review which took place on 2nd December 2021 together with our preparatory work. Due to the impact of the Covid-19 pandemic this interim review has been undertaken remotely. We wish to thank the Officers for providing all the requested documents in electronic format to facilitate the completion of our work. This Report will be updated following our final review which will follow the contract accountant's closure of the Council's Accounts for the financial year.

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 and the Annual Governance and Accountability Return (AGAR). The latter is a statutory return provided to the External Auditor.

Our programme of cover has been 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 'Internal Audit Report' which forms part of the Council's AGAR and requires that we give independent assurance over eleven internal control objectives.

Overall Conclusion

Based on our work completed to date, the Council continues to operate effective control systems that should help ensure that transactions are recorded accurately in the financial ledger and subsequently, the detailed Statement of Accounts and AGAR. Our detailed findings are set out in the following sections.

We request this report is presented to Members.

This report has been prepared for the sole use of Warminster Town Council. To the fullest extent permitted by law, no responsibility or liability is accepted by Auditing Solutions Ltd to any third party who purports to use or rely, for any reason whatsoever, on this report, its content or conclusions.

Detailed report

Accounting Records and Bank Reconciliations

The Council uses the Rialtas accounts software, with external contractors (DCK Beavers Ltd) preparing the accounts from detailed records maintained by the officers. A single combined cashbook for the Current & Instant Access bank accounts, operated at HSBC, remains in place.

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 and agreed the opening Trial Balance in the Rialtas software for 2021-22 to the closing financial records for 2020-2021 to ensure that all balances have been properly rolled forward;
- Verified that an appropriate cost and nominal ledger structure remains in place;
- Confirmed the accounting system remained in balance at the date of our review by running a data check to confirm the trial balance agreed to the nominal ledger (the main accounting record);
- Confirmed the External Auditor raised no issues following their work on the 2020/21 accounts;
- Discussed arrangements for backing up the accounting system with the Clerk. We understand this is done regularly by DCK;
- As a sample checked and agreed one sample month's transactions in the cashbook (October 2021) to the bank statements, including the regular "sweep" transfers to maintain the current account balance at a constant £5,000;
- Checked and agreed the software based bank reconciliations as at 30th September and 31st October 2021 confirming there were no long standing, un-cleared adjustments or any other abnormal entries arising; and
- Confirmed Member oversight of the accounts and bank reconciliations.

Conclusions

We are pleased to record that no issues arise in this area currently.

We shall undertake further work in this area at our final visit, including checking one further month's transactions and ensuring the accurate disclosure of the combined year-end cash and bank balances in the year's Accounts and AGAR.

Review of Corporate Governance

Our objective here is to ensure that the Council has robust corporate governance documentation and processes in place, and that, as far as we may reasonably be expected to ascertain (as we do not attend Council or Committee meetings) all meetings are conducted in accordance with the adopted Standing Orders and no actions of a potentially unlawful nature have been or are being considered for implementation. We have noted that:

- Full Council reviewed Standing Orders at their meeting in September 2021. This followed on from the work of the Standing Orders and Code of Conduct Working Group;
- Details of payments and Council policies are posted on the website in the Transparency section;
- Full Council agreed to renew the General Power of Competence at their meeting in May 2021; and
- Following approval of the 2020/21 Accounts the Council advertised their availability for public inspection by publishing the notice of Public Rights.

Further we have commenced our examination of the minutes of the Full Council and its extant Committee meetings (except for Planning) as posted on the Website.

Conclusions

No matters have been identified in this area from our work to date. We shall extend our review of minutes at our final visit and report our conclusions accordingly.

Review of Expenditure

Our aim here is to ensure that:

- Council resources are released in accordance with the Council's approved procedures and budgets;
- 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.

To gain assurance in this area we have tested a sample of payments examining all those individually in excess of £3,500, together with a more random sample of every 40th cash book transaction to the end of November 2021. Given the audit work was done remotely and required evidence being scanned to us, our focus was on obtaining invoices or other information confirming the payments. For example, we did not request that copies of orders be scanned over. However, we did discuss the operation of controls with officers who confirmed coding slips continue to be prepared and arrangements for placing orders continue to operate. Our test sample comprised 37 cash book payments made up of 40 separate invoices and totalled £415,303 representing 61% of non-payroll costs for the year to 30th November 2020. Payments were supported by documentation.

We have reviewed the VAT control account on the Rialtas system noting that returns continue to be prepared and submitted quarterly. We have verified the first two quarterly reclaims for 2021/22 to the underlying control account records checking the funds were recovered and confirmed the VAT due to be recovered at the end of 2020/21 has also been reclaimed in the current year.

Conclusions

No issues arise from our work in this area. We shall complete an overall analytical review of year-end expenditure querying any unusual trends at our final visit.

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 have:

- Noted the Council approved its risk assessment for 2021/22 at its meeting in May 2021 and that the Council continues to use the LCRS software to record its assessment which incorporates financial as well as other risks; and
- Confirmed arrangements for completing safety inspections of play areas. Inspections are completed weekly by qualified Council officers and annually there is an external inspection.

Conclusions

No issues arise to date in this area of our work. We note the Council has just renewed its insurance policy effective from 1st December 2021. We will review the level of insurance cover and the Council's approach to risk management at our final visit next summer.

Precept Determination and Budgetary Control

We aim in this area of our work to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the annual precept; that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans.

We are pleased to note that Members are provided with regular financial information including budget monitoring reports.

Our audit has taken place in advance of the finalisation of the 2022/23 budget setting process, although we know work is underway. We will review the outcome of this together with year-end 2021/22 expenditure and reserves at our final visit next summer.

Conclusion

There are no matters arising from our work to date.

Review of Income

Our objective here is to ensure that robust procedures are in place to ensure that all income due to the Council is identified and invoiced (where applicable) with recovery effected within a reasonable time span. In addition to the precept the Council receives various grants and income from lettings and service provision. At this review we have considered the latest budget reports and tested as follows, specifically we:

- Agreed the 2021/22 precept as recorded in the minutes to the amounts receipted into the Cash Book;
- Tested the receipt of CIL grant to a remittance advice from Wiltshire Council;
- Reviewed the grant from Dewey House Trust for the splash pad, confirming the amount with officers;
- Obtained the October cash sheets for the income arising on the Pavilion café, confirming they were signed. We then traced one week's cash sheets through to the Rialtas cash book;
- Reviewed the Civic Centre hirings in August 2021 and tested five lettings from the letting diary to the invoice, confirming the income was entered on to Rialtas and the amount charged agreed to the schedule of rates;
- Reviewed the unpaid invoices report on Rialtas noting there were no material aged debts; and

- As noted earlier in this report, we have tested one sample month's receipt transactions from the cashbook to the bank statements with no issues arising.

Conclusions

The Council has systems in place to manage and monitor income. We will review income further at the final visit.

Petty Cash Account and Floats

The Council continues to operate a limited petty scheme with an Excel control sheet forming the basis of the periodic re-imbursement to the agreed maximum holding level of £250. We have:

- Examined the sheet prepared covering transactions for July and August 2021 testing to ensure that each transaction is appropriately supported by a trade invoice or till receipt;
- Confirmed that regular reconciliations are completed to cash held; and
- Noted that petty cash schedules are reported periodically to Members.

A Civic Centre float of £700 is held. We confirmed with officers the controls over the float.

Conclusion

No issues arise in this area.

Salaries and Wages

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the requirements of HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme in relation to the employees' contribution bandings.

We note the Council has engaged Wiltshire Council to process its payroll. We discussed the controls over the processing of payroll with Town Council officers and then tested transactions in August 2021 as a sample month. Specifically, we have:

- Obtained an establishment list from the Clerk and sample tested changes in pay point and hours worked to Council minutes, testing also the gross pay per the August pay-slips to the agreed pay point and the published national scales;

- Sample tested that PAYE, employee's NI contributions and employee pension deductions are correctly made by reperforming a sample for the August payroll; and
- Agreed a sample of August pay-slips to the August BACS summary report and agreed the total of the BACS summary report to the Rialtas cash book.

Conclusions

We are pleased to record that no issues have arisen from our review of a sample of payroll transactions this year. We have commenced a month-on-month trend analysis of payroll costs to identify any material changes in payroll and will complete this to the year end at our final visit.

Investment and Loans

Our objectives here are to ensure that the Council is "investing" surplus funds, be they held temporarily or on a longer-term basis in appropriate banking and investment institutions, that an appropriate investment policy is in place, that the Council is obtaining the best rate of return on any such investments made and that interest earned is brought to account correctly and appropriately in the accounting records. We also aim to ensure that any loan repayments due to or payable by the Council are transacted in accordance with appropriate loan agreements.

The Council has invested funds in the CCLA. We obtained the CCLA statements for October agreeing movements recorded on the statements to the Rialtas ledger accounts and agreeing the CCLA balance at 31st October to the amount reported in Rialtas.

We also note the existence of a PWLB loan and have agreed the repayment made in September 2021 to the PWLB statement.

Conclusions

No issues arise in this area currently. We shall check movements on investments at our final visit and confirm they are correctly disclosed in the year end accounts and AGAR by reference to third party statements.

We will confirm also the balance on the loan with the PWLB website at our final visit ensuring it is correctly disclosed at the year end.