

Warminster Town Council

Internal Audit Report 2023/24 (Final 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 2023/24 review which took place on the 19th December 2023 and 18th June 2024 together with our preparatory work. We wish to thank the Officers for providing all the requested documents to facilitate the completion of our work.

Internal Audit Approach

In completing 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 specified internal control objectives.

Overall Conclusion

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

We request this report is presented to Members.

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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. As part of our annual review, we have:

- Checked and agreed the opening Trial Balance in the Rialtas software for 2023/24 to the closing financial records for 2022/2023 to ensure that all balances have been properly rolled forward;
- Verified that an appropriate cost and nominal ledger coding structure remains in place;
- Confirmed the accounting system remained in balance at the date of our two reviews 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 on the 2022/23 accounts requiring our follow-up;
- Discussed with the Assistant Clerk the Council's arrangements for backing up the accounting system. We understand this is done regularly by the Council's IT provider to a Cloud with the Rialtas system backed up by DCK to a server;
- As a sample, tested two month's transactions in the cashbook (November 2023 and March 2024) 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 31st October, 30th November 2023, 29th February and 31st March 2024 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 which is done primarily by the Finance and Audit Committee.

Conclusions

We are pleased to record that no issues arise in this area. Based on our work the Accounts are maintained in balance and reconciled regularly.

We have checked 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 note that:

- Full Council adopted Standing Orders and Financial Regulations at their meeting in May 2023;
- Details of payments are posted monthly onto the Council's website in the 'Policies and Financial Information' section. In addition, further financial information is provided here in connections with the requirements of the Transparency Code;
- Full Council agreed to renew the General Power of Competence at their meeting in May 2021; and
- Following approval of the 2022/23 Accounts the Council advertised their availability for public inspection by publishing the notice of Public Rights.

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

Conclusions

No matters have been identified in this area from our work. Based on our testing the Council is maintaining its governance arrangements.

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

We discussed with officers the controls over the authorisation of payments. We consider the controls to be suitable. 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 March 2024. Our test sample comprised 93 cash book payments plus the monthly payments for non-domestic rates and totaled £838,005 representing 58% of non-payroll costs for the year to 31st March. Payments were supported by suitable documentation, either invoices or in the case of grants they referenced to minutes.

The Council, during the year, tendered a contract for the installation of solar panels. We reviewed the report by the Tender Evaluation Team and confirmed three bids were received.

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 three quarterly reclaims for 2023/24 to the underlying control account records checking the funds were recovered and confirmed the VAT due to be recovered at the end of 2022/23 has also been reclaimed in the 2023/24 financial year.

Conclusions

No issues arise from our work in this area. Based on our testing payments are supported by invoices or suitable documentation.

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 2023/24 at its meeting in July 2023. The Council uses the Risk Wizard system, with managers updating their assessment quarterly. The system defines the risks and details controls in place providing a red, amber or green rating for each risk;
- Reviewed the current insurance policy provided by Aviva which runs to November 2024, cover includes:
 - Buildings and property insurance;
 - Business interruption insurance;
 - Employer's liability £10m;
 - Public liability £10m; and
 - Internal crime cover of £999,000, subject to an excess of £15,000; and

- Confirmed in discussion with officers that regular safety inspections continue to be done on play equipment.

Conclusions

No issues arise in this area of our work. The Council has arrangements for managing risk.

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, details of the balance sheet including earmarked reserves as well as schedules of payments for approval.

The Finance and Audit Committee considered the draft 2024/25 budget. Members were provided with reports showing proposed income and expenditure by service area, details of precept, detail of Earmarked Reserves and a short narrative report giving key assumptions, eg around inflation and predicted 2023/24 outturn. Full Council agreed the 2024/25 budget at their meeting in November and set the precept at their meeting in January 2024 at £1,382,830.

At our final visit we reviewed income and expenditure for the full year, 2023/24, seeking explanations for material variances, noting these related primarily to one off projects including the new tennis courts and solar panels.

At the year-end, 31st March 2024, total reserves and balances were £1,717,124. This included a general balance of £391,295 and earmarked amounts of £1,325,829. Earmarked amounts include restricted amounts such as CIL monies. Spending in the year was £1,873,786. When one-off items are excluded, the general balance represented some three months spending which is within the normal range of three to eight months typically seen at parish and town councils.

Conclusion

There are no matters arising from our work in this area.

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. We have considered budget reports and tested as follows, specifically we:

- Agreed the 2023/24 precept as recorded in the minutes to the amounts receipted into the cashbook and to the list of precepts published independently by the Government;
- Tested the receipt of income arising from CCTV charges to invoices and the Memorandum of Understanding;
- Confirmed cashing up sheets are retained in relation to income collected at the pavilion café;
- Tested grant income of £127,990 from the Lawn Tennis Foundation to the Council to a remittance advice from the Donor;
- Reviewed the unpaid invoices report on Rialtas noting there were no material aged debts; and
- As noted earlier in this report, we have tested two 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.

Petty Cash Account and Floats

The Internal Audit Report within the AGAR requires that we comment on arrangements for managing petty cash. The Council continues to operate a petty scheme with an Excel control sheet forming the basis of the periodic re-imburement to the agreed maximum holding level of £250. We have:

- Reviewed the summary petty cash sheets and test checked the payments in November 2023 to the supporting vouchers;
- Noted that petty cash schedules are reported periodically to Members; and
- Agreed the physical cash held on the day of our first visit to the accounting record.

We further confirmed that petty cash and float balances were included in the year-end reconciliation.

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 that Wiltshire Council processes the payroll with officers checking and authorizing the amounts paid. We tested transactions in October 2023 as a sample month. Specifically, in respect of the October pay-run, we have:

- Sample tested for five staff the calculation of PAYE and employee's and employer's NI contributions;
- Sample checked the calculation of employee and employer pension deductions;
- Agreed the summary reports to the Rialtas cashbook;
- For two recent starters agreed their gross pay to their contract of employment; and
- Confirmed that timesheets are authorized by Managers through the payroll system.

At our final visit we completed our month-on-month trend analysis of payroll costs to identify if there were any material changes in payroll.

Conclusions

No issues have arisen from our review of a sample of payroll transactions this year.

Asset Register

The Accounts and Audit Regulations 1996 (as amended periodically) require that all Councils establish and maintain inventories/asset registers of buildings, land, plant and equipment, etc. owned by them.

We have confirmed the Council is maintaining its asset register. It shows assets by category, for example land and buildings, vehicles and equipment, infrastructure and community assets etc, recording additions and as appropriate disposals during the year. For management purposes it records also a charge for depreciation showing net book value, although for the AGAR disclosure the cost value is used as required by the regulations. We

have reviewed the additions in the year as recorded in the asset register to capital expenditure recorded in the Rialtas Ledger and to our sample testing of payments for material consistency. We have agreed the total balance on the fixed asset register to the AGAR line 9 and to the statement of accounts.

Conclusion

The Council is maintaining an asset register as required by the Regulations.

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 statement for 31st October 2023 and 31st March 2024 agreeing the reported balance to the Rialtas Ledger and also for the year-end balance to the statement of accounts and AGAR. We reviewed the interest recorded in the Rialtas Ledger test checking it to the CCLA statements. We also test checked transfers to the main HSBC account.

We also note the existence of a PWLB loan and have agreed the repayments made in September 2023 and March 2024 to the PWLB statements. At the year-end we agreed the balance reported in the statement of accounts and AGAR to the balance reported on the Government’s debt management office website.

Conclusions

No issues arise from our work in this area.

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

We have reviewed the year end accounts prepared by DCK considering any major variations year on year in reported figures and reviewing the supporting working papers confirming key amounts, as noted earlier in this report, including; cash and bank balances, the precept income, loans and investments and fixed assets. We test checked the

disclosures to the Rialtas Ledger and reviewed debtors and creditors and stock taking records.

In addition, we have agreed the amounts in the draft Annual Return (AGAR) working paper prepared by DCK to the supporting records.

Conclusions

No further matters arise from this area of our work. We have duly signed off the Internal Audit Report in the year's AGAR providing a copy for the Officer's necessary further action.

We also take this opportunity to remind the Officers 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.