



SDH Accounting

Date: 6 December 2017
E-mail: the4hacketts@btinternet.com
Tel: 01743 719012

Principal Sue Hackett
Gonsal House
Condover
Shrewsbury
SY5 7EX

Much Wenlock Town Clerk
The Corn Exchange
62 High St
Much Wenlock
Shropshire
TF13 6AE

Dear Sharon,

RE: INTERIM REPORT ON INTERNAL AUDIT VISITS - 19 October & 6 November 2017

I would appreciate it if you could present the following internal audit findings to the Town Council when convenient. The audit examined the following areas:

Council's Internal Control Arrangements; Bank Reconciliations; Treasury Management; Receipts & Payments; Payroll Payments; Website and follow up of the Previous Year's Audit & Annual Return.

Overall Findings - support that that the Town Council is making progress to meet the key control objectives in the areas examined.

Detailed findings:

Follow Up of Outstanding Internal Audit Recommendation:

1. Strategic/Long Term Budget – The Council does not have a strategic budget forecast as required by its Financial Regulations as the outgoing Council decided that this should be created by the new Council appointed in May 2017. The Clerk confirmed that the Council was tabled to discuss the "Forward Plan" at their meeting on 1st June 2017.

An examination of Council minutes and discussions with the Clerk have confirmed that currently this has not been addressed as aspects were deferred to the Finance & Resources Management Committee whilst a Task & Finish Group was formed to address and update the Asset Management Plan.

It is appreciated that the Council is newly formed but with next year's budget soon to be formulated it is important that a Council of this size also has a Forward Plan, Strategic Financial Budget and Business Plan. The Town Council's Financial Regulations requires that it has a 3 year revenue and capital forecast.

2. The council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

The following has occurred which supports that the Town Council is striving to meet this objective and is aware of the need to continually assess significant risks:

1. Property Management is key to the Town Council; given the nature and age of the property it is responsible for. The Town Council's Asset Management Plan feeds into the Town Council's Action Plan. These plans are currently being actioned and updated by the Finance & Resources Committee.

2. An Annual Maintenance (H&S) Plan also exists which delegates the responsibilities of specific actions to staff. Cemetery Risk Assessment, Playground checks etc. e.g. Fire Risk Assessment for the Corn Exchange & Guildhall are currently being considered by F&R Committee in November 2017.
3. Council policies are currently being re-examined and renewed as appropriate. Financial Regulations being currently part of this process.
4. The Council has an Audit Plan; which forms part of its ongoing internal control framework.
5. The F&R Committee are responsible for carrying out independent financial checks of bank reconciliations and the like.
6. The Town Council's insurance needs were re-examined in the autumn; with particular attention being paid to the property replacement value of The Guildhall.
7. A comprehensive Internal Financial Risk and Health & Safety Evaluation was last carried out and adopted by Town Council in March 2016.

At the time of the audit the Council's Financial/Business Risk Assessment requires updating and Health & Safety/ Fire Risk Assessments are currently being reviewed. Both are key controls operating within the Council which is responsible for property; staff and public activities.

These management controls are crucial and will be tested by the external and internal auditor.

3. Treasury Management

The Council's funds are now set up in 7 accounts and as at 30-9-2017 the following balances were held:

Barclays Current	£4,953.18
Barclays Deposit	£75,025.05
Petty Cash	£50.32
Unity Current	£30,140.17
Unity Deposit	£211,169.01
CCLA Fund	<u>£25,000.00</u>
Total	<u>£346,337.73</u>

Council funds held in the Unity Bank exceed the Financial Services Compensation Scheme limit. This should be brought to the Council's attention and risk assessed as to whether funds should be transferred to a more secure account/fund.

4. Receipts - Expected income was fully received; properly recorded and promptly banked

The following expected income was received (year end debtors), 2016/17 4th Quarter VAT £5,598.85. The Precept £183,926 was also confirmed as having been received.

Further audit work has yet to be carried out on receipts.

5. Payments - Council's financial regulations have been met, payments were supported by invoices/vouchers, and expenditure was approved and VAT was appropriately accounted for.

A sample of 18 payments were examined during my visits which were agreed to bank statements and RBS financial accounts. The payments were appropriately supported by invoices or supporting documentation and the payment appropriately initialled by two councillors authorising payment and the Clerk approving payment.

J Howley invoices examined were deemed inappropriate as they lacked sufficient detail to constitute proper invoices; as a result although paid gross; a tax liability might arise in the future.

Standing Orders delegate the Clerk/RFO power to present payments to councillors for payment outside meetings.

Procurement practices examined support that quotes are obtained as stipulated by Standing Orders / Financial Regulations and best value is sought by the Council where possible. Examples

sighted included Insurance, Street Lighting Maintenance contract; Purchase on new boiler for Corn Exchange; Security Maintenance contract.

Purchase orders/requisitions were not examined during the audit.

6. Salaries to employees and allowances to members were paid in accordance with the Council's approvals and PAYE & NI requirements were properly applied

The Payroll is administered by the Assistant Clerk; who prepares a Monthly Schedule based on RTI Payroll reports; Pension calculations being determined by the fixed employee rates as provided by the Clerk. The Monthly Schedule is checked by the Clerk prior to payments being processed and is also presented to Council and evidenced as checked by two members.

A brief examination of payroll payments made to staff (9) during the first 6 months was carried out and payroll fluctuations satisfactorily explained. Gross pay calculations were agreed to NALC Pay Scales where possible whilst it was evident that rates not belonging to these scales were above the National Minimum rates (£7.50 per/hour being the lowest.) Contracts of employment exist for all staff members; they were not however examined on this occasion. Salary increases were noted to having been formally approved by the Council and minuted as such.

August and September SC Pension Fund payments were recalculated and agreed.

Further testing will be carried out on my next visit. Access to the RTI payroll system was not possible at the time of the audit.

7. Budget Monitoring - spend against the budget was found to be adequately monitored by the council; and reserves were appropriate.

In addition to the monthly RBS Monthly Budget Monitoring reports routinely distributed to councillors, a half year Budget Monitoring report was presented to Council in October which highlighted (extracted) account codes which have exceeded budgeted expenditure significantly and reasons for the variance provided by the Clerk. Many related mainly due to changed circumstances i.e. reduction in letting income and rate rebates not being received for the Guildhall and Corn Exchange. The Clerk also presented a suggested schedule of virements to correct budgets; however the Council decided against this course of action. Minutes support that it is aware of its financial position and reasons for over expenditure.

Budgeted income as set up on RBS however did not take in to account the precept of £183,926 which has skewed the RBS report and was considered to be an important and significant omission. Receipts being down in total by £32,871 instead of £151,055.

Recommend more attention is given to ensuring the Council's approved budget for Receipts & Payments is input to RBS correctly; to improve management accounting reports. It is appreciated that budgeting is not an exact science however more attention is required in respect of budgeted amounts for accounting codes 4002, 4003 and 4004.

As per September Finance & Resources Management Committee minutes: Allocated reserves = £138,845 Unallocated reserves = £105,639 Total Reserves = £244,484

I would recommend that the Council introduces a General (Unallocated) Reserve Policy; which supports its "working capital" funds held and formally continues to explain its Allocated Reserves. The external auditors are due to change and as a result will probably query reserves and what it deems to be excessive funds held by the Town Council. Such policies will assist in explaining them.

8. Periodic Bank Reconciliations were properly carried out

Monthly bank reconciliations are performed by the Clerk/RFO and presented to the Finance & Resources Committee; together with a detailed breakdown of Receipts & Payments. An

independent check was carried out by myself on the bank reconciliations' performed as at 30 September 2017; (Quarter 2). These were found to be correct.

9. New Council Administration

The May 2017 meeting minutes were examined and councillors' Acceptance of Office inspected, all were found to be in order. When examining the Shropshire Council website however Mr R Toft was still shown as a parish councillor although he had resigned in June.

10. Town Council Website

Having examined the website, the website was found to be up to date and very informative. Payments in excess of £500 made in the first 6 months of the current year (2017/18) were fully disclosed as required by Transparency legislation. Councillors' Disclosable Pecuniary Interests were also available.

11. Review of 2016-17 Annual Return & Internal Audit and External Audit Recommendations

Council considered the above (prepared by the Clerk) and the Internal Audit report at its May meeting. These supported their positive responses on the Annual Return's Governance Statement; which is commended.

Following receipt of the AR after an exemplary external audit, the Clerk confirmed that appropriate notices had been completed in August and publicly displayed together with an External Auditor's signed copy of the Annual Return. These were also found on the website. This fully meets statutory guidance. PKF Little John LLP have been appointed as the Council's external auditor for the next five years.

Should a member of the Council have any queries concerning this report please don't hesitate to get in touch.

As discussed with the Clerk I plan to visit the Parish Office in January 2018 to carry out further work particularly on Receipts (including Markets, Cemetery and Guild hall); Budget & Precept Setting; Payroll and follow up on issues highlighted above.

Audit coverage has not specifically been in line with the Town Council's Audit Plan; however it is expected that this will be rectified after the next visit.

Many thanks to Sharon and Diane for their assistance during the audit,

Season's Greetings & Happy New Year

Best regards

Sue Hackett

Sue Hackett
Principal SDH Accounting

