



# SDH Accounting

Date: 15 February 2018  
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Dear Sharon,

## **RE: SECOND INTERIM REPORT ON INTERNAL AUDIT VISIT – 14 February 2018**

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

Follow up of the Previous Interim Report findings; Budget & Precept Setting; Receipts; Payroll; Bank Reconciliations and Council's website.

**Overall Findings support that that the Town Council has made considerable progress in meeting key control objectives.**

Detailed findings:

Follow Up of Interim Report (Points 1-3):

### 1. Strategic/Long Term Budget

The Town Council's Financial Regulations requires that it has a 3 year revenue and capital forecast. Council at its January 2018 meeting adopted an amended it's Critical Commitments Strategy 2018-21 and Action Plan. **These require further numerical definition in order to meet the needs of a Strategic Budget but are a promising start.**

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

This was considered during my previous visit and I can now confirm that the Council's Financial/Business Risk Assessment and Health & Safety/ Fire Risk Assessments have been reviewed and adopted at the Finance & Resources Committee meeting in November; **however please note when the Committee subsequently reported to Town Council and I have been unable to establish whether it had been adopted.**

### 3. Treasury Management

The Council's funds continue to be held in 7 accounts; and the balance held as at 30/9/2017 was £345,393; it is expected to be in the region of £282,000 as at year end.

Council funds held in the Unity Bank exceed the Financial Services Compensation Scheme limit i.e. £85,000. **It is appreciated that the Council are looking to open an alternative account and I would recommend that they progress this before year end, and consider an interest earning account as reserves are high and funds will not be required in the short term; particularly as the precept is received in April.**

**Earmarked reserves have been revisited by the Council ( Jan 2018 ) and now total £138,845; however the introduction of a General Reserve policy will assist the RFO when explaining year end balances to the External Auditor.**

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

A sample of 30 receipt transactions were traced to banking statements, and RBS records. Significant VAT refund receipts were accounted for during the year together with the precept and neighbourhood fund grant. The sample included property lettings, Guildhall takings, donations and 3 Cemetery receipts. Guildhall income was found to be particularly well controlled; and Exhibition income has generated additional income in terms of commission but also probably in donations. The Clerk is currently examining reviewing whether charges should be made to exhibitors to cover the costs of heating/lighting the Guildhall.

Market stall and Cemetery charges were compared with the Council's charging policy for such items. Both Market and Cemetery policies have been reviewed by Council during the year.

5. Precept Setting & Budget Forecast for 2018-19

The Clerk/RFO presented a 2018/19 budget report to Council at its January meeting, following some amendments and taking in to account inflation the Council resolved and set its Precept which was increased by 2%; at £187,605. This was based on a revised Budget of £223,225.

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

With assistance from the Assistant Clerk further sample testing was carried out which involved comparing RTI Payroll records directly with SC Pension Fund payments; HMRC payments and a sample of employee payments. One anomaly arose which is being corrected and did not lead to an incorrect payment.

A sample review of monthly submissions made to SCPF was also carried out and found to be regularly and satisfactorily carried out and password controlled.

The RTI Payroll records supported that monthly payroll was being timely processed; submissions to HMRC were regularly made; and password controlled, standing data such as tax codes; NI data etc. was accurate and starters and leavers processed. RTI was set up on one PC and accessible if the password to the PC was known. Payroll records were however kept in the office; although access to the office is restricted **it is advisable that the hard copy records which also contain password information are locked away; given the personal/sensitive information they contain.**

Overall the internal checks carried out by the Clerk; accurate processing by the Assistant Clerk and reasonableness checks carried out by councillors when approving the monthly payroll appear to be working well.

8. Periodic Bank Reconciliations were properly carried out

It was evident that monthly bank reconciliations continue to be performed by the Clerk/RFO and presented to the Finance & Resources Committee; together with a detailed breakdown of Receipts & Payments.

9. Council Website

The website was briefly examined and found to be easy to navigate, informative and up to date meeting Transparency requirements.

Many thanks to Sharon and Diane for their assistance during the audit, should you have any queries with the contents of this report please don't hesitate to get in touch.

Best regards

*Sue Hackett*

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Principal SDH Accounting