

Devizes Town Council

Report to Management: External Audit 2008/09

25 November 2009

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Statement of Responsibilities of Auditors and of Audited Bodies

Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies, issued by the Audit Commission.

Reports prepared by appointed auditors and addressed to Members or Officers are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Member or Officer in their individual capacity, or to any third party.

1 Introduction

It is the responsibility of Devizes Town Council to ensure the regularity of transactions, by putting in place systems of control to ensure that transactions are lawful; by maintaining proper accounting records; and preparing a Statement of Accounts that presents fairly its financial position and its expenditure and income.

2 Scope of our work

Under the Audit Commission Act 1998 and the Code of Audit Practice 2005 (the Code), we have a responsibility to audit the Statement of Accounts and to give our opinion as to whether:

- it presents fairly the financial position of the Council and its income and expenditure for the year in question; and
- it has been properly prepared in accordance with appropriate legislation and applicable accounting standards.

In carrying out this responsibility we are required to provide reasonable assurance that, subject to the concept of materiality, the Statement of Accounts is:

- free from material misstatement, whether caused by fraud or other irregularity or error;
- complies with the CIPFA Statement of Recommended Practice on Local Authority Accounts in the United Kingdom 2008 (the SORP) and with other applicable requirements; and
- complies with all relevant requirements for accounting presentation and disclosure.

This report to management summarises the results of the audit work in relation to the Statement of Accounts for the year ended 31 March 2009.

3 Matters arising from our audit work

Audit opinion

We issued an unqualified audit opinion on 24 September 2009.

Adjustments to the accounts

A number of misstatements were identified during the audit. The most significant misstatements and uncorrected misstatements were included in our report to those charged with governance dated 15 September 2009 in accordance with the requirements of International Standard of Auditing (ISA) 260. For completeness we have included details of the main adjustments in Appendix A to this report. In addition to the quantifiable adjustments, we also made a number of corrections to the presentation of the Statement of Accounts. These adjustments had no financial impact and we do not consider it necessary to report them to you.

Other matters arising from our audit

During the course of our audit a number of matters came to our attention which require management action. These are detailed in Appendix B, together with the management responses.

We have also followed up the progress made in addressing matters raised in previous years. These are detailed in Appendix C. Good progress has been made to address the agreed recommendations.

4 Acknowledgements

We would like to take this opportunity to thank Council staff for their co-operation during the course of our audit work.

Mazars LLP
Bristol

Appendix A

Summary of audit adjustments for the year ended 31 March 2009

In the table below, we have summarised the main adjustments that were required to the draft accounts presented for audit:

Description of misstatement	Income and Expenditure Account		Balance Sheet	
	Dr £	Cr £	Dr £	Cr £
<p>1. Income and Expenditure a/c:</p> <p>Loss on revaluation of operational land & buildings and other assets</p> <p>Operational land & buildings – cost</p> <p>Operational land & buildings - depreciation</p> <p>Other assets - cost</p> <p>Being write down of land & buildings and other assets following revaluation by Humberts at 31 March 2008</p>	292,054		35,400	175,454 152,000
<p>2. Income and Expenditure a/c:</p> <p>Capital Charges – Recreation & Sport</p> <p>Capital Charges – Open Spaces</p> <p>Operational land and buildings - cost</p> <p>Accumulated Depreciation:</p> <p>Operational land and buildings</p> <p>Vehicles and equipment</p> <p>Infrastructure assets</p> <p>Being corrections to reflect cost and depreciation charges per the fixed assets register</p>	10,062 4,467		452	10,062 4,168 751
<p>3. Vehicles and Equipment – cost</p> <p>Vehicles and Equipment – depreciation</p> <p>Income and Expenditure a/c:</p> <p>Culture and Heritage expenditure</p> <p>Capital charges - Recreation & Sport</p> <p>Being capitalisation of display cabinet in the Town Hall</p>	4,507	22,537	22,537	4,507

Description of misstatement	Income and Expenditure Account		Balance Sheet	
	Dr £	Cr £	Dr £	Cr £
4. Earmarked Reserves – playground equipment Useable capital receipt Being correction to amount taken twice from useable capital receipts			10,000	10,000
4. Debtors Creditors Being damage deposits received in advance on Sales Ledger			6,607	6,607
5. Income and Expenditure a/c: Recreation & Sport Accruals Being accrual of invoices relating to 2008/09	5,360			5,360
6. Income and Expenditure a/c: Recreation & Sport Creditors Being grossing up re receipts in advance	1,397			1,397

Appendix B

Matters arising from the audit of the Statement of Accounts for the financial year ended 31 March 2009 and use of resources

Matter arising and recommendation	Management response (Responsible officer and target date)
Statement of Accounts	
<p>1. CABS Sales Ledger Debtors</p> <p>The total debtors per the CABS venue booking system did not agree with the total per the CABS accounts in the Omega Sales Ledger. Moreover the aged debtors report from the CABS system did not agree with the ageing per the Sales Ledger in Omega.</p> <p><i>Recommendation: We recommend that monthly control account reconciliations are performed between the total debtors balances per CABS and the CABS accounts in the nominal ledger and that any differences with respect to ageing of debtors are resolved.</i></p>	<p>DTC Response</p> <p>DTC has raised a purchase order to Business Careware to write an interface program between CABS and RBS in order that Sales invoices and payments are interfaced automatically. DTC staff are progressing matching Sales invoices to payments on RBS and will match to the CABS Sales ledger during 2209/10 alongside development of the interface.</p>
<p>2. Commercial Properties</p> <p>The Town Council does not hold lease agreements with all of their tenants which may have legal implications in the event of any rent disputes.</p> <p><i>Recommendation: We recommend that legal advice should be sought as to whether the lack of an agreement could present any problems to the Town Council.</i></p>	<p>DTC Response</p> <p>DTC staff have attempted in conjunction with the Council’s solicitors to obtain copies of all leases. The one tenancy at will is currently under discussion.</p>

Matter arising and recommendation	Management response (Responsible officer and target date)
<p>3. Purchase Orders We observed that invoices are not always matched to purchase orders. As well as not being good practice it meant that our review of the unmatched purchase orders to identify any omitted accruals was not very meaningful.</p> <p><i>Recommendation: We recommend that invoices are always matched to purchase orders.</i></p>	<p>DTC Response Agreed.</p>
<p>4. Damage Deposits During the course of our audit we noted that damage deposits had not been posted correctly to record a creditor but were netted off against debtors causing an understatement of debtors and creditors.</p> <p><i>Recommendation: We recommend that damage deposits are credited to the correct account.</i></p>	<p>DTC Response Agreed.</p>
<p>5. VAT Returns We note that VAT returns are signed by the same person responsible for preparing them and that there is no evidencing that they have been reviewed by a second person.</p> <p><i>Recommendation: We recommend that VAT returns are reviewed and signed as evidence of review by one of the Council's officers.</i></p>	<p>DTC Response All VAT returns in the future will be reviewed and the VAT return signed by the Admin & Finance Manager as a matter of good practice.</p>

Matter arising and recommendation	Management response (Responsible officer and target date)
<p>The Use of Resources</p>	
<p>1. Publication of the latest published accounts and our annual audit letter</p> <p>We note that the 2007/08 published accounts and the annual audit letter have not been published on Devizes Town Council's website. However we understand that the accounts are made available to the public at the library or on request from the Council's offices.</p> <p><i>Recommendation: We recommend that the Council publishes the equivalent documents for this year on their website.</i></p>	<p>DTC Response</p> <p>Agreed.</p>
<p>2. Counter-fraud and anti corruption strategy.</p> <p>From enquiries made during our audit we understand that no counter-fraud and anti corruption strategy has been implemented by Council. The implication is that there is a lack of clear procedures to be followed in the event of any such incidents.</p> <p><i>Recommendation: Whilst we recognise that Council has various policies, procedures and measures in place in relation to counter-fraud and anti corruption which would underpin such a strategy we recommend that Council consider implementing such a strategy.</i></p>	<p>DTC Response</p> <p>DTC will be developing a counter-fraud and anti-corruption strategy over the following months and will submit to members in due course for approval.</p>

Matters arising from the audit of the Statement of Accounts for the financial year ended 31 March 2008 and use of resources

Matter arising and recommendation	Management response (Responsible officer and target date)
Statement of Accounts	
<p>1. The Annual Governance Statement</p> <p>The Annual Governance Statement did not fully comply with the requirements of the CIPFA/SOLACE June 2007 publication ‘Delivering Good Governance in Local Government: A Framework’.</p> <p><i>Recommendation: We recommend that the Council revises its Annual Governance Statement in order that it complies in full with the requirements of the CIPFA/SOLACE June 2007 publication ‘Delivering Good Governance in Local Government: A Framework’.</i></p>	<p>DTC Response</p> <p>Following the audit comment the Town Council is aware of the requirements of the CIPFA/SOLACE 2007. However, it is our opinion that we have included an Annual Governance Statement and therefore will review and document using the CIPFA/SOLACE 2007 for the 2008/09 annual return and not amend the current year.</p> <p>2009 update</p> <p>Matter resolved.</p> <p>The Annual Governance Statement has been amended and now complies with the requirements of the CIPFA/SOLACE June 2007 publication.</p>

Matter arising and recommendation	Management response (Responsible officer and target date)
<p>2. Fixed Assets Register</p> <p>The fixed assets register was found not to fully reconcile to the fixed asset values per the financial statements which may mean that fixed assets may not be correctly stated.</p> <p><i>Recommendation: We recommend that the register is reconciled with the nominal ledger as part of year end procedures.</i></p>	<p>DTC Response</p> <p>The Town Council accepts the recommendation</p> <p>2009 update</p> <p>Matter resolved.</p> <p>The fixed assets register now reconciles to the fixed asset values per the financial statements.</p>
<p>3. Consideration of the need for an impairment review.</p> <p>We note that the annual review of the balance sheet value of fixed assets for events or circumstances which would indicate that the carrying value of fixed assets may not be recoverable and thus consideration of whether an impairment review is required, had not been minuted by Council.</p> <p><i>Recommendation: We recommend that Members formally consider whether there have been events or circumstances which would necessitate an impairment review.</i></p>	<p>DTC Response</p> <p>The Council's property agents have been commissioned to advise the Council of any material movements in commercial property values since the last valuation. This report will be considered by members in due course. A full revaluation is due in 2010.</p> <p>2009 update</p> <p>Matter resolved.</p> <p>The statement of accounts has incorporated the results of a revaluation carried out by Humberts as at 31 March 2008.</p>

Matter arising and recommendation	Management response (Responsible officer and target date)
<p>Use of Resources</p>	
<p>1. Arrangements for managing performance against budget.</p> <p>Whilst the senior management monitor the performance of the Town Council's income and expenditure against budget on a monthly basis, Members only look at the overall financial position of the Town Council twice a year i.e. when budget setting takes place and at the year end when the financial statements are presented to full Council for adoption.</p> <p><i>Recommendation: We recommend that management accounts are reviewed by Members on a more regular basis.</i></p>	<p>DTC Response</p> <p>The Town Council accepts the recommendation.</p> <p>2009 update</p> <p>Matter resolved.</p> <p>Monthly summary financial information is reported to Community and Civic Resources Committee.</p>