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# **Devizes Town Council**

***Third Internal Audit Report 2019-20***

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***Alistair Morrison CPFA***

## **Background and Scope**

The Accounts and Audit Arrangements introduced from 1<sup>st</sup> April 2001 require all Town and Parish Councils to implement an independent internal audit examination of their Accounts. Devizes Town Council appointed AM Financial Services Ltd to carry out this role from 2013. This is our Third Interim report for 2019-20, following our visit to the Council on 3<sup>rd</sup> February 2020.

## **Internal Audit Approach**

As the Council's Internal Auditor we have a duty to complete the Internal Audit Certificate in the Council's Annual Return.

We have continued our examination of records, systems and procedures used by the Council, including testing of areas such as the payment of invoices and bank reconciliations during the year to date. We have also reviewed progress made in areas of Corporate Governance. These matters are undertaken by the appropriate committee of the Council. We have considered the materiality of transactions and potential misrepresentation in the year-end Statement of Accounts.

## **Overall Conclusions**

We are pleased to report that, in the areas examined to date, the financial control systems in place at the Council continue to be operating effectively. Our aim is to be able to sign off the internal audit certificate at Section 4 of the Annual Return (Annual Governance and Accountability Return - AGAR) for 2019-20, assigning positive assurances in each relevant area at the end of the financial year.

We would like to thank the officers of the Town Council for their co-operation during the course of our visit.

## Detailed Report

### Review of Accounting Arrangements & Bank Reconciliations

Our objective is to ensure that the accounting records are maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. We have therefore:

- Checked Bank Statements for the periods 1<sup>st</sup> to 30th June, 1<sup>st</sup> to 30<sup>th</sup> September and 1<sup>st</sup> to 31<sup>st</sup> December 2019 with the Omega Cash Books for the same periods and the Bank Reconciliations for all Accounts held by the Council. This includes cheque, BACS and cash payments, account transfers and receipts to ensure all are made in a timely manner:

#### **Conclusions**

***No issues have been identified with the Cash Book balance agreeing with the Bank Reconciliation.***

### Review of Corporate Governance

Our objective is to ensure the Council has robust corporate governance documentation in place, that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and no actions of a potentially unlawful nature have been considered for implementation. We have undertaken the following work in this area:

- The Council carried out a full review and update of Standing Orders (SOs) and Financial Regulations (FRs) at its May 2019 meeting;
- The Council's consideration of supplementary policies and procedures to support the Corporate Governance process is ongoing and the Annual Investment Policy was reviewed at its meeting in May 2019. A Capability Policy was approved by the Personnel Committee in May 2019 and a Tree Policy approved by the Community and Civil Resources Committee in January 2020; and
- We have continued our review of the Council's minutes for 2019-20, examining those for the Full Council and Standing Committee meetings (with the exception of Planning), with a view to identifying any issues that may have an adverse effect, through litigation or other causes, on the Council's future financial stability;

#### **Conclusions**

***Standing Orders and Financial Regulations were reviewed at the Council's meeting in March 2019.***

## Review of Payments

Our objective is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures;
- Funds are spent in accordance with approved budgets;
- Payments are supported by appropriate documentation, such as an original trade invoice or other appropriate form of documentation confirming the payment as due; and
- All discounts due on goods and services supplied are identified and appropriate action taken to see the discount has been properly applied.

For the financial year to date, all invoices in excess of £2,000 and a further random check of 5% sample were checked excluding salary, superannuation and NI payments. Our sample of 133 invoices had a total of £1,923,000 and represented 84.1% of the value of non pay invoices processed during the year to date. The value of invoices examined has increased significantly over the year as a result of large invoices from contractors undertaking works at Green Lane. The funding for these works will come from a variety of sources and totals around £1,500,000 to date this year. All supporting documentation was in place and all payments had been reviewed by the Community and Civic Resources Committee.

### **Conclusions**

***An effective system of control is in place over the checking, authorisation and release of the Council funds.***

## Assessment and Management of Risk

Our aim is to ensure that the Council has appropriate arrangements to identify all potential areas of risk of both a financial and health and safety nature, and to ensure that appropriate arrangements exist to monitor and manage risks. We have:

- Noted that the Council's risk assessments were last presented to Community and Civic Resources Committee in October 2019; and
- Noted the Council's insurance policy for the current year to ensure that appropriate cover is in place. The cover is similar to that shown on the previous year's schedule with a 3% increase applied where appropriate.

### **Conclusions**

***The level of insurance cover in place continues to appear to meet the Council's needs. The Council last reviewed Risk Assessments at its meeting of the Community and Civic Resources Committee in October 2019.***

## Budgetary Control and Reserves

Our objective is to ensure the Council has a robust procedure for identifying and approving future budgetary requirements leading to the approval of the precept to be drawn down from the Unitary Authority. An effective reporting and monitoring process is in place. This ensures that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans.

We note that;

- The council receives regular updates of financial expenditure and income received.
- At its December 2019 meeting, the Council agreed a precept of £1,037,180 (£924,185 in 2019-20) on Wiltshire County Council for 2020-21 following the preparation of budgets for 2020-21. At the end of 2018-19 Reserves were at about 4 month's turnover, compared with the recommended CIPFA rate of 3 – 6 months turnover, but the Council will consider any changes in 2020-21 at the end of the financial year. It continues to consider the implications of Asset Transfer requirements from Wiltshire Council that may be proposed in the foreseeable future. We shall continue to monitor progress in this area.

## Review of Income

In addition to its precept, the Council receives income from rent of commercial properties, venue hire, allotment rents, and burials and reclaimed VAT.

We have analysed Receipts during the first quarter of 2019-20 and have carried out a test check of a sample of income items in June at our first interim visit. We shall also check the returns from the Hillworth Park Cafe with the Cash Receipts during a sample month at a later visit to consider the ongoing viability of the Cafe. The ongoing Fees and charges shall also be considered at a later visit.

An area that will be considered at the remaining visits this financial year is to review the management of Commercial Properties in the town to ensure that an appropriate return has been achieved. We have selected two leases from the 22 leases in place to assess the proper operating procedures on these agreement are being applied and will report on our findings at our next visit, including the Income arising from these leases.

The December 2019 VAT Return totalling £225,166.99 was submitted to HM Customs and Excise on 16<sup>th</sup> January 2010, and this sum is due to be received on 7<sup>th</sup> February 2010. This amount has increased significantly over previous claims because of the repayment of VAT on invoices related to the Green Lane Project.

## **Conclusions**

*The Council regularly reviews the performance of the Hillworth Park Café with reports for information to the members being submitted to the Councils' Recreation & Properties Committee. The latest report presented by the Recreation and Properties Committee in December 2019 showed a net loss of £7,521 for the year to date, compared to a loss for the year of £9,522 in 2018-19.*

*We shall report on a sample of leases for Commercial Properties at our final visit.*

## **Petty Cash Account**

We checked the Council's Petty Cash Account at our Second Interim visit. There was a small shortfall in the balance, but this has been addressed by the Council.

## **Review of Salaries and Wages**

Salaries for directly employed staff are processed by an outside company from information provided by the relevant managers. In 2019/20 Devizes Town Council agreed to take over the grass cutting contract for the whole Devizes & Roundway area. This continues to be administrated by IdVerde under a contract with Wiltshire Council. The payment of this contract by Wiltshire Council forms just a part of the devolution of assets and services by Wiltshire Council during the 2019/20 financial year. The cost of the contract, whilst substantial, has enabled the Town Council to be less reliant on the usage of temporary staff during the summer months.

Details of payroll payments are supplied to the Council by its payroll contractor. It is some time since a review of the payroll contractor was considered and the council may wish to consider this in the foreseeable future.

A test check on the Salaries payments in the month of September 2019 was carried out at our Second Interim visit and agreed with the supplementary records.

## **Investments and Loans**

Surplus Funds were held in a Current Account (£50,000 as at 31<sup>st</sup> December 2019), a Public Sector Deposit Account (£475,000 as at 31<sup>st</sup> December 2019) and a Premium Account (£405,499 as at 30<sup>th</sup> September 2019) and the Bank Reconciliation agreed with these balances at that date.

Interest rates continue to be low, but this is a suitable way of investing funds. The levels of investments vary from time to time, mainly due to the changing requirement to cover Council's exchequer needs.

The Council has no loans.

## **Statement of Accounts and Annual Return**

The Local Audit (Smaller Authorities) Regulations 2015 and the Accounts and Audit Regulations 2015 requires Councils to prepare annually a detailed Statement of Accounts and Annual Return together with supporting statements identifying other aspects of the Council's financial affairs. This will be considered at our Final visit in May 2020.

### ***Conclusions***

***We last signed off the Internal Audit certificate for the financial year ended 2018-19, assigning positive assurances in each relevant area.***