
Devizes Town Council

Third Interim Internal Audit Report 2020-21

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DEVIZES
22 MAR 2021
TOWN COUNCIL

Background and Scope

The Accounts and Audit Arrangements introduced from 1st 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 the Third Interim report to the Council for 2020-21. It has partly been carried out remotely owing to the restrictions caused by the Covid-19 pandemic. Because of social distancing, not all of the processes normally required have been carried out during this Audit. Any changes are shown at the appropriate places in this report.

The slight delay in submitting this report has arisen because it has not yet been possible to visit the Council during the period of lockdown in this third quarter.

Internal Audit Approach

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

We have commenced our examination of records, and confirm that systems and procedures used by the Council continue to be appropriate. We have included the testing of areas such as the payment of invoices and bank reconciliations during the year to date and also reviewed progress made in areas of Corporate Governance. These items have been examined by the appropriate committee of the Council. We have also 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, the financial control systems in place at the Council continue to be operating effectively. We hope to be able to sign off the internal audit certificate at Section 4 of the Annual Return (Annual Governance and Accountability Return - AGAR) for 2020-21, assigning positive assurances for each relevant area at the end of the financial year. We note that the Council's External Auditors P K F Littlejohn LLP have completed their certificate for the Accounts of 2019-20, without any qualification.

We would like to thank the officers of the Town Council for their co-operation during the course of this audit, especially where we have had to rely on officers providing information for us to work remotely, and where information has been forwarded from the Council electronically. Given the circumstances the process has been conducted reasonably conveniently and I would commend the work of the Council's staff.

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:

- Checked Bank Statements for the periods 1st to 30th June, 1st to 30th September and 1st to 31st December 2020 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 has amended its procedures to cope with the restrictions required as a result of the Covid-19 pandemic. It reviewed Standing Orders (SOs) at its meeting on 24th March 2020, when it set up an emergency Cabinet Committee with the specific need to conduct meetings virtually. Financial Regulations (FRs) were also reviewed as part of this process;
- The Council considers supplementary policies and procedures to support the Corporate Governance process. This is ongoing and the Annual Investment Policy was last reviewed at its meeting in May 2019; and
- We have continued our review of the Council's minutes for 2020-21, 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

The changes in Standing Orders and Financial Regulations have been reviewed in this financial year.

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, all invoices to date in excess of £2,000 and a further random check of 5% sample have been checked excluding salary, superannuation and NI payments. Our sample of 87 invoices to the end of December 2020 had a total of £679,000 and represented 72% of the value of non pay invoices processed during the year to date. The value of inspected invoices is higher than the normal percentage because of the Wiltshire FA Headquarters developments at Green Lane, and includes 3 invoices from PAH Building & Construction Ltd totalling £115,000. All supporting documentation was in place and all payments had been reviewed by the Community and Civic Resources Committee. Some of these invoices have been taken from those scanned to me working from home by Town Councils officers. We were unable to have direct access to these invoices, due to the necessary social distancing to carry out that audit, but no issues have arisen.

The Council pays a quarterly charge for the use of Devizes Leisure Centre during a period when the Centre was closed during the Covid-19 pandemic. There has been an agreement with Wiltshire Council and the Council needs to be aware of payments made during that closure. This charge could become more significant later in 2020-21 and other contracts could have a similar effect.

At our second visit we considered the latest Commercial Property Portfolio Management Report for the final quarter of 2019 to ensure that an appropriate return has been achieved and have examined a sample of agreements in this area.

Conclusions

An effective system of control is in place over the checking, authorisation and release of Council funds and for the Commercial Property agreements in place.

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 Health and Safety Review for 2020-21 review including the review of risk assessments were approved by the Community and Civic Resources Committee meeting on 5th January 2021; and
- Examined the Council's insurance policy for 2020-21 at this visit and consider that appropriate cover is in place.

Conclusions

The level of insurance cover for the Council continues to be appropriate to the Council's needs. The Council has approved its Health and Safety Review at the meeting of the Community and Civic Resources Committee meeting on 5th January 2021.

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 should ensure 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 2020 meeting, the Council agreed a precept of £1,051,476 (£1,037,180 in 2020-21) on Wiltshire County Council for 2020-21 following the preparation of budgets for that year, an increase of 2.06%. The effect of Covid-19 and other changes were considered to confirm the Council's projected financial position during this period. The Council will need to be mindful that the level of Reserves at the end of 2019-20 fell short of the CIPFA recommended rate of 3 – 6 months turnover and that this position will need to be considered and reviewed at the end of the financial year. The implications of Asset Transfer agreements with Wiltshire Council needs to be considered, but these seem to have been completed for now and streamlining of some procedures have been achieved. A review of Reserves will be conducted when the Final Accounts are considered.

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 analysed Receipts during this first quarter of 2020-21 and carried out a test check of a sample of income items in June at this interim visit. We have also been provided with the latest report from the Hillworth Park Cafe covering the period to October 2020. We note that Fees and Charges were reviewed together with Cemetery charges for 2020-21 at the November 2019 meeting of the Recreation and Properties Committee.

Whilst the level of Income has been seriously affected by the Covid-19 pandemic, the Corn Exchange has been used to support the NHS delivery of flu vaccinations and the roll out of Covid-19 vaccines. No Government funding has been available, so free use of the building has been provided.

Conclusions

The Council regularly reviews the performance of the Hillworth Park Café and reports for information to the members have been submitted showing a loss of £1,866 to October 2020 compared to a loss of £2,900 in 2019-20.

Petty Cash Account

We checked the Council's Petty Cash Account at this First Interim visit in 2020-21 and found that the balance of £400, made up of cash and vouchers was intact.

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 of the Devizes & Roundway area. This is administered and continues to be delivered by IdVerde Ltd under a contract with Wiltshire Council. The payment of this contract forms just a part of the devolution of assets and services by Wiltshire Council during 2019/20. The cost of the contract 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. The council may wish to consider a review of this contract in the foreseeable future.

A test check on the Salaries payments was carried out for the month of November 2020 with the schedule produced by the Council's contractors.

Asset Register

We examined the Asset Register at our final visit in 2019-20 and compared the content with the Assets shown in the Council's Final Accounts for the year. The total Asset Value on the Balance Sheet is £9,599,967. This register will be reviewed at our final visit to confirm the position for 2020-21.

Investments and Loans

Surplus Funds were held in a Current Account (£50,000 as at 31st December 2020), a Public Sector Deposit Account (£364,229 as at 31st December 2020) and a Premium Account (£800,000 as at 31st December 2020) 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 and 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 process will continue to be monitored during the financial year.

Conclusions

We signed off the Internal Audit certificate for 2019-20, assigning positive assurances as appropriate and the Council's external auditors signed off the certificate of approval without qualification.