



# Annual Return – Weymouth Town Council 2019/20

## Final Audit Report

Issue Date: 15 June 2020

Working in Partnership to Deliver Audit Excellence

# Executive Summary

## Audit Conclusion

We found the following areas to be well controlled:

- Appropriate accounting records have been kept throughout the financial year.
- The Council Financial Regulations have been complied with.
- The Council's expenditure transactions were supported by invoices, appropriately approved and VAT was reclaimed accurately where applicable.
- The Council has assessed the significant risks to achieving its objectives and has reviewed the adequacy of arrangements to manage these.
- The annual precept requirement resulted from an adequate budgetary process and progress against the budget was regularly monitored and reserves were appropriate.
- Expected income was fully received, based on correct prices, properly recorded and promptly banked and VAT was appropriately accounted for.
- Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.
- Salaries to employees and allowances to members were paid in accordance with the Council's approvals and PAYE and NI requirements were properly applied.
- The Council's Asset Register was found to be complete and accurate and properly maintained.
- Periodic and year-end bank account reconciliations were properly carried out.
- Year-end accounts were prepared on the correct accounting basis, agreed to the cashbook, were supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.

On the whole, the areas reviewed were found to have satisfactory controls in place. However, the following minor areas were identified that could be enhanced:

- A significant number of risk assessments have been carried out by officers during the year, but there are a number of different approaches used for assessing risk, for example, some use likelihood and severity, others use High/Medium/Low, others use a Frequency and Severity rating. In addition, there are a number of different risk assessment templates used to record the results of the assessment. A standard approach to assessing risk, using an agreed template should be adopted which is also consistent with the approved Risk Strategy.
- When budget monitoring reports are presented to members, it is recommended that a short narrative is added to explain any variances in actual expenditure compared to the budget.
- The Council are building up general reserves over a three-year period to achieve the recommended minimum three months operating costs. At year end, reserves were sufficiently in line with planned accumulation, however, the Council will need to carefully assess the impact that Covid-19 will have on expected income in 2020/21. It is understood that this is being closely monitored by officers and it has been estimated that income could be reduced by as much as £500,000 as a result of reduced tourism.
- Whilst there were no significant issues found with the three petty cash tins that are maintained, independent spot checks carried out at pre-determined intervals could strengthen the controls in this area.

- When the Council is approving or reviewing Financial Regulations and Standing Orders, it is recommended for this to be explicitly worded within the Council minutes to avoid any confusion.

## Background

As a result of Local Government Reorganisation in Dorset, Weymouth Town Council (the Council) was formed on 1<sup>st</sup> April 2019, with 29 Councillors, representing 12 wards, elected in May 2019. SWAP Internal Audit Services have been appointed as Internal Auditor for the Council to conduct an audit of the 2019-20 accounting year. The purpose of this audit was to assess the adequacy and effectiveness of the financial controls and operating procedures. This work will support and inform the Internal Auditor declaration of the Annual Governance and Accountability Return submitted to the Council's External Auditor.

This report provides the Town Clerk, Business & Finance Manager, and the Council with a summary of the audit findings and that each of the expected key controls are operating and effective. Suggestions for enhancements to controls have been made in some minor areas. A copy of the Annual Governance and Accountability Return document has been provided separately to the Town Clerk.

Some high-level financial figures are provided below for context:

Year	Annual Precept (£)	Total Income (£)	Total Expenditure (£)	Balance Carried Forward (£)
2019-20	3,370,662	1,604,240	3,197,212	1,777,690

## Corporate Risk Assessment

### Objective

To provide a selective assessment of the Council's Financial Controls for the Annual Return.

Risk	Inherent Risk Assessment	Manager's Initial Assessment	Auditor's Assessment
Financial management is inadequate or ineffective resulting in financial loss for the Council or risk of fraud.	High	Medium	Low

## Scope

To achieve the objective of this audit, we assessed the Council's compliance with the:

- "Governance and Accountability for Smaller Authorities in England 2018" and;
- Annual Governance and Accountability Return 2019/20 "Internal Control Objective" section.

# Findings and Outcomes

## Summary of Control Framework

- **Proper bookkeeping:** A cashbook is maintained on an Income and Expenditure basis throughout the year using a bespoke finance system, Rialtas (Omega Suite).
- **Financial Regulations:** The Financial Regulations were approved in May 2019 and cover the expected areas.
- **Standing Orders:** Standing Orders were approved in May 2019 and are based on the model National Association of Local Councils (NALC) Standing Orders.
- **Expenditure controls:** Purchase Orders are raised by the relevant budget holder, who also authorise the payment of invoices processed by the Finance staff. Payments are made electronically on a weekly basis, authorised by either the Business & Finance Manager or Town Clerk. VAT is reclaimed where applicable.
- **Risk management:**
  - A Risk Strategy was approved in February 2020 alongside a Strategic Risk Register.
  - A Health and Safety Policy was approved in July 2019, which is supported by risk assessments undertaken by the relevant Service Area Manager for all activities carried out by the Council.
  - An Insurance Policy is maintained which includes Public Liability; Employer Liability; Libel and Slander; Fidelity Guarantee; and Business Interruption Insurance, as well as insurance for all the Council's assets.
- **Budgetary controls:** As this is the first year of operation for the Council, the annual budget and precept was set by Dorset Councils Partnership (DCP) in agreement with the Shadow Weymouth Council in January 2019 and was based on the corresponding 2018/19 DCP budget. Some degree of flexibility was built into the budget to reduce the likelihood that the Council would overspend budgets during 2019/20. In addition, the Council agreed to build up general reserves to the recommended minimum three months operating costs over a three-year period and as a result, a figure of £300,000 was included within the 2019/20 budget. Budgets are monitored by budget holders, reporting to Council on a quarterly basis.
- **Income controls:** The annual precept forms the significant proportion of the Council's income. All sources of income are detailed in the Council's accounts. There is a formal process in place for handling bed debts when they arise.
- **Petty cash procedures:** Three petty cash floats are maintained, all operated on an imprest system and topped up on a regular basis.

- **Payroll controls and employment:** The majority of staff were transferred across from DCP under the Transfer of Undertakings (Protection of Employment) (TUPE) regulations. The payroll is processed by an external provider alongside internal records that are held securely. The monthly payroll is prepared by Finance staff, ensuring that appropriate segregation of duties are in place, and is authorised by the Business & Finance Manager.
- **Asset control:** A number of assets were transferred across from DCP on 1<sup>st</sup> April 2019, at a nominal value of £1 each. During 2019/20, officers have expanded the list provided by DCP to include all assets including some of the smaller items of street furniture and garden equipment, collating a comprehensive Asset Register. The Council have also purchased the asset module of the Rialtas system and officers are currently working to update this system to ensure that it is accurate. The Council has not disposed of any assets during the year and there has only been one purchase, which has been reported to Council and recorded within the Asset Register.
- **Bank reconciliation:** The Council operates one bank account, which is reconciled by Finance staff each month, authorised by the Business & Finance Manager and checked by the Chair or Vice Chair of the Finance and Governance Committee.
- **Year-end procedures:** The year-end accounts are produced by the Rialtas finance system (which also produces a copy of the Annual Return figures). Accounts are prepared on an Income and Expenditure basis and the accounts agree with the cashbook and year end bank reconciliation. A trial balance is produced which balances to the year-end statements. Figures included in the Balance Sheet agree with the Income and Expenditure Account and the Annual Return. Debtors, creditors and payments in advance have been properly recorded.

# Authors and Distribution

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