



probusiness  
accountants

Mr S Luck  
Town Clerk and RFO to the City Council  
Town Hall  
Wells  
Somerset  
BA5 2RB

23 May 2022

Dear Mr Luck,

### **Internal Audit of Wells City Council for the year ended 31<sup>st</sup> March 2022**

In accordance with your instructions and acting in accordance with relevant requirements and regulations, we have carried out an internal audit of the accounting systems of Wells City Council for the year ended 31 March 2022.

Our audit was based on the requirements of the Annual Governance and Accountability Return – Annual Internal Audit Report (AIAR). The audit included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements.

### **Audit Opinion**

In our opinion, the Financial Statements have been properly prepared in accordance with current guidelines and the Council's system of internal controls is, overall, adequate and effective.

However, we were unable to confirm the Council's compliance with Control Objective M (2020/21 Exercise of Public Rights Provision).

### **Exercise of Public Rights Provision**

Whilst the Notice of Public Rights during the year 2020/21 correctly provided for the 30 working days available to inspect the accounts, the public rights period started prior to the date the AGAR was approved by the Council. The public rights period should not start until after the AGAR has been approved. Please ensure in future that the public rights period begins

after the AGAR approval date. We have advised the Clerk about this, and also of the adjustments that will need to be made to Section 1 Annual Governance Statement for 2021/22 as a result of the above.

### Recommendations to Council

We would like to make the following recommendations to the Council.

### Approval of Payments

We would advise that the wording of the Minutes be changed to clearly show all payments have been approved by the Council. Currently, the Minute entries for this purpose state that 'the accounts...were proposed, seconded and approved'. In terms of the approval of expenses, we feel this wording could be stronger, and would recommend that the following be added; 'all expenses for [enter period] were approved by the Council'. This should include a reference to the corresponding summary document listing the relevant expenses. This will help provide a stronger audit trail documenting and confirming the Council's approval of payments.

### Asset Register

We note the addition this year of the Portway Annexe to the Asset Register. However, we could not see a date alongside it listing when it was added to the Register. Further, the Asset Register is dated February 2021. This requires updating to reflect the Council's review of the Register in the year ending March 2022.

### Treatment of Insurance Receipt

A no claims discount had initially been treated in the AGAR Accounting Statements under 'income'. However, this amount should be netted off against the original insurance expense, as the true cost to the authority should be shown on a net basis. We have brought this to the Clerk's attention and they have made the relevant adjustment to the Accounting Statements.

Publishing the Annual Internal Audit Report (AIAR)

We could not find last year's AIAR on the authority's website. Although it is not compulsory to do so, it is recommended as best practice to publish this document on the Council's website. As per page 1 of the AGAR (*Publication Requirements*), this is to avoid any potential confusion by local electors and interested parties. We therefore recommend the Council publishes the Internal Audit Reports along with the other AGAR documents in future.

Once again, the above matters are not sufficient to affect our view that, overall, the Council has adequate controls and procedures in place.

We are pleased to be able to complete the Internal Audit section of the Annual Return, and return it duly signed.

Yours sincerely,

*Probusiness*

Probusiness Ltd.

# WELLS CITY COUNCIL

## WELLS CITY COUNCIL GENERAL AND FINANCIAL RISK ASSESSMENTS REVIEWED APRIL 2022. TOWN CLERK/RFO S LUCK,

### 1. FINANCIAL RISK ASSESSMENT

RISK	CONTROL	Risk Level
Cash or Receipts misappropriated	<ul style="list-style-type: none"> <li>➤ Petty cash held by RFO, receipts issued.</li> <li>➤ Cheques or cash received are held in a safe and banked promptly.</li> <li>➤ All payments are received by electronic transfer wherever possible.</li> </ul>	L
Payments misappropriated	<ul style="list-style-type: none"> <li>➤ Payments agreed by Finance Committee, or by Officers as laid out in Financial Regulations and Committee delegation scheme.</li> <li>➤ NO blank cheques are signed.</li> <li>➤ Cheques are signed or electronic payments authorised, by Councillors and checked at Finance scrutiny meeting.</li> <li>➤ BACS payment procedures revised and Financial Regulations updated February 2022</li> <li>➤ Expenses claims and overtime claims authorised by line managers.</li> <li>➤ RFO is a bank signatory for management purposes only, not authorised to make cheque payments.</li> <li>➤ Corporate debit/charge card account maximum £1,500 authorised for use by RFO and Senior Officers; to avoid staff having to make personal online payment for Council purchases.</li> </ul>	L
Loss of / insufficient Bank Reserves	<ul style="list-style-type: none"> <li>➤ Bank reserves are checked by the Finance committee at monthly scrutiny.</li> <li>➤ Minimum 3 months' expenditure reserve provision in the annual budget.</li> <li>➤ Reserves Policy and Investment Strategy approved by Council January 2022</li> </ul>	L
Financial management failure	<ul style="list-style-type: none"> <li>➤ An annual budget is agreed before the Precept is set.</li> <li>➤ Salaries, HMRC, NI and Pension payments are made monthly.</li> <li>➤ VAT returns are made quarterly.</li> <li>➤ Accounts are scrutinised monthly by Councillors.</li> <li>➤ Bank statements and reconciliations checked monthly by Councillors.</li> <li>➤ An independent Internal Auditor is appointed and carries out regular inspections.</li> <li>➤ Controls and internal audit are reviewed annually.</li> </ul>	L
Council or personal, financial or other Liabilities	<ul style="list-style-type: none"> <li>➤ Council's insurance cover includes Fidelity Guarantee, Officials' Indemnity (Management Liability), Employers Liability, Public Liability.</li> <li>➤ Insurance reviewed annually. Annual review meeting held with the provider prior to renewal.</li> </ul>	L
Material Assets lost/damaged	<p>Material assets are listed in the Asset Registers, valued and insured as appropriate and reviewed annually.</p> <p>Buildings Insurance for leased properties is included and then recharged to the leaseholder.</p> <ul style="list-style-type: none"> <li>- Properties.</li> <li>- Civic Assets, robes and regalia.</li> </ul>	L

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	<ul style="list-style-type: none"> <li>- Street furniture.</li> <li>- Open Spaces equipment.</li> <li>- Office equipment.</li> </ul>	
Short or long term loss of key staff members	<ul style="list-style-type: none"> <li>➤ The Council has reduced the risk of loss of the Clerk by having a management structure of 4 Officers who can cover duties as Proper Officer, with support from other staff.</li> <li>➤ Management procedures ensure all staff roles have sufficient flexibility to reduce impact of temporary loss to a minimum.</li> </ul>	<b>L</b>
Loss of Electronic Records	<ul style="list-style-type: none"> <li>➤ Electronic records are remotely 'cloud'-hosted; further backed up at a second, separate, remote site. Hard disc back-up copy is held locally.</li> <li>➤ All key documents are also stored in paper copy; see next section 'Loss of Documents'.</li> </ul>	<b>L/M</b>
Loss of Documents	<ul style="list-style-type: none"> <li>➤ Title to all independent, freehold, properties, and long leases, have been registered with the Land Registry. Deeds are with the Council's solicitor; copies and other key documents are locked in the Town Clerk's office.</li> <li>➤ Recent Council records are sorted; subject to the document retention policy they may be stored in the council office or in secure cells at the Town Hall.</li> <li>➤ Archived material is on long-loan to Wells Museum in modern storage facility.</li> <li>➤ Photographic records have been taken of historic charters and other key historic records; the original charters etc. are in the secure archive storage at Wells Museum.</li> <li>➤ Separate retention, security and storage policies are in place at the Museum.</li> </ul>	<b>L/M</b>
Data Protection Regulations - compliance	<ul style="list-style-type: none"> <li>➤ The Council is aware of its duties as a controller and processor of personal data, under the General Data Protection Regulations 2018; training is on-going. The Council's schedule of data and appropriate related procedures is kept under review.</li> </ul>	<b>M</b>
Liability	<ul style="list-style-type: none"> <li>➤ All Councillors are informed of their responsibilities and have completed Registrations of Interests.</li> <li>➤ Code of Conduct training has been made available to all councillors.</li> <li>➤ The Council has insurance cover to include Fidelity Guarantee, Officials' Indemnity (Management Liability) and Employers' Liability.</li> </ul>	<b>L/M</b>

## INSURANCE

The Council holds insurance covering the following risks:

Public Liability	Employers Liability	Legal Protection
Personal Accident	Business Travel	Money
Fidelity Guarantee	Property	Loss of revenue
Officials Indemnity	Libel and Slander	

See annual insurance schedule for details. Covers are checked in detail annually at a meeting with the provider, prior to renewal.

# WELLS CITY COUNCIL

## 2. INTERNAL FINANCIAL CONTROLS

RISK	CONTROL	RISK LEVEL
Monthly Accounts not completed	The RFO produces monthly accounts, detailing: <ul style="list-style-type: none"> <li>- Reconciliation of all the Council's bank accounts, including investment and petty cash accounts</li> <li>- Income and expenditure including payment of salaries</li> <li>- Income and expenditure against annual budget</li> </ul> The regular check of bank statements and scrutiny of the accounts by Councillors is recorded on the signing schedule.	L
Authorisation of payments		
a. Salaries Inaccurate/unauthorised	<ul style="list-style-type: none"> <li>➤ Following annual staff appraisals, any increases above annual increment rises are approved by the Staffing Committee for inclusion in the Council's Budget.</li> <li>➤ Annual salaries are notified to the RFO by Senior Officers.</li> <li>➤ The Pay Roll is operated by the RFO and checked by another officer of the Council.</li> <li>➤ Payments of salaries are made by BACS. See 2.b</li> <li>➤ Payments of PAYE, NI, etc. are made by BACS. See 2.c</li> </ul>	L
b. BACS payments Inaccurate/unauthorised	<ul style="list-style-type: none"> <li>➤ Electronic transfer payments are checked by Councillors' presented to scrutiny by the RFO.</li> </ul>	L
c. Cheques Inaccurate/unauthorised	<ul style="list-style-type: none"> <li>➤ Cheques are signed by two authorised Councillors who also examine the invoice and check the payment voucher.</li> <li>➤ No Councillor or member of staff may authorise a payment to him/herself.</li> </ul>	L
Internal Audit Not completed/not compliant	<ul style="list-style-type: none"> <li>➤ The Finance Committee appoints an independent Internal Auditor to act on behalf of the Council, having regard to the Council's Standing Orders and Financial Regulations, current legislation and NALC guidance on best practice.</li> </ul>	L
Annual Review Not completed/not compliant	<p>Internal Financial Controls are reviewed annually in accordance with Standing Order 18: <i>The Council shall consider and approve financial regulations drawn up by the Responsible Financial Officer, which shall include detailed arrangements in respect of the following:</i></p> <ul style="list-style-type: none"> <li>i. <i>The accounting records and systems of internal control.</i></li> <li>ii. <i>The assessment and management of financial risks faced by the Council.</i></li> <li>iii. <i>The work of the Internal Auditor and the receipt of regular reports from the Internal Auditor, which shall be required at least annually.</i></li> </ul>	L

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## 3. OPEN SPACES: GENERAL RISK ASSESSMENT

RISK	CONTROL	RISK LEVEL
<b>Cemetery</b>		
a. Memorial Safety	➤ Memorial testing is carried out annually by trained staff, and remedial action taken.	M
b. Inaccuracies	➤ Meticulous recording and mapping procedures are kept; with back-up copies.	M
c. Public safety	<ul style="list-style-type: none"> <li>➤ All paths are kept clear and clean at all times.</li> <li>➤ All grassed areas are kept mown and tidy.</li> <li>➤ Vehicle routes and parking are clearly indicated.</li> <li>➤ Funeral groups are advised and supported by staff.</li> </ul>	L/M
d. Theft / vandalism	➤ Security procedures, lights & alarms.	M
e. Vehicles/equipment	➤ Regular servicing and maintenance; drivers' licences checked; all appropriate insurances in place.	L
f. Claim against Council	<ul style="list-style-type: none"> <li>➤ Proper reporting and recording of inspections and of any Incidents.</li> <li>➤ Council Insurance.</li> </ul>	M
<b>Skate Park</b>		
a. Accident / injury	➤ Regular inspection by trained staff.	H
b. Vandalism	➤ Annual inspection by independent provider.	H
c. Claim against Council	<ul style="list-style-type: none"> <li>➤ Proper reporting and recording of inspections and of any incidents.</li> <li>➤ Council Insurance.</li> </ul>	M
<b>Highways delegated functions/partnership working</b>		
a. Accident	<ul style="list-style-type: none"> <li>➤ Provision of appropriate equipment and protective clothing to staff.</li> <li>➤ Provision of appropriate training for staff. (Roadside Working; Chainsaw Use)</li> </ul>	M/H
b. Acting ultra-vires	➤ Works are carried out exercising the Council's Power of General Competence, in partnership with the relevant bodies. Written partnership agreements with Somerset County / Mendip District Council / other	L
c. Claim against Council	➤ Council's Insurer is kept informed of all functions.	M
<b>Street Furniture</b>		
a. Accident/injury	Litter Bins, Grit Bins, Seats, Notice Boards, Bollards, Signs, Cycle Racks, Wells in Bloom planters & poles. Operation of Speed Indicator Device. <ul style="list-style-type: none"> <li>➤ Installed with agreement of SCC Highways</li> <li>➤ Listed on asset register</li> <li>➤ Regular inspections, recording and reporting.</li> </ul>	L
b. Vandalism	➤ Annual maintenance program carried out during winter.	M
c. Claim against Council	➤ Council Insurance.	M

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## 4. PROPERTIES: GENERAL RISK ASSESSMENT

RISK	CONTROL	RISK LEVEL
Loss of title	➤ Title to Council's freehold properties has been registered with the Land Registry.	L
Loss of rental income	➤ Council reserves; insurance cover.	M
Damage / destruction	➤ Buildings insurances; regular revaluation.	M
<b>Town Hall - See separate risk assessments:</b>		
a. Hirers – Indoor markets etc.	➤ Risk Assessment, controls and Insurances.	L
b. Fire risk assessment	➤ Security & Alarm	L
Business continuity in emergency	➤ <u>Business Continuity Plan</u> In the event that access to the Town Hall offices should be lost, temporary displacement would be to the office at the Cemetery Lodge. All functions can continue from there and via home-working. All records are with the Council's cloud-hosting provider. The provider has secure storage and separate secure back-up location.	L
Note:	➤ WCC has an agreement to provide emergency Business Continuity for MDC at Wells Town Hall (as possible)	L
<b>Public Toilets</b>		
a. Accident	➤ Cleaning and maintenance schedules.	M
b. Vandalism	➤ Locked at night or as advised.	M
c. Injury	➤ British Standards compliant equipment. ➤ Regular inspections and reporting.	M

## 5. EVENTS: GENERAL RISK ASSESSMENT

Regular events are listed on the Council's Public Liability Insurance cover. Additional events are notified separately, in advance.

RISK	CONTROL	RISK LEVEL
<b>Fun Fair</b>		
a. Risks to public safety	➤ Land Use Licence (MDC)	M
b. Damage to property	➤ Operator's Agreement. ➤ Operator's Insurance. ➤ Risk Assessments May and November submitted to MDC with Road Closure applications.	L/M
Wells in Bloom	See separate Risk Assessment.	
Christmas Lights	See separate Risk Assessment.	
Civic Processions	See separate Risk Assessment.	
Other City Events	Risk assess as required.	