

# Annual Governance and Accountability Return 2018/19 Part 3

## To be completed by Local Councils, Internal Drainage Boards and other Smaller Authorities\*:

- where the higher of gross income or gross expenditure exceeded £25,000 but did not exceed £6.5 million; or
- where the higher of gross income or gross expenditure was £25,000 or less but:
  - are unable to certify themselves as exempt (fee payable); or
  - have requested a limited assurance review (fee payable)

## Guidance notes on completing Part 3 of the Annual Governance and Accountability Return 2018/19

1. Every smaller authority in England that either received gross income or incurred gross expenditure exceeding £25,000 **must** complete Part 3 of the Annual Governance and Accountability Return at the end of each financial year in accordance with Proper Practices.
2. **The Annual Governance and Accountability Return is made up of three parts, pages 3 to 6:**
  - The **annual internal audit report** is completed by the authority's internal auditor.
  - **Sections 1 and 2** are to be completed and approved by the authority.
  - **Section 3** is completed by the external auditor and will be returned to the authority.
3. The authority **must** approve Section 1, Annual Governance Statement, before approving Section 2, Accounting Statements, and both **must** be approved and published **before 1 July 2019**.
4. An authority with either gross income or gross expenditure exceeding £25,000 or an authority with neither income nor expenditure exceeding £25,000, but which is unable to certify itself as exempt, or is requesting a limited assurance review, **must** return to the external auditor by email or post (not both):
  - the Annual Governance and Accountability Return Sections 1 and 2, together with
  - a bank reconciliation as at 31 March 2019
  - an explanation of any significant year on year variances in the accounting statements
  - notification of the commencement date of the period for the exercise of public rights
  - Annual Internal Audit Report 2018/19

Unless requested, do not send any additional documents to your external auditor. Your external auditor will ask for any additional documents needed.

Once the external auditor has completed the review and is able to give an opinion on the limited assurance review, the Annual Governance and Accountability **Section 1, Section 2 and Section 3 – External Auditor Report and Certificate** will be returned to the authority by email or post.

## Publication Requirements

Under the Accounts and Audit Regulations 2015, authorities must publish the following information on a publicly accessible website:

Before 1 July 2019 authorities **must** publish:

- Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited;
- **Section 1 - Annual Governance Statement 2018/19**, approved and signed, page 4
- **Section 2 - Accounting Statements 2018/19**, approved and signed, page 5

Not later than 30 September 2019 authorities **must** publish:

- Notice of conclusion of audit
- **Section 3 - External Auditor Report and Certificate**
- **Sections 1 & 2 of AGAR** including any amendments as a result of the limited assurance review.

It is recommended as best practice, to avoid any potential confusion by local electors and interested parties, that you also publish the Annual Internal Audit Report, page 3.

The Annual Governance and Accountability Return constitutes the annual return referred to in the Accounts and Audit Regulations 2015. Throughout, the words 'external auditor' have the same meaning as the words 'local auditor' in the Accounts and Audit Regulations 2015.

*\*for a complete list of bodies that may be smaller authorities refer to schedule 2 to the Local Audit and Accountability Act 2014.*



## Guidance notes on completing Part 3 of the Annual Governance and Accountability Return 2018/19

- The authority **must** comply with *Proper Practices* in completing Sections 1 and 2 of this Annual Governance and Accountability Return. *Proper Practices* are found in the *Practitioners' Guide\** which is updated from time to time and contains everything needed to prepare successfully for the financial year-end and the subsequent work by the external auditor.
- Make sure that the Annual Governance and Accountability Return is complete (i.e. no empty highlighted boxes), and is properly signed and dated. Where amendments are made by the authority to the AGAR after it has been approved by the authority and before it has been reviewed by the external auditor, the Chairman and RFO should initial the amendments and if necessary republish the amended AGAR and recommence the period for the exercise of public rights. If the Annual Governance and Accountability Return contains unapproved or unexplained amendments, it may be returned and additional costs will be incurred.
- The authority **should** receive and note the annual internal audit report if possible prior to approving the annual governance statement and before approving the accounts.
- Use the checklist provided below to review the Annual Governance and Accountability Return for completeness before returning it to the external auditor by email or post (not both).
- Do not send the external auditor any information not specifically requested. However, **you must inform your external auditor about any change of Clerk, Responsible Financial Officer or Chairman, and provide relevant email addresses and telephone numbers.**
- Make sure that the copy of the bank reconciliation to be sent to your external auditor with the Annual Governance and Accountability Return covers all the bank accounts. If the authority holds any short-term investments, note their value on the bank reconciliation. The external auditor must be able to agree the bank reconciliation to Box 8 on the accounting statements (**Section 2, page 5**). An explanation **must** be provided of any difference between Box 7 and Box 8. More help on bank reconciliation is available in the *Practitioners' Guide\**.
- Explain fully significant variances in the accounting statements on **page 5**. Do not just send a copy of the detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include complete numerical and narrative analysis to support the full variance.
- If the external auditor has to review unsolicited information, or receives an incomplete bank reconciliation, or variances are not fully explained, additional costs may be incurred.
- Make sure that the accounting statements add up and that the balance carried forward from the previous year (Box 7 of 2018) equals the balance brought forward in the current year (Box 1 of 2019).
- The Responsible Financial Officer (RFO), on behalf of the authority, **must** set the period for the exercise of public rights. From the commencement date for a single period of 30 consecutive working days, the approved accounts and accounting records can be inspected. Whatever period the RFO sets it **must** include a common inspection period – during which the accounts and accounting records of all smaller authorities must be available for public inspection – of the first ten working days of July.
- The authority **must** publish the information required by Regulation 15 (2), Accounts and Audit Regulations 2015, including the period for the exercise of public rights and the name and address of the external auditor **before 1 July 2019**.

Completion checklist – 'No' answers mean you may not have met requirements		Yes	No
All sections	Have all highlighted boxes have been completed?	✓	
	Has all additional information requested, including <b>the dates set for the period for the exercise of public rights</b> , been provided for the external auditor?	✓	
Internal Audit Report	Have all highlighted boxes been completed by the internal auditor and explanations provided?	✓	
Section 1	For any statement to which the response is 'no', is an explanation provided?	✓	
Section 2	Has the authority's approval of the accounting statements been confirmed by the signature of the Chairman of the approval meeting?	✓	
	Has an explanation of significant variations from last year to this year been provided?	✓	
	Has the bank reconciliation as at <b>31 March 2019</b> been reconciled to Box 8?	✓	
	Has an explanation of any difference between Box 7 and Box 8 been provided?	✓	
Sections 1 and 2	Trust funds – have all disclosures been made if the authority as a body corporate is a sole managing trustee? <b>NB:</b> do not send trust accounting statements unless requested.	✓	

**\*Governance and Accountability for Smaller Authorities in England – a Practitioners' Guide to Proper Practices**, can be downloaded from [www.nalc.gov.uk](http://www.nalc.gov.uk) or from [www.ada.org.uk](http://www.ada.org.uk)



# Annual Internal Audit Report 2018/19

## NEWTON ABBOT TOWN COUNCIL

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation **during** the financial year ended 31 March 2019.

The internal audit for 2018/19 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Agreed? Please choose one of the following		
	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	✓		
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic and year-end bank account reconciliations were properly carried out.	✓		See A Report
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		
K. IF the authority certified itself as exempt from a limited assurance review in 2017/18, it met the exemption criteria and correctly declared itself exempt. ("Not Covered" should only be ticked where the authority had a limited assurance review of its 2017/18 AGAR)	N/A	Applicable	
L. During summer 2018 this authority has correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations.			Not applicable ✓
M. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes	No	Not applicable ✓

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

30/10/2018

18/4/2019

DD/MM/YY

Name of person who carried out the internal audit

S J Pollard for Auditing Solutions Ltd

Signature of person who carried out the internal audit

SIGNATURE REQUIRED

Date

18/4/2019

\*If the response is 'no' you must include a note to state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

\*\*Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).



## Section 1 – Annual Governance Statement 2018/19

We acknowledge as the members of:

NEWTON ABBOT TOWN COUNCIL

our responsibility for ensuring that there is a sound system of internal control, including arrangements for the preparation of the Accounting Statements. We confirm, to the best of our knowledge and belief, with respect to the Accounting Statements for the year ended 31 March 2018, that:

	Agreed		
	Yes	No*	
1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.	✓		prepared its accounting statements in accordance with the Accounts and Audit Regulations.
2. We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	✓		made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.
3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.	✓		has only done what it has the legal power to do and has complied with Proper Practices in doing so.
4. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	✓		during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.
5. We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	✓		considered and documented the financial and other risks it faces and dealt with them properly.
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	✓		arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.
7. We took appropriate action on all matters raised in reports from internal and external audit.	✓		responded to matters brought to its attention by internal and external audit.
8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements.	✓		disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.
9. (For local councils only) Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.	Yes	No	N/A
			has met all of its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.

\*Please provide explanations to the external auditor on a separate sheet for each 'No' response and describe how the authority will address the weaknesses identified. These sheets should be published with the Annual Governance Statement.

This Annual Governance Statement was approved at a meeting of the authority on:

26/06/19

and recorded as minute reference:

83/26/06/19 REFERENCE

Signed by the Chairman and Clerk of the meeting where approval was given:

Chairman

*[Signature]* SIGNATURE REQUIRED

Clerk

*[Signature]* SIGNATURE REQUIRED

### Other information required by the Transparency Codes (not part of Annual Governance Statement)

Authority web address

WWW.NEWTONABBOT-TC.GOV.UK



## Section 2 – Accounting Statements 2018/19 for

NEWTON ABBOT TOWN COUNCIL

	Year ending		Notes and guidance
	31 March 2018 £	31 March 2019 £	
1. Balances brought forward	63,281	85,842	Total balances and reserves at the beginning of the year as recorded in the financial records. Value must agree to Box 7 of previous year.
2. (+) Precept or Rates and Levies	666,913	764,206	Total amount of precept (or for IDBs rates and levies) received or receivable in the year. Exclude any grants received.
3. (+) Total other receipts	246,186	1,621,760	Total income or receipts as recorded in the cashbook less the precept or rates/levies received (line 2). Include any grants received.
4. (-) Staff costs	316,952	335,877	Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and employment expenses.
5. (-) Loan interest/capital repayments	21,443	38,048	Total expenditure or payments of capital and interest made during the year on the authority's borrowings (if any).
6. (-) All other payments	552,143	927,034	Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).
7. (=) Balances carried forward	85,842	1,170,849	Total balances and reserves at the end of the year. Must equal (1+2+3) - (4+5+6).
8. Total value of cash and short term investments	34,804	1,087,372	The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – <b>To agree with bank reconciliation.</b>
9. Total fixed assets plus long term investments and assets	2,074,406	2,181,409	The value of all the property the authority owns – it is made up of all its fixed assets and long term investments as at 31 March.
10. Total borrowings	300,468	1,085,154	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).
11. (For Local Councils Only) Disclosure note re Trust funds (including charitable)	Yes	No	The Council, as a body corporate, acts as sole trustee for and is responsible for managing Trust funds or assets.
		✓	N.B. The figures in the accounting statements above do not include any Trust transactions.

I certify that for the year ended 31 March 2019 the Accounting Statements in this Annual Governance and Accountability Return have been prepared on either a receipts and payments or income and expenditure basis following the guidance in Governance and Accountability for Smaller Authorities – a Practitioners' Guide to Proper Practices and present fairly the financial position of this authority.

Signed by Responsible Financial Officer before being presented to the authority for approval

 SIGNED REQUIRED

Date

26/06/19

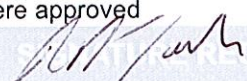
I confirm that these Accounting Statements were approved by this authority on this date:

26/06/19

as recorded in minute reference:

84/26/06/19 REFERENCE

Signed by Chairman of the meeting where the Accounting Statements were approved

 SIGNED REQUIRED



## Section 3 – External Auditor Report and Certificate 2018/19

In respect of

NEWTON ABBOT TOWN COUNCIL

### 1 Respective responsibilities of the body and the auditor

This authority is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control. The authority prepares an Annual Governance and Accountability Return in accordance with *Proper Practices* which:

- summarises the accounting records for the year ended 31 March 2019; and
- confirms and provides assurance on those matters that are relevant to our duties and responsibilities as external auditors.

Our responsibility is to review Sections 1 and 2 of the Annual Governance and Accountability Return in accordance with guidance issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General (see note below). Our work **does not** constitute an audit carried out in accordance with International Standards on Auditing (UK & Ireland) and **does not** provide the same level of assurance that such an audit would do.

### 2 External auditor report 2018/19

(Except for the matters reported below)\* on the basis of our review of Sections 1 and 2 of the Annual Governance and Accountability Return, in our opinion the information in Sections 1 and 2 of the Annual Governance and Accountability Return is in accordance with Proper Practices and no other matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met. (\*delete as appropriate).

(continue on a separate sheet if required)

Other matters not affecting our opinion which we draw to the attention of the authority:

(continue on a separate sheet if required)

### 3 External auditor certificate 2018/19

We certify/do not certify\* that we have completed our review of Sections 1 and 2 of the Annual Governance and Accountability Return, and discharged our responsibilities under the Local Audit and Accountability Act 2014, for the year ended 31 March 2019.

\*We do not certify completion because:

External Auditor Name

ENTER NAME OF EXTERNAL AUDITOR

External Auditor Signature

SIGNATURE REQUIRED

Date

DD/MM/YY

\*Note: the NAO issued guidance applicable to external auditors' work on limited assurance reviews in Auditor Guidance Note AGN/02. The AGN is available from the NAO website ([www.nao.org.uk](http://www.nao.org.uk))



Smaller authority name: **NEWTON ABBOT TOWN COUNCIL**

**NOTICE OF PUBLIC RIGHTS AND PUBLICATION  
OF UNAUDITED ANNUAL GOVERNANCE &  
ACCOUNTABILITY RETURN**

**ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019**

**Local Audit and Accountability Act 2014 Sections 26 and 27  
The Accounts and Audit Regulations 2015 (SI 2015/234)**

NOTICE	NOTES
<p><b>1. Date of announcement (a) FRIDAY 14<sup>TH</sup> JUNE 2019</b></p> <p><b>2. Each year the smaller authority's Annual Governance and Accountability Return (AGAR) needs to be reviewed by an external auditor appointed by Smaller Authorities' Audit Appointments Ltd. The unaudited AGAR has been published with this notice. As it has yet to be reviewed by the appointed auditor, it is subject to change as a result of that review.</b></p> <p><b>Any person interested has the right to inspect and make copies of the accounting records for the financial year to which the audit relates and all books, deeds, contracts, bills, vouchers, receipts and other documents relating to those records must be made available for inspection by any person interested. For the year ended 31 March 2019, these documents will be available on reasonable notice by application to:</b></p> <p><b>(b) MR PHILIP ROWE – TOWN CLERK TOWN HALL, 9 DEVON SQUARE NEWTON ABBOT. TQ12 2HN</b></p> <p><b>commencing on (c) Monday 17 June 2019</b></p> <p><b>and ending on (d) Friday 26 July 2019</b></p> <p><b>3. Local government electors and their representatives also have:</b></p> <ul style="list-style-type: none"><li>• The opportunity to question the appointed auditor about the accounting records; and</li><li>• The right to make an objection which concerns a matter in respect of which the appointed auditor could either make a public interest report or apply to the court for a declaration that an item of account is unlawful. Written notice of an objection must first be given to the auditor and a copy sent to the smaller authority.</li></ul> <p>The appointed auditor can be contacted at the address in paragraph 4 below for this purpose between the above dates only.</p> <p><b>4. The smaller authority's AGAR is subject to review by the appointed auditor under the provisions of the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the NAO's Code of Audit Practice 2015. The appointed auditor is:</b></p> <p><b>PKF Littlejohn LLP (Ref: SBA Team) 1 Westferry Circus Canary Wharf London E14 4HD (<a href="mailto:sba@pkf-littlejohn.com">sba@pkf-littlejohn.com</a>)</b></p> <p><b>5. This announcement is made by (e) PHILIP ROWE (Town Clerk &amp; RFO)</b></p>	<p>(a) Insert date of placing of the notice which must be not less than 1 day before the date in (c) below</p> <p>(b) Insert name, position and address/telephone number/ email address, as appropriate, of the Clerk or other person to which any person may apply to inspect the accounts</p> <p>(c) Insert date, which must be at least 1 day after the date of announcement in (a) above and at least 30 working days before the date appointed in (d) below</p> <p>(d) The inspection period between (c) and (d) must be 30 working days inclusive and must include the first 10 working days of July.</p> <p>(e) Insert name and position of person placing the notice – this person must be the responsible financial officer for the smaller authority</p>



## CONFIRMATION OF THE DATES OF THE PERIOD FOR THE EXERCISE OF PUBLIC RIGHTS

Name of smaller authority:

**NEWTON ABBOT TOWN COUNCIL**

County Area (local councils and parish meetings only):

**DEVON**

**On behalf of the smaller authority, I confirm that the dates set for the period for the exercise of public rights are as follows:**

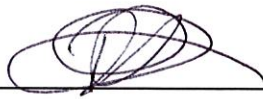
Commencing on *Monday 17<sup>th</sup> June 2019*

and ending on *Friday 26<sup>th</sup> July 2019*

(Please enter the dates set by the smaller authority as appropriate which must be 30 working days (i.e. Monday – Friday only, and not Bank Holidays) inclusive and must include the first 10 working days of July 2019 (i.e. Monday 1 July – Friday 12 July).

We have suggested the following dates: Monday 17 June – Friday 26 July 2019. The latest possible dates that comply with the statutory requirements are Monday 1 July – Friday 9 August 2019.)

**Signed:** \_\_\_\_\_



**Role: TOWN CLERK AND RFO**

**This form is only for use by smaller authorities subject to a review:**

Please submit this form to PKF Littlejohn LLP with the AGAR Part 3 and other requested documentation – this form is not for publication on your website.



MINUTES OF THE **SPECIAL MEETING OF THE COUNCIL** HELD ON  
**WEDNESDAY 26<sup>th</sup> JUNE 2019** AT 6.30 P.M. AT THE TOWN HALL, 9 DEVON  
SQUARE, NEWTON ABBOT

**PRESENT:**

Councillors      R Jenks (Mayor) Presiding  
                         M Joyce (Deputy Mayor)

Councillors

Mrs C Bunday	R Hayes
D Corney-Walker	M Hocking
Mrs K Crout	D Howe
C Davieson	C Jenks
R Hall	Mrs L Sheffield

In attendance: Mrs S Scott – Deputy Town Clerk  
                         Mrs A Robinson – Committee Administrator

**MAYORAL ANNOUNCEMENT**

Prior to the start of the meeting, the Mayor announced that he had recently attended the HMS Triumph Affiliates Day at Devon port. Following a thoroughly enjoyable day, he had invited Commander Waller RN to attend a future meeting of the Council.

80. **STANDING ORDER**

Prior to the start of the meeting the Mayor informed Members that since it was a Special Meeting of the Council conducted to consider specific matters of the Council; that under Standing Order item 34 he would suspend that part of the Standing Order 14 where it referred to 'Standing when Speaking' for the duration of the meeting only.

**RESOLVED** under Standing Order 34 to suspend that paragraph of Standing Order 14 where it referred to 'Standing When Speaking' for the duration of the meeting only.

81. **APOLOGIES**

Apologies for absence were received on behalf of Councillors B Hayes, Mrs A Jones and M Pilkington and Phil Rowe the Town Clerk.

82. **INTERESTS**

None declared.

83. **ANNUAL GOVERNANCE STATEMENT 2018/19**

The Mayor invited the Deputy Clerk to report on the Annual Return for 2018/19. The Deputy Clerk reported to Members that the Internal Auditor had completed the work thereby ensuring that the Council met its statutory requirements in approving the Annual Return by 30<sup>th</sup> June 2019.



In accordance with Accounts and Audit Regulations 2015 consideration was given to the Annual Governance Statement 2018/19 which formed Section 1 of the Annual Return (previously circulated). Arising from the consideration, it was

**RESOLVED** that Section 1 of the Annual Return, the Annual Governance Statement for the year ended 31<sup>st</sup> March 2019, be hereby approved; signed by the Mayor and the Responsible Financial Officer and be submitted to PKF LittleJohn LLP.

**84. ACCOUNTING STATEMENT 2018/19**

In accordance with Accounts and Audit Regulations 2015 consideration was given to the Accounting Statement 2018/19 which formed Section 2 of the Annual Return (previously circulated). The Mayor, on behalf of the Council, offered his thanks to the Clerk and Deputy Clerk on their work to complete the Annual Return.

Arising from the consideration, it was

**RESOLVED** that Section 2 of the Annual Return, the Accounting Statement for the year ended 31<sup>st</sup> March 2019, be hereby approved; signed by the Mayor and the Responsible Financial Officer and be submitted to PKF LittleJohn LLP.

-----  
Chairman



## Explanation of variances – pro forma

Name of smaller authority: **Newton Abbot Town Council**  
County area (local councils are): **Devon**

**Insert figures from Section 2 of the AGAR in all Blue highlighted boxes**

Next, please provide full explanations, including numerical values, for the following that will be flagged in the green boxes where relevant:

- variances of more than 15% between totals for individual boxes (except variances of less than £200);
- a breakdown of approved reserves on the next tab if the total reserves (Box 7) figure is more than twice the annual precept/rates & levies value (Box 2).

	2017/18 £	2018/19 £	Variance £	Variance %	Explanation Required?	Automatic responses trigger below based on figures input, DO NOT OVERWRITE THESE BOXES	Explanation from smaller authority (must include narrative and supporting figures)
1 Balances Brought Forward	63,281	85,842					
2 Precept or Rates and Levies	666,913	764,206	97,293	14.59%	NO		
3 Total Other Receipts	246,186	1,621,760	1,375,574	558.75%	YES		A new PWLB borrowing of £800,000 was arranged 11th July 2018, Heritage Lottery Fund and other grant funder payments totalling £576,240 received during 2018/19. Total of £1,376,240
4 Staff Costs	316,952	335,877	18,925	5.97%	NO		
5 Loan Interest/Capital Repayment	21,443	38,048	16,605	77.44%	YES		This is because an additional PWLB borrowing was arranged in July 2018, the repayments of which equate to: £16,605.19
6 All Other Payments	552,143	927,034	374,891	67.90%	YES		The Newton's Place refurbishment project has incurred a lot of additional expenditure during 2018/19 than the previous year, due to the progression of the project. (Clearly, this expenditure has been offset by the grant receipts detailed in box 3 above). Expenditure on the project during this period was £424,151 more than 2017/18, which would account for the difference stated.
7 Balances Carried Forward	85,842	1,170,849			NO	VARIANCE EXPLANATION NOT REQUIRED	
8 Total Cash and Short Term Investments	34,084	1,087,372				VARIANCE EXPLANATION NOT REQUIRED	
9 Total Fixed Assets plus Other Long Term Investments and	2,074,406	2,181,409	107,003	5.16%	NO		
10 Total Borrowings	300,463	1,085,154	784,686	261.15%	YES		This is due to an addition PWLB loan of £800,000 being arranged during July 2018.

**Rounding errors of up to £2 are tolerable**

**Variances of £200 or less are tolerable**



---

Newton Abbot Town Council

Working Detail for Reserves Reconciliation for ANNUAL RETURN 31 March 2019

Explains the difference between boxes 7 & 8 on the Annual Return

---

<u>Code</u>	<u>Description</u>	<u>Last Year £</u>	<u>This Year £</u>
	<b>Total Reserves</b>	<b>85,842.20</b>	<b>1,170,849.35</b>
100	Debtors	1,350.00	0.00
101	NACIC DEBTOR	0.00	25,438.52
105	VAT Control A/c	50,687.81	64,282.69
	<b>Less Total Debtors</b>	<b>52,037.81</b>	<b>89,721.21</b>
500	Creditors	0.00	4,700.00
502	CREDITOR CREDIT CARD	0.00	143.96
515	Receipts In Advance	1,000.00	1,400.00
	<b>Plus Total Creditors</b>	<b>1,000.00</b>	<b>6,243.96</b>
	<b>Equals Total Cash and Bank Accounts</b>	<b>34,804.39</b>	<b>1,087,372.10</b>
200	Current/Instant Access A/c	34,604.47	1,087,172.18
250	Petty Cash	199.92	199.92
	<b>Total Cash and Bank Accounts</b>	<b>34,804.39</b>	<b>1,087,372.10</b>



# LLOYDS BANK



Your account statement  
Statement sheet number: 36  
Issue date: 29 March 2019  
Page: 1 of 4

J3193U01A71MEA0000055605001002 404 000

NEWTON ABBOT TOWN COUNCIL  
TOWN CLERK  
NEWTON ABBOT TOWN COUNCIL  
9 DEVON SQUARE  
UNITED KINGDOM  
TQ12 2HN

RECEIVED - 4 APR 2019



Write to us at:  
PO Box 1000  
Andover  
BX1 1LT

Call us on: 0345 072 5555 (from UK)  
+44 1733 347338 (from Overseas)  
Visit us online: [www.lloydsbank.com](http://www.lloydsbank.com)

Your branch: NEWTON ABBOT  
Sort code: 30-96-06  
Account number: 00895602  
BIC: LOYDGB21078  
IBAN: GB90 LOYD 3096 0600 8956 02

BUS INSTANT ACCESS  
N A TOWN COUNCIL

## Account Summary

Balance On 28 February 2019	£1,191,620.85
Total Paid In	£67,751.86
Total Paid Out	£151,051.47
<b>Balance On 29 March 2019</b>	<b>£1,108,321.24</b>

## Account Activity

Date	Payment type	Details	Paid out (£)	Paid in (£)	Balance (£)
28 Feb 19		<b>BALANCE BROUGHT FORWARD</b>			<b>1,191,620.85</b>
1 Mar 19	Transfer	TO 30960600180697	4,289.31		1,187,331.54
4 Mar 19	Transfer	TO 30960600180697	3,459.50		1,183,872.04
5 Mar 19	Transfer	TO 30960600180697	1,131.77		1,182,740.27
6 Mar 19	Bank Giro Credit	TEIGNBRIDGE DC DIRECT CREDIT	1001 1291	21,711.00	1,204,451.27
6 Mar 19	Transfer	TO 30960600180697	9,108.35		1,195,342.92
8 Mar 19	Bank Giro Credit	TEIGNBRIDGE DC DIRECT CREDIT	1999/102	450.00	1,195,792.92
8 Mar 19	Bank Giro Credit	TEIGNBRIDGE DC DIRECT CREDIT	1999/102	549.00	1,196,341.92
8 Mar 19	Transfer	TO 30960600180697	2,085.00		1,194,256.92
11 Mar 19	Transfer	TO 30960600180697	13,771.05		1,180,485.87
11 Mar 19		INTEREST (GROSS)	1090/101	193.86	1,180,679.73
12 Mar 19	Bank Giro Credit	NATIONAL HERITAGE HG-16-04902	1001 2225/1291	44,848.00	1,225,527.73
12 Mar 19	Transfer	TO 30960600180697	1,106.60		1,224,421.13
13 Mar 19	Transfer	TO 30960600180697	5,123.87		1,219,297.26
14 Mar 19	Transfer	TO 30960600180697	318.50		1,218,978.76
15 Mar 19	Transfer	TO 30960600180697	862.20		1,218,116.56
18 Mar 19	Transfer	NEWTON ABBOT TOWN 308467 61853660	4123/01	6,500.00	1,211,616.56
18 Mar 19	Transfer	TO 30960600180697	106.27		1,211,510.29
19 Mar 19	Transfer	TO 30960600180697	3,090.18		1,208,420.11
20 Mar 19	Transfer	TO 30960600180697	1,484.81		1,206,935.30
21 Mar 19	Transfer	TO 30960600180697	6,595.11		1,200,340.19
21 Mar 19		<b>BALANCE CARRIED FORWARD</b>			<b>1,200,340.19</b>



# LLOYDS BANK



Your account statement  
Statement sheet number: 74  
Issue date: 29 March 2019  
Page: 1 of 7

J3193U01A71MEA0000055603001004 404 000

NEWTON ABBOT TOWN COUNCIL  
TOWN CLERK  
NEWTON ABBOT TOWN COUNCIL  
9 DEVON SQUARE  
UNITED KINGDOM  
TQ12 2HN

RECEIVED - 4 APR 2019



Write to us at:

PO Box 1000  
Andover  
BX1 1LT

Call us on: 0345 072 5555 (from UK)  
+44 1733 347338 (from Overseas)

Visit us online: [www.lloydsbank.com](http://www.lloydsbank.com)

Your branch: NEWTON ABBOT

Sort code: 30-96-06

Account number: 00180697

BIC: LOYDGB21078

IBAN: GB10 LOYD 3096 0600 1806 97

BUSINESS ACCOUNT  
N A TOWN COUNCIL

## Account Summary

Balance On 28 February 2019	£100.00
Total Paid In	£84,202.80
Total Paid Out	£84,202.80
<b>Balance On 29 March 2019</b>	<b>£100.00</b>

## Account Activity

Date	Payment type	Details	Paid out (£)	Paid in (£)	Balance (£)
28 Feb 19		<b>BALANCE BROUGHT FORWARD</b>			<b>100.00</b>
1 Mar 19	Direct Debit	TEIGNBRIDGE D C 01 30425689	17.00		83.00
1 Mar 19	Direct Debit	VIRGIN MEDIA PYMTS 844252001001	54.00		29.00
1 Mar 19	Cheque	013048	88.83		59.83 OD
1 Mar 19	Cheque	013013	804.00		863.83 OD
1 Mar 19	Direct Debit	ALCHEMY SYSTEMS ASWNATC	1,286.40		2,150.23 OD
1 Mar 19	Direct Debit	AVIVA 003850367	2,039.08		4,189.31 OD
1 Mar 19	Transfer	FROM30960600895602		4,289.31	100.00
4 Mar 19	Direct Debit	KCOM GROUP PLC 1724670-1551300426	21.55		78.45
4 Mar 19	Cheque	013052	360.00		281.55 OD
4 Mar 19	Cheque	013047	1,000.00		1,281.55 OD
4 Mar 19	Cheque	013053	1,400.00		2,681.55 OD
4 Mar 19	Cheque	013062	40.00		2,721.55 OD
4 Mar 19	Cheque	013051	534.30		3,255.85 OD
4 Mar 19	Cheque	013057	103.65		3,359.50 OD
4 Mar 19	Transfer	FROM30960600895602		3,459.50	100.00
5 Mar 19	Direct Debit	LEASEPLAN UK LIMIT 0815831-0504996332	30.00		70.00
5 Mar 19	Cheque	013046	155.94		85.94 OD
5 Mar 19	Cheque	013058	945.83		1,031.77 OD
5 Mar 19	Transfer	FROM30960600895602		1,131.77	100.00
05 Mar 19		<b>BALANCE CARRIED FORWARD</b>			<b>100.00</b>



**Newton Abbot Town Council**

**Bank - Cash and Investment Reconciliation as at 31 March 2019**

		<u>Account Description</u>	<u>Balance</u>
<u>Bank Statement Balances</u>			
1	31/03/2019	Business Instant Access 008956	1,108,321.24
1	31/03/2019	Current A/c 00180697	100.00
2	28/06/2017	Imprest A/c	0.00
3	31/03/2016	Lloyds Deposit A/c	0.00
4	31/03/2017	Lloyds Deposit - 1 Year	0.00
5	31/03/2017	Co-op Deposit - 61726271	0.00
6	31/03/2016	Co-op Deposit - 61726268	0.00
			<b>1,108,421.24</b>
<u>Other Cash &amp; Bank Balances</u>			
		Petty Cash	199.92
			<b>199.92</b>
			<b>1,108,621.16</b>
<u>Unpresented Payments</u>			
1	15/01/2019	12993	40.00
1	14/03/2019	13094	1,980.00
1	20/03/2019	13102	78.54
1	22/03/2019	13103	240.00
1	22/03/2019	13104	253.20
1	22/03/2019	13105	61.06
1	22/03/2019	13106	2,218.14
1	22/03/2019	13107	510.00
1	27/03/2019	13109	5,000.00
1	27/03/2019	13110	3,150.00
1	27/03/2019	13111	4,574.90
1	27/03/2019	13112	700.00
1	27/03/2019	13113	211.00
1	31/03/2019	13114	1,817.50
1	31/03/2019	13115	414.72
			<b>21,249.06</b>
			<b>1,087,372.10</b>
<u>Receipts not on Bank Statement</u>			
0	31/03/2019	All Receipts Cleared	0.00
			<b>0.00</b>
<b>Closing Balance</b>			<b>1,087,372.10</b>
<u>All Cash &amp; Bank Accounts</u>			
1		Current/Instant Access A/c	1,087,172.18
2		Lloyds Imprest A/c	0.00
3		Lloyds Deposit A/c	0.00
4		Lloyds Deposit - 1 Year	0.00
5		Co-operative Deposit - 3 Month	0.00
6		Co-operative Deposit - 6 Month	0.00



---

**Newton Abbot Town Council**

**Bank - Cash and Investment Reconciliation as at 31 March 2019**

---

<u>Account Description</u>	<u>Balance</u>
Other Cash & Bank Balances	199.92
<b>Total Cash &amp; Bank Balances</b>	<b><u>1,087,372.10</u></b>



---

# **Newton Abbot Town Council**

***Internal Audit Report: Interim 2018-19***

---

***Stuart J Pollard***

***Auditing Solutions Ltd***



## **Background**

Statute requires all town and parish councils to arrange for an independent internal audit examination of their accounting records and system of internal control and for the conclusions to be reported each year in the Annual Return. We were approached and asked for assistance to complete the 2015-16 internal audit review following illness of the Council's internal audit service provider and were subsequently appointed for 2016-17 and beyond.

## **Internal Audit Approach**

In commencing our review of the Council's accounts and governance controls for 2018-19, we have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts / Annual Governance and Accountability Return (AGAR). Our programme of cover, as applied to all clients, is designed to afford appropriate assurance that the Council's financial systems are robust and operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory regulatory framework. The programme is also designed to facilitate our completion of the 'Internal Audit Report' in the Council's AGAR, which requires independent assurance over a number of internal control objectives.

## **Overall Conclusion**

Detail of the work undertaken on the Council's accounting and other records at this first visit for 2018-19 is set out in the following detailed report, together with detail of the few issues arising and resultant recommendations that are further summarised in the appended Action Plan. We are pleased to conclude that, in the areas examined to date, the Council's officers continue to maintain generally adequate and effective internal control arrangements. We have checked on the progress made to address issues identified in our 2017-18 reports and are pleased to acknowledge the positive actions taken to address them.

We take this opportunity to again thank officers for the clear way documents are filed and have been presented for our examination.



# Detailed Report

## Maintenance of Accounting Records & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in the cashbooks as prepared. We note that the RBS Rialtas Omega software continues in use. Two bank accounts are now in use (Current and Instant Access Account with Lloyds), these being operated in a single cashbook: the former Imprest Account, also with Lloyds, was closed in November 2017.

In line with the above objectives, we have:

- Agreed the opening financial ledger balances for 2018-19 with those in the 2017-18 Statement of Accounts / AGAR;
- Ensured that the accounts remain “in balance” at the present date;
- Examined and verified two months’ transactions as recorded on the two combined accounts’ cashbook (April and September 2018) by reference to supporting bank statements; and
- Checked the accuracy of the bank reconciliations on the combined accounts cashbook at 30<sup>th</sup> April and September 2018.

### Conclusions and recommendations

*In examining the 30<sup>th</sup> September 2018 bank reconciliation, we noted the inclusion / reference to 4 adjustments (-£10.00; -£0.01; +£0.02 & +£3.00). We have, consequently, undertaken a review of further prior months (to September) cashbooks against bank statements noting that payment on cheque 12579 in May 2018 is recorded in the cashbook as £20.00, but shows as £30.00 on the bank statement. The “+£0.02” and “-£0.01” are the result of the incorrect recording of a direct debit in the cashbook as £1,150.51, whilst it shows as £1,150.50 in the bank statement (4/7/18). Finally, the £3.00 entry “to balance the cashbook” as recorded on the reconciliation arises from the incorrect entry of cheque 12693 detail in the cashbook as £106.60, whilst it appears as £103.60 on the bank statement.*

*These errors, which occurred in earlier months to September 2018 in the financial year should have been pursued and corrected prior to closing the monthly Omega accounts. We also note that one cheque (no 12278, drawn on 15<sup>th</sup> November 2017 remains unpaid at the bank. Where cheques remain uncleared for three or more months, action should be taken to check with the payee whether they have lost the cheque and / or still require payment. If so, the original payment should be reversed as a negative payment in the Omega cashbook and a replacement cheque be drawn.*

*We also note that, whilst a form of reconciliation is prepared in Excel spreadsheet or Word format for presentation to and sign off by members, it does not contain full detail of unpaid cheques, etc. Consequently, we consider that, in accordance with the requirements of the Governance and Accountability Manual (G&AM), the Omega generated bank reconciliations at each month-end rather than this truncated version, should be presented to members for scrutiny, checking and sign-off once satisfied that no anomalous or long-standing uncleared entries exist.*

***We shall undertake further work in this area at our final visit, including verifying at least one further month's account transactions and ensuring the accurate disclosure of the combined year-end cash and bank balances in the AGAR.***

- R1. *The monthly bank reconciliations generated by the Omega accounting software should be presented to members routinely for scrutiny / checking and further enquiry (if appropriate) plus "sign-off" confirming their review. (We see little or no point in continuing to prepare and present the current format of reconciliations to members as they are incomplete and provide inaccurate information).*
- R2. *Where imbalances between the adjusted (for uncleared cheques and / or deposits) at each month-end are identified on the monthly Omega reconciliations, they should be pursued and corrected prior to closing the month's accounts in the software (no "balancing entries" should exist).*
- R3. *Where cheques remain uncleared for three or more months, the payee(s) should be contacted to determine whether they require a replacement cheque: if so, the original should be written back in the cashbook and a replacement be drawn.*

## **Review of Corporate Governance**

Our objective here is to ensure that the Council has a robust regulatory framework in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we may reasonably be expected to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We also aim to ensure that appropriate policies, procedures and protocols are in place to prevent and provide a reasonable assurance of the detection of any fraudulent or corrupt activity.

We have examined the Council's and Standing Committee's (excluding Planning) minutes for the financial year to date to identify whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability and are pleased to record that no concerns have been identified. We note the positive progress now being made on development of the Council's new offices at Newton Place following approval of the HLF grant and PWLB loan and will continue to monitor progress at future visits.

We note that the SOs were reviewed in November 2017, also noting that Financial Regulations (FRs) were last reviewed and re-adopted by the Council in April 2017 with both documents reflecting the 2016 change in EU and Public Contracts Regulations.

We note that the external auditors have now issued a clear certificate on the 2017-18 AGAR, also noting that our final 2017-18 report has been presented to Council for consideration and been approved.

### **Conclusions**

***We are pleased to record that no issues arise in this area currently: we shall continue to monitor the Council's approach to governance at future visits including extending our review of minutes for the remainder of the financial year.***



## Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Payments are supported by appropriate documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and/or an acknowledgement of receipt, where no other form of invoice is available;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have again examined the payment approval and release process and consider the controls in place generally effective with an appropriate certification stamp affixed to each invoice. We are again pleased to note that members evidence their examination of invoices initialling each accordingly. However, we note that only the "header" (spreadsheet) detail of expenditure incurred using the Council's credit card is initialled by members with no indication on the supporting documentation that it has been examined. There have been one or two expensive purchases using the credit card in the current financial year (e.g. new laptop / tablet costing in excess of £2,000) and therefore consider that a sample review of the supporting documentation should be undertaken each month, especially for items over a certain value with those specific "invoices" duly initialled by members to confirm their review and satisfaction as to the appropriateness of the purchases.

To confirm the effectiveness of the control and governance arrangements over payments, we have examined a sample of 45 payments including all those individually in excess of £2,000, together with a more random sample of every 30<sup>th</sup> payment as listed in the cashbook to 30<sup>th</sup> September 2018. We have also examined one Non-domestic rate bill paid monthly by direct debit. Our test sample totals £273,150 and equates to 72% of the total value of non-pay related payments processed in the year to the above date with all the above criteria met. The high percentage arises from the initial purchase and planning / development costs of the Newton Place Project.

We note that HMRC repaid the prior year's final quarterly VAT reclaim in full and have examined the first quarterly reclaim for 2018-19 noting that the reclaim actually totalled £11,951.95 compared with the control account balance of £11,059.55, the reclaimed amount being paid by HMRC. We believe that the apparent imbalance will resolve itself in further quarterly reclaims for the year, but will ensure that detail has been corrected when we undertake our final review visit.

### **Conclusions and recommendation**

*We are pleased to record that we consider the controls in place over the payment of traders' invoices to be sound, other than possibly in relation to expenditure using the Council's credit card and, as above, suggest that improved checking procedures are introduced in that area.*

*We shall undertake further work in this area at our final visit, checking a further sample of trader payments for compliance with the above criteria and ensuring that the apparent anomaly with the first quarterly VAT reclaim for the year is satisfactorily resolved by the year-end.*

*R4. Members should undertake an evidenced review of a proportion of expenditure incurred using the Council's credit card, initialling not only the covering sheet, but a sample of the individual supporting invoices.*

## **Assessment and Management of Risk**

Our aim here is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks to minimise the opportunity for their coming to fruition.

We have examined the Council's current insurance policy schedule with Aviva, arranged through WPS, to ensure that appropriate cover remains in place, noting that Employer's and Public Liability cover both stand at £10 million, together with Fidelity Guarantee cover at £650,000, all of which we consider appropriate for the Council's future requirements.

We are also pleased to note that a formal risk register is in place and was reviewed and re-adopted by the Council at its June 2018 meeting.

### **Conclusions**

*No issues arise in this area warranting formal comment or recommendation currently. We shall continue to monitor the Council's approach to risk management at future visits and report our conclusions accordingly.*

## **Precept Determination and Budgetary Control**

We noted in last year's report the satisfactory conclusion of the Council's 2018-19 budget and precept deliberations with the latter formally approved by Council.

This interim visit occurred in advance of members formal deliberations and determination of the budgetary and precept requirements for 2019-20 and, consequently, we shall review the outcome at our final visit.

We are again pleased to note that members receive periodic budget reports throughout the year, also again noting that in a number of areas (e.g. Museum and Events), only limited income budget detail has been entered onto the Omega accounting software for the current financial year: as suggested previously, we consider that an indication of the anticipated income in each area should be recorded in the Omega software to further strengthen the accuracy of reporting.

We have examined the latest budget performance position seeking and obtaining explanations for the few areas where expenditure exceeds budget and conversely where income is variant to that anticipated, subject to the above observation.

### **Conclusions**

*No significant issues arise in this area currently: we shall undertake more detailed work at our final visit including ensuring the appropriate formal approval / adoption of the 2019-20 budget and precept, revisiting and reviewing the year-end budget outturn and level of retained reserves.*



## Review of Income

The Council receives income primarily by way of the annual precept and Support Grant, together with limited room hire fees and a plethora of relatively small miscellaneous sources. We have undertaken only limited work in this area at this first visit examining the detailed individual nominal income account transaction reports to ensure that no anomalies are apparent in the coding and that, as far as we can reasonably ascertain, income due to the Council for the year to date has been received and banked accordingly.

In examining the detailed transaction reports, we have noted that the approved PWLB loan of £800,000 has been drawn down and coded as income, less the PWLB admin charge of £280. The full value of the loan should be recorded to the relevant income code with the admin charge coded as an expense to ensure the loan detail is accurately recorded in the year's AGAR.

### *Conclusions and recommendation*

*No issues of significant concern arise currently in this area: we shall undertake a more detailed review of the Council's income streams at our final visit and report our conclusions accordingly, also updating our year-on-year analysis of income across the various headings, the outcome of which will be used to add focus to our review of income streams at the final visit and in subsequent years.*

*R5. The full value of the PWLB loan receipt of £800,000 should be coded as income with the £280 admin fee coded to an appropriate expense code to ensure that the full loan receipt is appropriately identified as such in Box 3 of Section 2 of the year's AGAR.*

## Petty Cash Account

We are required, as part of the AGAR Internal Audit Report, to review and verify the soundness of controls over the operation of the Council's petty cash account. We note that a separate nominal account code for petty cash (#250) remains in existence, although no transactions have been recorded against the code in the current or previous financial year with a balance of £199.92 recorded thereon.

We are pleased to note, however, that the account is now operated on an "imprest" basis with a total cash holding of £200, with monthly top-ups to return the account to that value based on actual expenditure in the month.

As last year, we have checked the physical cash holding in the petty cash tin (£68.66) at the time of this interim visit and, together with till receipts totalling £132.34 arrives at an effective petty cash balance of £201.00, reflecting a cash surplus of £1.00.

### *Conclusions and recommendation*

*Whilst no material matters have been identified in this area, as advised previously the financial ledger balance should be adjusted by journal to bring it to the intended physical cash holding of £200.00 (i.e. not £199.92). Also, the surplus £1.00 cash holding should be adjusted to return the physical holding to £200.00 when the next "top-up" takes place.*

- R6. *The financial ledger petty cash account balance should be brought into line with the intended "imprest" holding of £200.00.*
- R7. *The identified £1.00 surplus cash holding at the time of our interim review should be adjusted when the next reimbursement is made bringing the total cash holding to the intended £200.00 imprest value.*

## **Salaries and Wages**

In examining the Council's payroll function, we aim to confirm that salary payments are in line with the Council approved pay rates and that extant legislation is being appropriately observed as regards adherence to the requirements of HMRC legislation in relation to the deduction and payment over of income tax and NI contributions. The Council employs a number of staff currently and we have checked to ensure that their monthly gross salaries paid in October 2018 correspond to the Council agreed salary rates for each, noting that all, apart from the Town Clerk's salary, have been uplifted in line with the nationally agreed NJC pay award applicable from 1<sup>st</sup> April 2018.

We have also checked as far as we have been able to ensure that tax, NI and pension (where applicable) deductions in October 2018 from each employee are correctly calculated and are pleased to record that no issues or concerns have been identified in relation to the percentage contributions applied (NB: due to GDPR considerations, Teignbridge DC, who maintain the Council's payroll, were not prepared to provide copies of payslips and consequently we were unable to fully verify the tax deduction as no tax codes were held at the Council). The absence of these documents at the time of our review visit effectively precluded our ability to verify the monthly salaries paid to the two staff members working variable hours.

### **Conclusions and recommendation**

***Teignbridge DC should be advised that the Town Clerk's salary is seemingly being effectively underpaid at the 2017-18 rate rather than that applicable for 2018-19. We also consider that, as the employer of staff, the Council should be provided with copies of each month's payslips for retention and audit examination.***

- R8. *The payroll service provider should be advised that the incorrect salary is being applied to the Town Clerk, as it has not been amended to take account of the 2018-19 national agreed pay award.*
- R9. *As the employer of staff, the Town Council should be provided routinely with each month's payslips for all staff by Teignbridge DC.*

## **Investments and Loans**

Following acquisition of the old church premises, the Council has not "invested" any amounts in other accounts with all funds now, following closure of the imprest account, being held in the current and deposit bank accounts.

As indicated earlier in this report, the Council successfully applied for and has drawn down a new PWLB loan to help finance the Newton Place site redevelopment with the funds currently held in the Lloyds Deposit account. We have reviewed the loan application and approval documentation.



We have checked and agreed to the PWLB repayment demand the first half year's repayment as part of our previously referenced expenditure review with no issues arising.

### ***Conclusions and recommendation***

*Whilst the Council will be expending the recently "drawn-down" PWLB loan, funds in excess of £1¼ million are currently held primarily in the Lloyds Deposit account. Whilst this will undoubtedly earn a degree of interest, as previously suggested, the Council should give consideration to the placement of the, albeit temporary surplus funds held in a banking institution, such as the CCLA Deposit Fund account where, in our experience at other councils, a better rate of interest may be achievable even for a very short term deposit (funds may be drawn down from the Deposit Fund account at any time).*

*We shall, at our final visit, check the second half-year's repayment instalment to PWLB, also ensuring the accurate disclosure of the residual loan liability at Box 10, Section 2 of the year's AGAR by reference to the UK Debt Agency website also ensuring that the previously advised journal adjustment to the PWLB admin fee of £280 on the new loan has been made prior to the financial year-end.*

*R10. Members should give further consideration to the short-term placement of surplus funds in an account / accounts such as the CCLA Deposit Fund with potentially increased earning potential than is likely to be available through the existing Lloyds Deposit account.*

Rec. No	Recommendation	Response
<b>Review of Accounting Arrangements and Bank Reconciliations</b>		
R1	The monthly bank reconciliations generated by the Omega accounting software should be presented to members routinely for scrutiny / checking and further enquiry (if appropriate) plus "sign-off" confirming their review. (We see little or no point in continuing to prepare and present the current format of reconciliations to members as they are incomplete and provide inaccurate information).	<i>This was already in place and will continue. Members are presented with all month-end financial reports, (including a list of receipts and payments), which are approved. The Chairman signs a copy for our file.</i>
R2	Where imbalances between the adjusted (for uncleared cheques and / or deposits) at each month-end are identified on the monthly Omega reconciliations, they should be pursued and corrected prior to closing the month's account sin the software ( <b>no balancing entries should exist</b> ).	<i>Adjustments have been facilitated during the year to account for these eventualities and further corrections/adjustments were facilitated during the year-end closedown.</i>
R3	Where cheques remain uncleared for three or more months the payee(s) should be contacted to determine whether they require a replacement cheque: if so, the original should be written back in the cashbook and a replacement be drawn.	<i>This issue has been resolved for the year ending 31<sup>st</sup> March 2019 by following the guidance is R3 and will continue to be followed in the future.</i>
<b>Review of Expenditure</b>		
R4	Members should undertake an evidenced review of a proportion of expenditure incurred using the Council's credit card, initialling not only the covering sheet, but a sample of the individual supporting invoices.	<i>Members were always provided with all invoices pertaining to the monthly credit card bills, and they are requested to evidence that they have read each invoice in addition to the summary sheet.</i>
<b>Review of Income</b>		
R5	The full value of the PWLB loan receipt of £800,000 should be coded as income with the £280 admin fee coded to an appropriate expense code to ensure that the full loan receipt is appropriately identified as such in Box 3 of Section 2 of the year's AGAR.	<i>To be actioned.</i>
<b>Petty Cash Account</b>		
R6	The financial ledger petty cash account balance should be brought into line with the intended "imprest" holding of £200.00.	<i>This has not yet been actioned as the RBS Director did not feel it was a serious issue at this time as the petty cash is already so thoroughly analysed on a regular basis. If necessary, this will be resolved during the forthcoming financial year, (2019/20).</i>
R7	The identified £1.00 surplus cash holding at the time of our interim review should be adjusted when the next reimbursement is made bringing the total cash holding to the intended £200.00 imprest value.	<i>To be actioned.</i>



Rec. No	Recommendation	Response
<b>Review of Staff Salaries, etc</b>		
R8	The payroll service provider should be advised that the incorrect salary is being applied to the Town Clerk, as it has not been amended to take account of the 2018-19 national agreed pay award.	<i>This has been raised with Teignbridge District Council and backpay due to the Town Clerk was paid in the November pay-cycle and the correct salary is now being paid.</i>
R9	As the employer of staff, the Town Council should be provided routinely with each month's payslips for all staff by Teignbridge DC.	<i>This has been raised with Teignbridge District Council and, due to GDPR/privacy regulations, they have confirmed that it would not be possible. As you are aware, we do receive a payroll summary detailing employee pay amounts, however, omitting other personal details such as tax code.</i>
<b>Investments and Loans</b>		
R10	Members should give further consideration to the short-term placement of surplus funds in an account / accounts such as the CCLA Deposit Fund with potentially increased earning potential than is likely to be available through the existing Lloyds Deposit account.	<i>This has been considered by members, (Minute 21/11/2018/295), however, the outcome was that investments, even on a short-term basis, were considered as a risk to Newton Abbot Town Council's cashflow during the Newton's Place project.</i>



AUDITING SOLUTIONS LTD

---

## **Newton Abbot Town Council**

*Internal Audit Report: Final update 2018-19*

---

*Stuart J Pollard*

*Auditing Solutions Ltd*



## **Background**

Statute requires all town and parish councils to arrange for an independent internal audit examination of their accounting records and system of internal control and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR). We were appointed in 2015-16 to undertake that year's review following illness of the Council's former internal audit service provider.

## **Internal Audit Approach**

In conducting our review of the Council's accounts and governance controls for 2018-19, we have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover, as applied to all clients, is designed to afford appropriate assurance that the Council's financial systems are robust and operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory regulatory framework. The programme is also designed to facilitate our completion of the 'Internal Audit Report' in the Council's AGAR, which requires independent assurance over a number of internal control objectives. This report provides detail of the areas examined during the course of our two visits for the year, which took place on 30<sup>th</sup> October 2018 and 18<sup>th</sup> April 2019.

## **Overall Conclusion**

Detail of the work undertaken on the Council's accounting and other records at our two visits for 2018-19 is set out in the following detailed report, together with detail of the few issues arising and resultant recommendations that are further summarised in the appended Action Plan. We are pleased to conclude that, in the areas examined this year, the Council's officers continue to maintain generally adequate and effective internal control arrangements.

We have checked on the progress made to address issues identified in previous reports and note the action taken to date, although we are disappointed to note that the previously identified cashbook anomalies were not resolved until the accounting contractor / software supplier attended to closedown the accounts for the year. We have also now identified the existence of an additional account with Lloyds, initially established to receive donations towards the redevelopment project of the former church to a museum and Council office accommodation. As the account is now also being used to pay the development contractor, following transfer of funds from the Council's main accounts, the funds held in this account should also be identified and included in the AGAR in future years.

# Detailed Report

## Maintenance of Accounting Records & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in the cashbooks as prepared. We note that the RBS Rialtas Omega software continues in use. Two bank accounts are in day-to-day use (the Current and Instant Access Accounts with Lloyds), these being operated in a single cashbook: the former Imprest Account, also with Lloyds was closed in November 2017.

As also indicated in the preamble to this detailed report, a further account with Lloyds "NATC – Newtons Place" was established in March 2017 to receive donations in relation to the redevelopment of Newtons Place and its conversion to a Museum and Council offices. The account has generally only held small balances arising from the donations received with only two cheque payments made since its inception, the only other expenditure until commencement of development works being monthly charges levied by Lloyds for operation of the account. However, we note that, due to the unavailability of a BACS payment facility on the Council's main Current account, this account is now being used to process the payments being made to, among others, the development contractor(s) funded by inter-account transfer from the Council's current account.

As the account is now being used to effectively finance the development, the funds, which currently stand at around £10,000, should be accounted for as part of the Council's general funds and be included in the AGAR. Additionally, either a new account should be set up in the accounting system or detail be added to the existing combined Number 1 cashbook: going forward, the balance, together with previously received and expended transactions will have to be brought to account in the cashbook(s) and AGAR for 2019-20.

In line with the above objectives, we have:

- Agreed the opening financial ledger balances for 2018-19 with those in the 2017-18 Statement of Accounts / AGAR;
- Ensured that the accounts remain "in balance" at the present date;
- Examined and verified three months' transactions as recorded on the combined accounts cashbook (April and September 2018, plus March 2019) by reference to supporting bank statements; and
- Checked the accuracy of the bank reconciliations on the combined accounts cashbook, as at both 30<sup>th</sup> April and September 2018, plus 31<sup>st</sup> March 2019.

### Conclusions and recommendations

*In examining the 30<sup>th</sup> September 2018 bank reconciliation at our interim visit, we noted the inclusion / reference to 4 adjustments (-£10.00; -£0.01; +£0.02 & +£3.00). Consequently, we reviewed prior months (to September) cashbooks against bank statements noting that payment on cheque 12579 in May 2018 was recorded in the cashbook as £20.00, but showed as £30.00 on the bank statement. The "+£0.02" and "-£0.01" are the result of the incorrect recording of a direct debit in the cashbook as £1,150.51, whilst it appeared as £1,150.50 in the bank statement (4/7/18). Finally, the £3.00 entry "to balance the cashbook" as recorded on the reconciliation arose from the incorrect entry of cheque 12693 detail in the cashbook as £106.60, whilst it appeared as £103.60 on the bank statement.*



*These errors, which occurred in earlier months to September 2018 in the financial year should have been pursued and corrected prior to closing each month's Omega accounts. We also note that one cheque (no 12278), drawn on 15<sup>th</sup> November 2017 remained unpaid at the bank. Where cheques remain uncleared for three or more months action should be taken to check with the payee whether they have lost the cheque and / or still require payment. If so, the original payment should be reversed as a negative payment in the Omega cashbook and a replacement cheque be drawn.*

*We are disappointed to note that the above anomalies were not corrected until the year-end closedown was undertaken by RBS on behalf of the Council and, as recommended in our interim report, we urge that in the event of similar anomalies arising on the accounts, they be corrected as a matter of urgency in the month that they arise by entering appropriate adjusting entries in the cashbook.*

- R1. Where imbalances between the adjusted (for uncleared cheques and / or deposits) at each month-end are identified on the monthly Omega reconciliations, they should be pursued and corrected prior to closing the month's accounts in the software (i.e. no "balancing" entries should exist). Appropriate adjustments were made at the year-end closedown by the Council's external contractor.*
- R2. Where cheques remain uncleared for three or more months the payee(s) should be contacted to determine whether they require a replacement cheque: if so, the original should be written back in the cashbook and a replacement be drawn. This issue has been resolved for the year ending 31<sup>st</sup> March 2019 and will be observed in the future.*
- R3. The Newtons Place Project Account should be incorporated into the Council's main accounting system with the balance duly accounted for in the AGAR.*

## **Review of Corporate Governance**

Our objective here is to ensure that the Council has a robust regulatory framework in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we may reasonably be expected to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We also aim to ensure that appropriate policies, procedures and protocols are in place to prevent and provide a reasonable assurance of the detection of any fraudulent or corrupt activity.

We have continued our examination of Council and Standing Committee (excluding Planning) minutes reviewing those for the financial year as available on the Council's website to identify whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability and are pleased to record that no concerns have been identified. We note commencement of the redevelopment of the Museum and Council's offices at Newtons Place following approval of the HLF grant and PWLB loan and will continue to monitor progress at future visits.

We also note that the SOs were reviewed November 2017 with the Financial Regulations (FRs) further reviewed and re-adopted by the Council in July 2018: both documents now reflect the 2014-15 change in EU and Public Contracts Regulations.

We note that the external auditors issued a clear certificate on the 2017-18 AGAR, also noting that our final 2017-18 report has been presented to Council for consideration and been approved.

### **Conclusions**

*We are pleased to record that no issues arise in this area currently; we shall continue to monitor the Council's approach to governance at future visits including extending our review of minutes for the remainder of the financial year.*

## **Review of Expenditure**

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Payments are supported by appropriate documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and/or an acknowledgement of receipt, where no other form of invoice is available;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have examined the payment approval and release process and consider the controls in place generally effective with an appropriate certification stamp affixed to each invoice. Whilst we are again pleased to note that members evidence their examination of invoices initialling each accordingly, we note that only the "header" spreadsheet detail of expenditure incurred using the Council's credit card is initialled with no indication on the supporting documentation that it has been examined. There have been one or two expensive purchases using the credit card in the current financial year (e.g. new laptop / tablet costing in excess of £2,000) and, as a minimum, consider that a sample review of the supporting documentation should be undertaken each month, especially for items over a certain value with those specific "invoices" duly initialled by members to confirm their review and satisfaction as to the appropriateness of the purchases.

To confirm the effectiveness of the control and governance arrangements over payments, we have extended our test sample of payments processed throughout the financial year including all those individually in excess of £2,000, together with a more random sample of every 30<sup>th</sup> payment, as listed in the year's cashbook: we have also examined one Non-domestic rate bill paid monthly by direct debit. Our test sample now totals £761,000 and equates to 73% of the total value of non-pay related payments processed in the year with all the above criteria met: the high value and percentage examined arise from payments made in the latter stages of the year to the contractor, together with the purchase and planning costs of the Newton Place project.

We have reviewed detail of the nominal ledger VAT control account for the year to ensure that reclaims are prepared and submitted accurately each quarter: we have noted a few differences between the quarterly closing balances and quarterly amounts reclaimed on the account during the year, but are pleased to record that the final quarter's reclaim matches the control account balance with the previous variances resolved at that stage.



### **Conclusions and recommendation**

*We are pleased to conclude that the controls in place over the payment of traders' invoices continue to operate effectively, although we noted at our interim review visit that expenditure using the Council's credit card was not subject to the same degree of scrutiny as regards individual transactions on the account suggested that checking procedures should be expanded to include examination of a sample of individual transactions.*

*R4. Members should undertake an evidenced review of a proportion of expenditure incurred using the Council's credit card, initialling not only the covering sheet, but a sample of the individual supporting invoices. Members are always provided with invoices pertaining to the monthly credit card bills, and they are requested to evidence that they have read each invoice in addition to the summary sheet.*

## **Assessment and Management of Risk**

Our aim here is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and/or health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks to minimise the opportunity for their coming to fruition.

We have examined the Council's current year's insurance policy schedule with Aviva, arranged through WPS, to ensure that appropriate cover is in place, noting that Employer's and Public Liability cover both stand at £10 million, together with Fidelity Guarantee cover at £650,000, all of which we consider appropriate for the Council's present requirements.

We are also pleased to note that a formal risk register is in place and was reviewed and re-adopted by the Council at its June 2018 meeting.

### **Conclusions**

*We are pleased to record that no issues arise in this area warranting formal comment or recommendation currently. We shall continue to monitor the Council's approach to risk management at future visits and report our conclusions accordingly.*

## **Budgetary Control & Reserves**

We noted in last year's report the satisfactory conclusion of the Council's 2018-19 budget and precept deliberations with the latter formally approved and adopted by Council. We are pleased to note that, following a similar exercise, the budget and precept for 2019-20 have been agreed with the latter formally adopted at £828,539 at the January 2019 full Council meeting.

We are again pleased to note that members receive periodic budget reports throughout the year, also again noting that in a number of areas (e.g. Museum and Events), only limited income budget detail has been entered onto the Omega accounting software for the current financial year: we understand that members are reluctant to allocate potential income budgets in a number of areas due to the uncertainty over the potential amounts to be received and do not consider this a significant issue.

We have examined the year-end budget performance outturn seeking and obtaining explanations for the few areas where expenditure exceeds budget and conversely where income is variant to that anticipated, subject to the above observation. However, in examining the detailed budget report, we note that CIC staff costs are recovered, the Council managing the payroll on behalf of the CIC: these have been coded as income. The recovered costs (circa £10,750) should be coded as an offset to staff pay costs and be linked to Box 4 of the AGAR accounts detail rather than be shown as a Box 3 income item.

Finally, in this area, we have reviewed the level of retained reserves and are pleased to note the positive improvement in the level of the retained General Fund balance, which now stands at approximately £380,000 and equates to approximately six months' revenue spending at current levels.

### ***Conclusions and recommendation***

***Other than the need to ensure that, in future, the recovered costs of CIC staff salaries are linked to Box 4 of the AGAR rather than Box 3 to ensure that the Council's true staff costs are not overstated, no significant issues or concerns arise in this review area.***

- R5. *The recovered cost of CIC salaries should be linked to Box 4 of the AGAR rather than Box 3: the current treatment has the effect of overstating both the Council's income and expenditure in the AGAR.*

## **Review of Income**

The Council receives income primarily by way of the annual precept and Support Grant, together with limited room hire fees and from a plethora of relatively small miscellaneous sources. We have undertaken further work in this area at this final visit examining the detailed individual nominal income account transaction reports to ensure that no significant anomalies are apparent in the coding and that, as far as we can reasonably ascertain, income due to the Council for the year to date has been received and banked accordingly.

We have specifically examined income arising from Street trading licences, Christmas Lights contributions, the Victorian evening, Autumn Fayre and lantern parade, also noting the receipt of moneys from the Allotment Association, who pay the Council annually in accordance with a long-standing agreement, which we note is currently being renegotiated.

In examining the detailed transaction reports at our interim visit, we noted that the approved PWLB loan of £800,000 had been drawn down and coded as income, less the PWLB admin charge of £280. We advised at that time that the full value of the loan should be recorded to an income code with the admin charge coded as an expense and are disappointed to note that this had not been actioned either prior to or at the time the year's accounting records were closed down.

In examining the spreadsheet record of Christmas Lights contributions, we noted that the anticipated income per the record (£4,015.18) exceeded the income recorded on the financial ledger nominal account code (No. 1010) by £400. We have drawn this to the attention of the RFO requesting that it be further examined to ensure that the income due has been received and banked appropriately.



### *Conclusions and recommendations*

*No serious issues of concern arise in this area, although, as indicated above, we are again disappointed to note that our interim recommendation in relation to the correct treatment of the PWLB loan has not been actioned.*

- R6. *The full value of the PWLB loan receipt of £800,000 should be coded as income with the £280 admin fee coded to an appropriate expense code to ensure that the full loan receipt is appropriately identified as such in Box 3 of Section 2 of the year's AGAR.*
- R7. *The apparent £400 shortfall in income from Christmas lighting contributions should be further examined and resolved.*

### **Petty Cash Account**

We are required, as part of the AGAR Internal Audit Report, to review and verify the soundness of controls over the operation of the Council's petty cash account. We note that a separate nominal account code for petty cash (Code 250) remains in existence, although no transactions have been recorded against the code in the current or previous financial year with a balance of £199.92 still recorded thereon.

As last year, we have checked the physical cash holding in the petty cash tin at the time of this Final update visit, which totalled £68.66 together with till receipts totalling £132.34 giving an effective petty cash balance of £201.00, reflecting a cash surplus of £1.00 against the intended holding.

We are pleased to note, however, that the account is now operated on an "imprest" basis with, as above, an intended total cash holding of £200, with monthly top-ups to return the account to that value based on actual expenditure in the month.

### *Conclusions and recommendation*

*Whilst no material matters have been identified in this area, as advised previously the financial ledger balance should be adjusted by journal to bring it to the intended physical cash holding of £200.00 (i.e. not £199.92). Also, the surplus cash holding should be adjusted to return the physical holding to £200.00 when the next "top-up" takes place.*

- R8. *The financial ledger petty cash account balance should be brought into line with the intended "imprest" holding of £200.00. This has not yet been actioned as the RBS Director did not feel it was a serious issue at this time as the petty cash is already so thoroughly analysed on a regular basis. If necessary, this will be resolved during the forthcoming financial year (2019-20). Whilst acknowledging that the difference is wholly insignificant, the financial records should match the approved petty cash holding, as should the physical cash held at any time, allowing for incurred expenditure. All that is required to correct the imbalance is for a simple journal debiting the petty cash account (Code 250) with £0.08 and crediting an appropriate nominal expense code.*
- R9. *The identified £1.00 surplus cash holding at the time of our Final update review should be adjusted when the next reimbursement is made bringing the total cash holding to the intended £200.00 imprest value.*



## Review of Staff Salaries

In examining the Council's payroll function, we aim to confirm that salary payments are in line with the Council approved pay rates and that extant legislation is being appropriately observed as regards adherence to the requirements of HMRC legislation in relation to the deduction and payment over of income tax and NI contributions. The Council employs a number of staff and we have checked to ensure that their monthly gross salaries paid in October 2018 correspond to the Council agreed salary rates for each, noting that all, apart from the Town Clerk's salary, have been uplifted in line with the nationally agreed NJC pay award applicable from 1<sup>st</sup> April 2018 even though TDC were advised appropriately of the increase to be applied to all staff.

We have also checked, as far as we have been able, to ensure that tax, NI and pension (where applicable) deductions in October 2018 from each employee are correctly calculated and are pleased to record that no issues or concerns have been identified in relation to the percentage contributions applied.

We understand that, due to GDPR considerations, the Payroll Manager at Teignbridge DC (TDC), who act as the Council's payroll bureau service provider, was not prepared to provide copies of payslips, although they provide in electronic format spreadsheet detail of the gross salaries and deductions for each individual, and consequently we were unable to fully verify the tax deduction as no tax codes were held at the Council). The absence of these documents at the time of our review visit effectively precluded our ability to verify the monthly salaries paid to the two staff members working variable hours.

**Whilst appreciating the need to ensure compliance with GDPR requirements, the Council is the employing authority, not Teignbridge DC, and as such has the right to be provided with full detail of staff employment information, including payslips. Additionally, the Accounts and Audit Regulations override GDPR with regard to the provision of full information to facilitate an effective audit review of, inter alia, payroll and other financial information. As a service provider ourselves, we are fully GDPR compliant and, whilst we may be required to examine certain personal details as part of our review process, we do not retain that information in either hard or soft copy format once we have completed our review.**

### *Conclusions and recommendation*

*TDC should be reminded that all staff salaries should be updated appropriately for any nationally agreed pay award and should make the necessary adjustment to the Town Clerk's salary backdating the award to April 2018. We understand that following our review, they have already been advised to make the necessary amendment to the Town Clerk's salary. We also consider that, as the employer of staff, the Council should be provided routinely with copies of payslips for retention and audit examination (Regulation 5 of the 2015 Accounts and Audit Regulations refers).*

*R10. Teignbridge DC should be reminded that, when a national pay award occurs, it should be applied across the board to all staff from the due date as advised by the Council. This has been raised with Teignbridge District Council and backpay due to the Town Clerk was paid in the November pay-cycle and the correct salary is now being paid.*



*R11. As the employer of staff, the Town Council should be provided routinely with each month's payslips for all staff by Teignbridge DC. This has been raised with Teignbridge District Council and, due to GDPR/privacy regulations, they have confirmed that it would not be possible.*

## **Fixed asset register**

The Governance and Accountability Manual – The Practitioner's Guide (G&AM) requires all councils to maintain a record of all assets owned. We again acknowledged the existence of a register noting that it has been updated to include new acquisitions during 2018-19.

We have recorded previously that the register identifies assets in groups at a very high level and should, in line with best practice identify the following specific detail for each Council owned asset:

- Date of acquisition (where known)
- Purchase cost, where known, or, if not prior year asset register value
- Position
- Serial / registration number (where applicable)
- Insured value

## **Conclusions**

*As indicated above, we consider it essential that the asset register is maintained with appropriate and full detail of all individual assets owned by the Council rather than grouping them together in generic headings. Ideally, as we have also previously suggested, an inventory register of individual office furniture and equipment should be maintained, again ideally identifying the purchase cost and building up to the total asset register and insurance valuation. The DTC / RFO has agreed that this will be actioned as and when the Council moves offices to the former church premises once the development work has been completed.*

*We note the RFO's intention to develop a more detailed register when the Council relocates to the Newtons Place site and will monitor progress at future visits: consequently, we do not consider a formal recommendation to be warranted in this area currently.*

## **Investments and Loans**

Following acquisition of the Newtons Place and adjacent sites, the Council has not "invested" any amounts in other accounts, all funds now, following closure of the imprest account, being held in the current and deposit bank accounts.

As indicated earlier in this report, the Council successfully applied for and has drawn down a new PWLB loan to help finance the Newton Place project with the funds currently held in the Lloyds Deposit account.

We have checked and agreed to the PWLB repayment demands the year's repayments as part of our previously referenced expenditure review with no issues arising. We have also verified the accurate disclosure of the residual year-end liability balance due to the PWLB.

## Conclusions

*We have made previous reference to the indicated need for the Council to ensure that “surplus” funds are invested both prudently and efficiently to ensure interest earning opportunities are maximised, duly recommending that appropriate action should be taken to seek best value from such short-term deposits as are available on the money markets.*

*We acknowledge members concerns about ease of cashflow considerations with regard to the Newtons Place redevelopment. However, as advised previously, with funds held at the year-end in excess of £1 million, we again suggest that the Council should, as a minimum, compare the interest rate being achieved from the funds held in Lloyds Bank with alternative “investment” opportunities, such as the CCLA Deposit Fund account where, in our experience at other councils, a better rate of interest can be achieved than with High Street banks even for a very short term deposit: were funds so placed, they may be drawn down from the Deposit Fund account immediately without penalty.*

*Given the reaction of members to our previous recommendations in this respect, we have withdrawn the interim recommendation, but suggest that an all-weather eye should be kept on potential investment opportunities going forward to ensure public funds are effectively managed and income earning potential maximised as far as is reasonably possible.*

## Statement of Accounts / AGAR

The Accounts and Audit Regulations, as amended periodically, require all councils to prepare annually a Statement of Accounts, which is now in the form of the AGAR, which, together with the Annual Governance Statement, is subject to independent external audit examination and certification.

As part of our review process, we have examined the Council’s procedures in relation to the identification of detail for inclusion in the AGAR, which is generated automatically by the Omega accounting software and duly verified the accuracy of detail, subject to our previous comments in this report.

## Conclusions

*No additional issues arise in this area and we have, consequently, signed off the internal audit report assigning positive assurances in each relevant area.*



Rec. No	Recommendation	Response
<b>Review of Accounting Arrangements and Bank Reconciliations</b>		
R1	Where imbalances between the adjusted (for uncleared cheques and / or deposits) at each month-end are identified on the monthly Omega reconciliations, they should be pursued and corrected prior to closing the month's account in the software ( <b>no balancing entries should exist</b> ).	<i>Appropriate adjustments were made at the year-end closedown by the Council's external contractor.</i>
R2	Where cheques remain uncleared for three or more months the payee(s) should be contacted to determine whether they require a replacement cheque: if so, the original should be written back in the cashbook and a replacement be drawn.	<i>This issue has been resolved for the year ending 31<sup>st</sup> March 2019 by following the guidance in R3 and will continue to be followed in the future.</i>
R3	The Newtons Place Project Account should be incorporated into the Council's main accounting systems with the balance duly accounted for in the AGAR.	<i>To be actioned asap.</i>
<b>Review of Expenditure</b>		
R4	Members should undertake an evidenced review of a proportion of expenditure incurred using the Council's credit card, initialling not only the covering sheet, but a sample of the individual supporting invoices.	<i>Members are always provided with invoices pertaining to the monthly credit card bills, and they are requested to evidence that they have read each invoice in addition to the summary sheet.</i>
<b>Budgetary Control &amp; Reserves</b>		
R5	The recovered cost of CIC salaries should be linked to Box 4 of the AGAR rather than Box 3: the current treatment has the effect of overstating both the Council's income and expenditure in the AGAR.	<i>This has been actioned</i>
<b>Review of Income</b>		
R6	The full value of the PWLB loan receipt of £800,000 should be coded as income with the £280 admin fee coded to an appropriate expense code to ensure that the full loan receipt is appropriately identified as such in Box 3 of Section 2 of the year's AGAR.	<i>This was not actioned either prior to or during the year-end closedown process resulting in a minor understatement of both income and expenditure.</i>
R7	The apparent £400 shortfall in income from Christmas lighting contributions should be further examined and resolved.	<i>This has been reviewed. An entry has been entered in error.</i>





Rec. No	Recommendation	Response
<b>Petty Cash Account</b>		
R8	The financial ledger petty cash account balance should be brought into line with the intended "imprest" holding of £200.00.	<i>This has not yet been actioned as the RBS Director did not feel it was a serious issue at this time as the petty cash is already so thoroughly analysed on a regular basis. If necessary, this will be resolved during the forthcoming financial year (2019/20).</i>
R9	The identified £1.00 surplus cash holding at the time of our Final update review should be adjusted when the next reimbursement is made bringing the total cash holding to the intended £200.00 imprest value.	<i>This has still to be actioned.</i>
<b>Review of Staff Salaries, etc</b>		
R10	Teignbridge DC should be reminded that when a national pay award occurs it should be applied across the board to all staff from the due date as advised by the Council.	<i>This has been raised with Teignbridge District Council and backpay due to the Town Clerk was paid in the November pay-cycle and the correct salary is now being paid.</i>
R11	As the employer of staff, the Town Council should be provided routinely with each month's payslips for all staff by Teignbridge DC.	<i>This has been raised with Teignbridge District Council and, due to GDPR/privacy regulations, they have confirmed that it would not be possible. As you are aware, we do receive a payroll summary detailing employee pay amounts, however, omitting other personal details such as tax code.</i>