

Haylee Wilkins
Town Clerk
Wells City Council
Town Hall
Market Place
Wells, Somerset, BA5 2RB

14th April 2025

Dear Haylee,

Wells City Council End of Year Internal Audit 11th April 2025

The internal audit of Wells City Council for the 2024-25 financial year is now complete. The internal audit was undertaken onsite at the Town Council Offices on Friday 11th April 2025.

The internal audit identified a number of issues within the City Council's accounts and these are outlined in the report below. I will sign off the internal audit section of the Annual Governance and Accountability Return (AGAR) for 2024-25 with a number of comments that require action.

As stated in the Letter of Engagement letter, the scope of our work is limited to completing the audit testing and enquiries we deem necessary to complete Section 4 of the Annual Report for Local Councils in England. We do not provide assurance over or accept responsibility for areas of work not included in this scope, unless specifically agreed with the Council during the financial year. In providing internal audit services we are not conducting a financial statement audit in accordance with standards and guidelines issued by the Audit Practices Board and our procedures are not designed to provide assurance over the reliability and quality of your financial statements. This will be undertaken by the Council's appointed External Auditor.

We are required by the Annual Internal Audit Report included in the Annual Governance and Accountability Return (AGAR) to review controls in place at the Council against predefined control assertions. These control assertions are set out in the detailed report together with the results of the internal audit work for 2024-25. Recommendations identified in the course of my testing are included in the report under Appendix A and will be reviewed during the next audit.

Thank you for your hospitality and for all the information you have provided. I would be grateful if you could present this report at the next available meeting of Full Council.

Yours sincerely,

Paul Russell, Internal Auditor

A. Appropriate accounting records have been properly kept throughout the financial year.

The Council maintains its financial records using the Rialtas Omega accounting software. The internal audit has confirmed that income and expenditure balances to the cashbook and is reconciled to the bank statements on a regular basis. During the review it has been confirmed that there is a clear audit trail from the accounts to supporting documentation such as invoices.

The roll over figure from 2023/24 on the AGAR includes a sum of £500,000 which was transferred to the City Council as part of the Wells Recreation Ground Trust transfer from Mendip District Council in 2022. According to the press release dated 8th February 2022 the following transfer agreement was agreed:

The Trust Fund of circa £525,000 capital money is included in the transfer and this is solely to be used to improve the Bishop's Barn. In addition, a one-off payment of £30,000 will also be made to the Trust by Mendip, which is equivalent to six years of average income from 6 car parking spaces in South Street Car Park. After the transfer, Mendip District Council will continue to own, operate, and maintain the car park as part of its normal operations.

Although the opening balances in the cashbook agreed back to the 2023/24 accounts this is not the correct figure as it has been overstated by at least £500,000. Council will need to confirm what the original figure was (£500,000 or £525,000) and if the additional sum of £30,000 was received. **Please see the Charitable Trust section for further advice and recommendations.**

A Councillor should be appointed as stated under Section 2 of the Financial Regulations to sign off bank reconciliations internal auditor of accounts at the May 2024 meeting (Minute 14 and Minute 81). A sample of invoices are inspected against the accounts for payment and both documents are initialled in accordance with Council's Financial Regulations.

The accuracy of the year-end bank reconciliation details will need to be formally verified and accurate disclosure of the combined cash and bank balances will need to be stated in the AGAR in section 2, line 8. This will be following the exclusion of the £500,000 capital sum previously transferred.

It is likely that, subject to advice from the External Auditor, that the previous year's AGAR will have to be restated.

A sample of financial transactions in the cashbook has been cross referenced with the relevant bank statements. No material differences were identified. Council maintains income and expenditure accounts and these have been properly updated throughout the year.

The Council does not have an Investment Strategy or Policy in place. This is a requirement for all Councils with a balance through the year of over £100,000.

RECOMMENDATION: Develop an investment strategy policy as soon as possible and adopt it.

Unfortunately, due to the inaccuracies of the accounts due to the issues identified with the Charity Trust transfer I am not satisfied that this control objective has been met and will indicate a “no” on the Agar.

B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

Standing Orders are based on the NALC Model dated 2018.

RECOMMENDATION: Update Standing Orders and base them on the 2025 NALC Model.

Financial Regulations are based on an older versions of the NALC template. A new Model was drafted and published in May 2024 with revised thresholds following an update and the exit from the EU.

RECOMMENDATION: Update Financial Regulations and base them on the 2024 NALC Model but ensuring that the £25,000 public procurement threshold is amended to read £30,000 inclusive of VAT.

All other payments, Box 6 of the AGAR, has decreased from £567,845 to £553,994, a decrease of £13,851. There are some significant overspends such as Town Hall repairs which overspend by over £11,000, electricity (over £4,000), insurance (over £14,800), IT support and software (over £7,000), website maintenance which did not have a budget allocated, public toilets (£8,400) and various maintenance costs but some of this is due to incorrect coding.

There were also significant underspends such as CAB (£5,000), Town Hall Repairs (£11,300), Wells Recreation Ground Trust (over £21,000 but suspect this has been included in the grounds maintenance costs) and a number of others.

To Note: It is imperative that all costs relating to the Wells Recreation Ground Trust are stripped out of the Town Council's accounts and accounted for under a separate Trust Account, which will need to be audited independently.

A review of the procedures for receipt of invoices, agreement of invoice detail and confirmation of goods/services delivery and approval for payment was undertaken. A comprehensive financial report is taken to Council for consideration and approval. It includes a list of payments, a bank reconciliation report and a budget monitoring report. Unfortunately, the report is not signed off though it is minuted as such.

RECOMMENDATION: Ensure that all financial reports are signed off by two Members at the meeting to provide a transparent internal audit process.

Currently a handwritten note accompanies each invoice with payment details related to the invoice in question. This would appear to be quite time consuming.

It is recommended that Council considers obtaining a suitably designed certification stamp for each invoice to help provide evidence that these checks and payment authorisation are undertaken. This would replace the handwritten dockets.

The Council submits its VAT returns to HMRC on a quarterly basis. The VAT returns for all four quarters have been received and these have been checked.

Three debit cards are in use and a basic check was undertaken. The cards are loaded up with funds and topped up as and when necessary.

Council has met the requirements of this control objective.

C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

The Council is insured with James Hallam Ltd on a standard local council package for employer liability and public liability plus specialist insurance for listed buildings. Adequate cover is provided.

RECOMMENDATION: Due to the size of insurance premium (over £63,000) it is strongly recommended that Council puts the insurance cover out to tender through Contracts Finder to help identify potential savings.

Further recommend that if the Council's built assets have not been valued in recent years then a revaluation exercise is undertaken to ensure that there is adequate insurance cover in place to cover the costs of any potential rebuild including architectural fees etc.

The Council has a Risk Management Policy in place and this has been reviewed by Council. This was a recommendation from the previous year's audit.

RECOMMENDATION: Due to the financial challenges facing Council this document be reviewed on a regular basis to ensure that potential risks facing the Council are identified and addressed at an earlier stage than during the 2024/25 financial year.

Appropriate arrangements are in place for monitoring play areas, open spaces and sports pitches. This element was not reviewed in depth and will form part of subsequent internal audits over the next year.

Council has met the requirements of this control objective.

D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

Council had initial balances of £612,892 at the beginning of the year and these reduced to £570,348. However, this includes a capital receipt of at least £500,000

which is not Council funds but the Wells Recreation Ground Trust funds. This has resulted in the Council being overdrawn at year end and having to organise an overdraft facility on its current account. In the first month of the 2025/26 financial year the Council was in essence running a deficit.

A Borrowing Approval is not required for borrowing by temporary loan or overdraft from a bank or otherwise of sums which the council may temporarily require to meet expenses pending the receipt of revenues receivable by it in respect of the period of account in which the expenses are chargeable. In all other circumstances, borrowing approval is required.

The Council has debtors amounting to over £50,000. This includes a number of large debts outstanding. It is noted that action has been taken to try to recover the majority of the outstanding debts to the Council but some will inevitably need to be written off.

RECOMMENDATION: Council must address outstanding debtors and put in place agreements to recover those debts. In future Council should monitor all outstanding invoices and ensure that money owed is followed up as quickly as possible to avoid non payment.

Council will need to keep its balances under review in the forthcoming years bearing in mind its additional liabilities under devolution and a lack of both working capital and earmarked reserves.

Earmarked Reserves of £21,000 are in place. These need to be built up over the next few years to ensure Council can meet its financial liabilities.

Both the precept and budget for 2024-25 were reviewed by the Finance Committee and Full Council and agreed by Full Council (minute 24/10/c). A detailed budget set out expenditure plans for 2024-25. The same process was followed to set the 2025/26 budget. However, there is no specific minute in the Full Council minutes adopting the budget or setting the precept. The precept can only be agreed by Full Council even if it is following a recommendation from a Committee.

Ensure that the precept request is formally minuted at a Full Council meeting.

Budget monitoring reports are presented and reviewed by the Finance Committee.

Recommend that all the paperwork is published on the Council's website.

Unfortunately, due to the deficit that the Council ran at year end I am not satisfied that this control objective has been met and will indicate a "no" on the Agar.

E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

Precept as stated in box 2 was £1,178,497. This has been cross referenced to third party documentation provided by central government and confirmed.

Income in box 3 of the accounts was £410,291 against an income recorded in 2023/24 of £862,053. However, that included the Barn Capital Fund of £527,482. This amount will need to be transferred to the Trust during this financial year.

It does indicate an increase in income streams though, as stated previously, the Council is owed over £50,000 in outstanding invoices.

A sample has been tested during the year from the cashbook. The transactions were selected randomly and included items from each month of the 2024/25 financial year. In all cases I was able to agree the credit booked to the cashbook back to the bank statements.

Council has met the requirements of this control objective.

F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.

The Council operates a petty cash account. These are located in the Office and at two sites including the cemetery. A physical check was not carried out during this audit due to time restrictions but the amount in the petty cash account has been confirmed as £259.47.

Council has met the requirements of this control objective.

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.

Staff costs in box 4 of the accounts were £1,038,921 compared to the previous year of £886,035. This represents an increase of £152,886. This includes additional expenditure incurred under devolved services, oncosts as a result of additional staff and the annual salary increase.

Payroll is processed by an external provider. It was confirmed that the accounts only include payments relating to employment of staff in box 4. The January 2025 payroll was reviewed. I am satisfied that gross pay was calculated correctly, pension payments were correct and all payments to HMRC have been submitted.

Salary payments for the months of April and July 2024 were reviewed as part of the audit. All the PAYE, National Insurance and Pension deductions were accurately recorded. The payroll is undertaken by an outside contractor.

Councillors do not receive a Councillor Allowance.

RECOMMENDATION: Due to the challenging financial environment the Council finds itself in it is recommended that Council monitor salary payments carefully throughout the year as part of the budget monitoring process.

RECOMMENDATION: Due to the additional services being taken on Council may wish to consider undertaking a full staffing review to assess the required staffing capacity it requires to deliver the wide range of services it is delivering.

Council has met the requirements of this control objective.

H. Asset and investments registers were complete and accurate and properly maintained.

Fixed assets box 9 are stated as £14,399,619. This indicates that the Council is an asset rich Council with a high level of potential liabilities within its portfolio.

I have agreed the balance in the accounts back to the asset register. The asset register has been updated and simplified and meets the relevant regulations

Council has met the requirements of this control objective.

I. Periodic bank account reconciliations were properly carried out during the year.

The balance of the two outstanding loans is £46,557.45 and £456,043.94 totalling £502,621.39. This has been agreed to year end statements published on the Debt Management Office website. This should be amended on the draft AGAR.

The total value of cash and short term investments stated in box 8 is £530,456. This needs to be amended to exclude the £500,000 Trust funds. The year-end bank reconciliation has been reviewed. The balance on the bank reconciliation agreed back to the bank statements and cashbook balances recorded in the accounts.

All the Bank Accounts are reconciled promptly on a monthly basis. This was verified by reviewing the bank reconciliations. These reconciliations are reviewed by Councillors monthly at meetings but it is recommended that they are physically signed off as well at the meeting.

The Council does not have an investment strategy in place as required by regulations.

It is recommended that an investment strategy be developed to meet the requirements of the regulations.

Council has met the requirements of this control objective.

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.

Wells City Council prepares its annual accounts on an income and expenditure basis as required to do so as it has a turnover in excess of £200,000 per annum. Accounting statements are prepared as required and are supported by an audit trail.

Council has met the requirements of this control objective.

K. If the authority certified itself as exempt from a limited assurance review in 2023/24, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2023/24 AGAR tick “not covered”) Yes No* Internal control objective Not covered**

Not covered.

L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.

The Council has published most of the statutory documentation required by the 2015 Transparency Code. The Council has an accessible website which is easy to navigate.

Previous AGARs dating back to 2012/13 and the relevant external audit certificate can be located on the website.

Recommend that the 2020/2021 AGAR information is uploaded onto the website to complete the historic end of year data.

Minutes of Council and Committee meetings are published on the website and were up to date at the time of this audit.

The following information was specifically reviewed as required by the Transparency Code and is available to view on the Council website:

- Expenditure. The Council lists its current budget but has not listed expenditure over £500 nor any other accounting information during the year. **It is recommended that the financial reports presented to Council and Committee be published as part of the agenda information.**
- Grants. There is a grant application on the website. **Recommend that the Town Council publishes a list of grants awarded during the year to meet requirements.**

Council has met the requirements of this control objective.

M. In the year covered by this AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations (during the 2024-25 AGAR period, were public rights in relation to the 2023-24 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set).

The Public Notice is published on the Council’s noticeboards. The period of 30 days has been observed.

Recommend that the Council minutes the dates of the exercise of public rights when agreeing Sections 1 & 2 of the AGAR in Full Council minutes.

N. The authority has complied with the publication requirements for 2024/25 AGAR (see AGAR Page 1 Guidance Notes).

The Statement of Accounts, Annual Governance Statement and the external audit certificate for 2023/24 are published on the Council's website.

The Conclusion of Audit certificate has been published on the Town Council's website. This has a number of actions that Council needs to address and ensure the recommendations have been actioned.

The Council is required by regulations to publish AGAR documentation for the previous 5 years. This has been met.

Council has met the requirements of this control objective.

O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.

The Council is a Trustee of the Wells Recreation Ground Trust and therefore has Trust responsibilities.

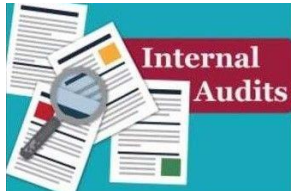
The Wells Recreation Ground Trust was transferred from Mendip in 2022. The Charity Number is 284947. Wells City Council is recorded as the sole trustee.

Currently all accounts and funds relating to the Trust are being included in the annual City Council accounts. This includes the capital sum transferred from Mendip.

RECOMMENDATION

- **The Council must obtain expert legal advice to understand its overall responsibilities and the actions it needs to take to separate the Trust accounts from the City Council accounts;**
- **It is suggested that advice be sought from the SLCC advisors on charitable trusts, Wellers Solicitors (www.wellerslawgroup.com) for advice on setting up and operating the Trust separately from the City Council;**
- **Annual accounts will need to be produced and there should be regular Trust meetings to manage the Recreation Ground;**
- **Wells City Council can provide maintenance for the Trust and recharge the cost of this cost directly to the Trust. The Trust can then reimburse the City Council for services provided. This will require setting up a Trust Bank Account.**

Council has not met the requirements of this control objective.



APPENDIX A

ACTION PLAN

RECOMMENDATION	REASON
<p>The following recommendations are suggested:</p> <ul style="list-style-type: none">• Ensure that at the Annual Town Council Meeting both Standing Orders and Financial Regulations are included on the agenda and formally adopted subject to any revisions.• Delete the old Financial Regulations 2019 that are uploaded on to the website;• Update the existing Financial Regulations dated 2022 to reflect the revised financial thresholds and the Contracts Finder threshold of £30,000 inclusive of VAT;• Update the existing Standing Orders dated 2024 to reflect the revised financial thresholds and the Contracts Finder threshold of £30,000 inclusive of VAT;• New NALC Model Financial Regulations were published in June 2024 and thresholds can be found within this document.	<p>To ensure that an audit trail is recorded when policies are updated and reviewed.</p> <p>To reduce confusion.</p> <p>To ensure that the latest advice is observed.</p> <p>To ensure that the latest advice is observed.</p> <p>To ensure that the latest advice is observed.</p>
<p>Recommend that the Grants Page of the website be updated for 2024/25 indicating all the grants awarded by the Town Council.</p>	<p>To meet the transparency requirements for Councils over the £200,000 threshold.</p>
<p>Recommend that the Council minutes the dates of the exercise of public rights when agreeing Sections 1 & 2 of the AGAR in Full Council minutes.</p>	<p>To meet the requirements of the Accounts & Audit Regulations.</p>