

The logo for 'LIGHTATOUCH' is written in a bold, green, 3D-style font. It is centered on a horizontal green bar that has a white border. Above the bar, a vertical dotted line extends upwards from the top of the letter 'I'.

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21 August, 2020

**The Town Clerk**

**Ferndown Town Council**

**The Barrington Centre**

**Pennys Walk**

**Ferndown**

**Dorset**

**BH22 9TH**

Dear Tina

**First Interim Internal Audit Report**

**Ferndown Town Council – April – July 2020**

The Accounts and Audit (England) Regulations 2015 (as amended) require all Town and Parish Councils to undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. We confirm that we are independent of the Council.

The internal audit work to be carried out has been planned to enable us to give our opinion on the control objectives set out in the Annual Internal Auditor's Report on the 2020-21 Annual Governance and Accountability Annual Return (AGAR).

We have complied with the legal requirements and proper practices set out in:

- 'Governance and Accountability for Local Councils – A Practitioners' Guide (England)' 2020
- The Accounts and Audit (England) Regulations 2015 (as amended).



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### **Background**

Ferndown Town Council had income and expenditure in 2019/2020 of between £1,000,000 and £1,500,000 and is subject to review by the External Auditor, PKF Littlejohn.

The completion of the Accountability and Governance Annual Return 2019/2020 has been submitted to the External Auditor. The Conclusion of Audit Notice for 2019/2020 is yet to be issued. PKF Littlejohn will issue this notice after the completion of the Exercise of Public Rights period which ended on 24 July 2020.

The Council is a sole managing trustee.

It is good practice for the Council to comply with the Local Government Transparency Code 2015.

The Council's accounting records are maintained on AdvantEdge Software

The Council have appointed a new Town Clerk who will commence her duties on Monday 7 September 2020 and arrangements will be put in place for the Acting Town Clerk and Responsible Finance Officer to revert back to their previous roles in the current staffing structure of the Council.

An audit visit was agreed with the Acting Town Clerk to assess the internal control framework before the handover takes place to the new Town Clerk. A visit was carried out on Tuesday 18 August 2020 at the Council Offices observing the social distancing guidelines set out by the Government.

The Council Offices remain closed to the public due to the continuation of the Covid 19 pandemic and we have noted that the Council continue to hold Council meeting remotely. An agreed scheme of delegation was approved at their meeting on the 8 June 2020 to satisfy the requirements from the Covid 19 temporary legislation.

The Barrington Centre also remains closed due to the pandemic. There have also been delays in obtaining satisfactory quotations for planned refurbishment work on the Barrington Centre. This will now commence on Monday 7 September 2020, although it remains unknown as to whether the Centre will be ready for re-opening during 2020/2021. It is noted that there has been a need for some staff members to have been made redundant since the closer of the Centre and also that some are currently on lay off until the Centre is able to re-open.

The current Acting Town Clerk and the Responsible Finance Officer (RFO) are in the process of carrying out due diligence to recommend to Council the use of alternative financial software.

It is felt that the current software does not provide adequate financial management reports to present to Council and the technical support from the provider is not considered adequate to meet the needs of the Council. We understand that the Town Council are in the middle of a contract period with AdvantEdge software so will need to negotiate an exit agreement if a decision is taken to approve an alternative software provider.

Further work has also been undertaken to provide an updated Website that satisfies the requirements of the Transparency Code Regulations 2015 and the Website Accessibility Regulations 2018. This is currently in development but is intended to be ready to ensure compliance with the Website Accessibility Regulations 2018 that comes in to force on 23 September 2020.

The continuation to upgrade and redevelopment of King George V amenities is nearing completion and it is noted that the play equipment installation has been completed and is now operational.

It is our opinion that the Acting Town Clerk and Responsible Finance Officer have carried out their duties responsibly and with due care during their period of acting up. It should be recognised that the internal

## Recommendations

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### Bank Reconciliations

- bank reconciliations should be signed and dated by the Responsible Finance Officer each month.
- the Chairman of the Finance and General Purposes Committee should sign and date the bank reconciliations and initial the bank statements quarterly to confirm that bank reconciliations have been carried out accurately as part of Town Council scrutiny role. *(Audit Note: The Responsible Finance Officer is aware that this requirement will need to be carried out once Council members are able to meet at face to face meetings).*

### Payment Authorisation

- Email confirmation received from Councillors mandated to approve payments should be filed with those invoices approved to confirm authorisation of payment. *(Audit Note: The Responsible Finance Officer is aware that a summary of invoices paid during the Covid 19 period will need to be authorised at the next face to face meeting of the Finance and General Purposes Committee).*

### Councillor Authorisation

- The recommendation made at the previous internal audit that all Council members should undertake their scrutiny role and take responsibility to check bank reconciliations, audit checks on payments on a rotational basis should be implemented.

### Debit Card for KGV

- The Council should obtain the use of a Bank Debit Card for purchasing items on-line. This will avoid the need for purchases to be made with the Council debit card. *(Audit Note: We note that the Council are in the process to ensure that the KGV Charity will have a dedicated debit card for their own use).*

### Website Responsibilities

- Officer responsibilities to ensure that the website is kept up to date with relevant information that complies with the Transparency Code Regulations 2015 and the Website Accessibility Regulation 2018 should be defined and recorded as part of the Council's Website policy. Officers responsibilities should be made clear and recorded for keeping information up to date as part of the details recorded in their job specification.

### Other matters of note brought to the Council's attention

- The Council have approved a financial risk assessment at their Council meeting in March 2020. We have agreed with the Clerk that a financial risk assessment 2020/2021 will also be prepared and brought to the Council for approval before 31 March 2021. It is suggested that this should incorporate requirements to ensure the Council retain its financial security and to identify potential risks when budget setting for 2021/2022.
- To enhance the internal control over the payment of Grants to organisations the Responsible Finance Officer will record details of the approved Minute reference on the transaction information recorded in the financial software.
- The External Auditor requires the Internal Auditor to check that the authority has demonstrated that it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations. We are pleased to report that the Clerk has already been able to provide evidence that the Notice and approved AGAR Sections 1 and 2 were published on the website at least one day prior to the start of the 30 consecutive period for 2020 and will allow us to tick objective L on the annual internal audit report for 2020/21 to show compliance.
- The Clerk is aware that the Council need to increase the Insurance Fidelity Guarantee cover and is in the process of requesting this with Zurich Insurance.

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controls of the Town Council remain sound under their stewardship which have been particularly challenging during the Covid 19 period.

#### **Internal audit checks**

We have undertaken a series of audit tests on the Council's financial records, vouchers, documents, Minutes, policies, procedures, and insurance documentation to ascertain the efficiency and effectiveness of the Town Council's internal control framework. This internal audit report is based on the audit testing carried out at the visit.

During this visit we checked and sample tested the following:

- Minutes of Council and Committee Meetings
- Policies and Procedures
- Bank and cash
- Investments
- Budgetary Management
- Income and expenditure
- Payroll
- VAT claims
- Previous audit recommendations
- Covid 19 arrangements
- Financial Risk Assessment
- Transparency of the Council website

#### **Findings**

Details of good practice noted, our recommendations and other matters to be brought to the Council's attention are set out below.

#### **Good practice**

- Staff remain aware of the requirements of GDPR and the Council is registered with the ICO.
- Details of total payments authorised at meetings are recorded in the Minutes.
- All income records are appropriate and recorded correctly
- All expenditure items could be traced and are recorded correctly in the financial ledger.
- All records continue to be up to date and easy to follow.
- The Council take an active scrutiny role.
- The Council maintain a strong investment position.
- Tendering processes applied are appropriate to the requirements recorded in Financial Regulations.
- The budgeting process is detailed, thorough and monitored throughout the year.
- Bank reconciliations are carried out promptly each month and were accurate.
- VAT claims continue to be submitted to HMRC on a regular basis.
- Payroll information is calculated correctly, showing appropriate deductions for PAYE, National Insurance and Pension Contributions.
- The Council's website continues to meet the requirements of the Transparency Code Regulations 2015.
- The Council have considered and Minuted the risks associated with Covid 19.

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- The Clerk is also aware that there are a number of Minutes from Council and Committee meetings which need to be signed and each page initialled by the Chairman to confirm they are an accurate record of each meeting. *(Audit Note: This will be done when the Council are able to hold face to face meetings).*
- The RFO is currently pursuing the direct debit payment taken by Creative Pension Trust in March 2020 which appears to be an incorrect amount.
- The Council should consider inviting CCLA to deliver a presentation to Council on the current performance of the sums invested with them in the Deposit Account. The Council should also take the opportunity to check the possibility of investing in the CCLA Property fund to seek better interest rates for long term investments.

#### **Conclusion**

Based on the tests we have carried out at this interim internal audit visit, in our view, the internal control procedures in operation are, in all significant respects, appropriate to meet the needs of Ferndown Town Council except where we have made recommendations in this report.

#### **Next visit**

The next internal audit visit has been arranged for Tuesday 8 December 2020.

At this visit detailed checks will be carried out on:

- Minutes of Council Meetings
- Bank and cash
- Investments
- Income and expenditure
- VAT claims
- Financial Risk Assessment
- Barrington Centre refurbishment
- New Town Clerk introduction
- Transparency Regulations 2015
- Website Accessibility Regulations 2018

#### **Next Steps**

This report should be noted and taken to the next meeting of the Finance and General Purposes Committee. The Council should decide what action will be taken on the recommendations we have made.

Tim Light FMAAT  
Internal auditor

