

.....

LIGHTATOUCH

7 Hodder Close, Chandlers Ford, Hants, SO53 4QD. Tel: 07762 780605 Email: Tim.Light1@hotmail.co.uk
In association with

Bridget.C.Bowen
Chartered Accountant Tel: (07465 416597) Email: bridget.c.bowen@outlook.com

15 February, 2021

The Town Clerk

Ferndown Town Council

The Barrington Centre

Pennys Walk

Ferndown

Dorset

BH22 9TH

Dear Louise

Second Interim Internal Audit Report

Ferndown Town Council – August 2020 – December 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 Accountability and Governance 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).

.....

Background

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

The Council had two "except for matters" from the External Auditor in 2019/2020 which stated:

The AGAR has not been approved in accordance with the Accounts and Audit Regulations 2015:

- Section 2 was not signed by the Responsible Finance Officer before approval.

The AGAR was not accurately completed before submission for review:

- The Council has confirmed that it does not act as sole managing trustee for trust funds and thus the answers given in previous years in Section 1, Box 9 and Section 2, Box 11 are incorrect. The Council should respond "N/A" and "No" respectively if it does not act as sole trustee.

Audit Note: This issue will need to be resolved and clarification will be required that the Council act as sole managing trustee before the submission of the Accountability and Governance Annual Return for 2020/2021.

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

The Council's accounting records are maintained on AdvantEdge Software

It was agreed with the Town Clerk that the second interim internal audit review should be carried out remotely on Tuesday 9 February 2021 to ensure that social distancing Government guidelines at the Town Council Offices are adhered to.

Consultations have continued with the Town Clerk and the RFO by video link and telephone conference calls and the RFO has ensured we have access to AdvantEdge software. This provides financial back-up information and we have used this for the period August 2020 to December 2020 to check the current governance and financial management position of the Council.

Further confirmation has been obtained of good practice and compliance with the Transparency Code Regulation 2015 from the Council's website.

The new Town Clerk commenced her duties on Monday 7 September 2020 who since her arrival has identified the need for:

- A review of the staff structure to maintain the service provision of the Council
- A review of the internal controls operating over banking and payment processes.
- A review to update the Council website to ensure compliance with the Transparency Code Regulation 2015 and the Website Accessibility Regulation 2018.
- a review of all council's governance including Standing Orders, in time for its annual meeting in May 2021.

The Town Clerk is undertaking a staff structure review with the approval of the Personnel Committee and had agreed a new Job Description for an existing member of staff to have responsibility for the management of the website on a day-to-day basis as part of their new Job Description.

At the last Full Council meeting where the budget and precept for 2021/2022 was set it was resolved that the review of the staff structure was to be put on hold for two years to facilitate a cut of £50,000 in the staff budget. As a result, the responsibility for managing the website will continue on the current ad hoc basis.

Audit Note: The Council will need to ensure that compliance is maintained to comply with the Transparency Code Regulation 2015 and the Website Accessibility Regulation 2018 going forward in to 2021/2022.

February 15, 2021

Page 3

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 meetings remotely. An agreed scheme of delegation was approved at their meeting on the 8 June 2020, reviewed and amended on 14 December 2020 and is still in place to satisfy the requirements of the Covid 19 temporary legislation.

The Barrington Centre also remains closed due to the pandemic, although the refurbishment work on the Centre is nearing completion. Decisions to reopen have yet to be made in line with the Government Guidelines. Some staff members been made redundant since the closure of the Centre and others are laid off until the Centre re-opens. The Town Clerk is concerned that there are insufficient resources to re-open and sustain activities at pre-Covid 19 levels (for example administering hire bookings and related invoicing). The Council have agreed to set aside £26,000 from the 2021/2022 budget for re-opening costs and identified the potential to outsource the Cafe facilities during 2021/2022.

(Audit Note: It is our opinion the Council will need to demonstrate it can provide sufficient resources to re-open the Barrington Centre to pre- Covid 19 levels. Further analysis should be undertaken to demonstrate the budget adjustments will and the requirements for sufficient staffing levels can be achieved from the agreed or the Centre).

We are pleased that the Council have agreed to purchase and implement RBS Omega software from the 1 April 2021.

The completion of the upgrade and redevelopment of King George V amenities has been completed since the previous interim internal audit review.

It was noted that the General Power of Competence continues to be used at the Council since the appointment of the New Town Clerk. This will need to be ratified and readopted at the next Annual Meeting of the Town Council during 2021/2022.

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 review.

During this review we checked and sample tested the following:

- Minutes of Council and Committee Meetings
- Policies and Procedures
- Bank and cash
- Investments
- Insurance
- Budgetary Management
- Income and expenditure
- 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
- The Council is registered with the ICO
- The Clerk is CiLCA qualified.
- 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.
- 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.
- The Council have considered and Minuted the risks associated with Covid 19.

Recommendations

Insurance Fidelity Guarantee

- The Council need to increase its Insurance Fidelity Guarantee cover with its Insurance Provider
(Audit Note: This was discussed in more detail with the Clerk and Finance Officer at the close of audit meeting)

Previous Audit Recommendations

Recommendations made in the previous interim internal audit report that remain outstanding are shown below. The Clerk have provided commentary to update the current position. This is shown in red italics:

Bank Reconciliations

- bank reconciliations should be signed and dated by the Responsible Finance Officer each month.

Clerks response: *This will be done by the RFO moving forward.*

- 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).**

Clerk response: *This is recorded in the resolution.*

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).**

Clerk response: *The RFO and Finance Officer are currently reviewing the payment authorisation system and will make recommendations to the next meeting of the Finance and General-Purpose Committee meeting (22 February).*

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.

Clerk response: *As show in the response above*

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).**

Clerk response: *Ongoing*

Website Responsibilities

- Officer responsibilities to ensure that the website is kept up to date with relevant information that complies with the Transparency Code Regulation 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.

Clerk response: *Continuation by Council staff until sufficient budget available to appoint a dedicated member of staff responsible for the website.*

Other matters of note brought to the Council's attention

- We have noted that the Council have agreed a Reserves Policy in November 2020 and reviewed its financial risks at a Council meeting in January 2021.
- We note that an item to enhance the internal controls over the payment of Grants to organisations will be taken to the Finance and General Purposes Committee on 22 February 2021.
- The Clerk continues to be 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).**
- Financial Regulation 5.2 documents states that a list of payments should be taken to the Finance Committee for approval before payments are sent to the bank. It is confirmed by the Clerk that the Finance Committee is noting expenditure after it has been sent to the bank. The Clerk and RFO are undertaking a review of the current system of authorising payments and will be making recommendations to the next Finance and General Purposes Committee meeting on 22 February 2021. **(Audit Note; This was discussed in more detail at the close of audit meeting).**

February 15, 2021

Page 6

- The RFO is currently pursuing the direct debit payment taken by Creative Pension Trust in March 2020 which appears to be an incorrect amount. **(Audit Note: The Clerk has indicated that this is an ongoing issue).**

Conclusion

Based on the tests we have carried out at this interim internal audit review, and recommendations made in this and previous audit reports we have noted that the Clerk is trying to implement internal control procedures to improve the control framework for the Council.

However, the internal control framework can only be improved if the Clerk is provided with sufficient budget and staffing resources to continue her overview of the Council. We will have to make further recommendations if new control procedures are not implemented. We will test the internal control framework again at our end of year review on Friday 7 May 2021.

Next visit

The next internal audit review has been arranged for **Friday 7 May 2021**.

At this review detailed checks will be carried out on:

- Minutes of Council Meetings
- Bank and cash
- Investments
- Income and expenditure
- Controls for the authorisation of payments
- VAT claims
- Transparency Regulation 2015
- End of Year Procedures

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 and Bridget Bowen FCA
Internal auditors