DRAFT FOR DISCUSSION v2

Internal audit report 2020/21

Visits 1&2 of 2

PORTLAND TOWN COUNCIL

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Introduction

This report contains a note of the audit recommendations made to Portland Town Council following the carrying out of internal audit testing remotely on the 29th and 31st March 2021, and on site on the 18th June 2021 with remote follow-ups.

The audit work has been carried out in accordance with Appendix 9 of the 2014 'Governance and Accountability for Local Councils: A Practitioners' Guide', as supplemented by the requirements of the 2018/19 and 2020/21 AIAR section of the AGAR.

An internal audit covers the review of the operation of the Council's internal control environment. It is not designed to review and give full assurance over every transaction carried out by the Council. Instead it enables the auditor, following the sample testing of a number of different types of transaction, to give an opinion as to whether or not the control objectives are being achieved across a range of financial and governance systems.

Audit Opinion

The internal audit for 2020/21 has now been completed in accordance with the provisions of the Practitioners' Guide and the CIPFA code of internal audit practice.

Some of the Council's current financial controls are operating effectively. However, following the completion of the testing to date I consider that there are several areas of weakness which are sufficiently material to warrant a "no" answer in the Annual Audit Report section on the Annual Return. Details are provided below:

<u>A: Bookkeeping</u>
The Council has income of over £480k. A recommendation was first made to put in a double-entry finance system during the 2018/19 internal audit, but the Council's cashbook is still accounted for using excel spreadsheets. Each month there are 2-3 payments lists and 1 receipts list, which are summarised at the month end as part of the bank reconciliation. Such a reliance on a manual cashbook with several parts can lead to errors and this year 4 differences remain as between the payments lists (3 totalling 29p) and receipts (1 totalling £28.99). The differences remain at the year-end. As a result it is not possible to confirm that the cashbook is maintained and up to date or arithmetically correct. Whilst the bank reconciliation is completed monthly, the process used has not been sufficient to identify and correct the 4 errors made during the year. As a result, I have assessed this test as a 'fail'.

<u>B: Payments</u>
Council minutes do not always note the total value of payments being approved on individual payments lists, making it impossible to prove that payments on those lists were approved. Where the total is minuted, I noted that 3 of the payments lists recorded different totals to the amounts approved in the minutes.

I found that not all payments were included on the payments lists, which is a breach of the Council's Financial Regulations.

I found that there was no coding analysis on the payments lists, and that it was not possible to tie the individual payments lists back to the monthly payments summary totals (which were split by cost centre) for 6/20 budget headings. I was unable to allocate £22k of expenditure (against total expenditure of £442k), an error rate of 5%. This has implications for the accuracy of budget monitoring, and increases the risk of undetected fraud and error. I have, therefore, assessed the test as a 'fail'.

C: Risk management
The Council did not carry out an annual risk assessment during 2020/21, as required by the Accounts and Audit Regulations 2015. There is a danger that a failure to adequately review and assess the risks facing the organisation will result in additional costs and a failure to achieve the Council's corporate objectives. I have, therefore, assessed the test as a 'fail'.

G: Payroll
During the year, the former Town Clerk retired and there was a delay before the new Clerk started during which several staff acted-up. A number of changes were made to staff hours and rates of pay, and new contracts were issued to three staff following a promotion, change in role, and increase in hours. I was advised that the changes were agreed in discussions with the Chairman of Council, the Acting Town Clerk (the RFO) and Deputy Town Clerk, but I could find no evidence that the changes were approved by Council as required by the Financial Regulations. I requested but was not provided with copies of the new contracts. I was, therefore, unable to agree most of the changes made to staff rates and hours for the sample payroll month tested.

The sample payroll month included a number of additional payments (back pay, acting-up back pay, working from home allowance, overtime, and mileage). I was able to agree the working from home allowance to a Council minute, but was not provided with full evidence to support the other payments made (which totalled £2.5k). Consequently, I have been unable to confirm that the correct amount of additional payments was paid to staff.

As a result, I have assessed this test as a 'fail'.

I: Bank reconciliation
As noted above in bookkeeping, whilst the bank reconciliation was carried out, the process did not allow for the identification and correction of the cashbook errors. In addition, the bank reconciliation carried out during the year contained a number of items which should not be included in the reconciliation according to the Practitioner's Guide (Direct Debits, which are instant in effect and never reconciling items; and payments made out of the bank statement that had not been processed in the cashbook, which should have been included in the cashbook for the month but which had been placed on the following month's cashbook in error). As a result, I have assessed this test as a 'fail'.

M: Public rights
Whilst the correct dates were used for the period of public rights for summer 2020 (the announcement was dated at least 1 day before the start of the rights period, and the period started on or before 01/09/20 and ran for 30 working days), the announcement must also be accompanied by the publication of the approved ss1&2 of the AGAR (the Annual Governance Statement and Accounts). Neither statement had been approved by Council before the rights

period started, and a visual inspection on 25/09/20 confirmed that the public rights information was not on the Council's website. As a result, I have assessed this test as a 'fail'.

N: Publication

I checked to see that the Council complied with the publication requirements for the previous year's Annual Governance and Accountability Return (AGAR). The Council had to publish before 01/09/20 and at least one day before the start of its public rights period 10/08/20) ss1&2 of the AGAR, and the public rights notice including a declaration that the accounting statements were unaudited.

On or before 30/11/20, the Council was required to publish the notice of conclusion of audit, and ss1-3 of the AGAR (including the completed external audit report). This element of the test was not notified to Councils or internal auditors until March 2021, sometime after the test should have been completed.

The Council (in common with many others) has no website audit trail which could prove the date of publication and removal.

I visually inspected the Council's website on 25/09/20 but was unable to see the Public Rights notice and related publications. I was advised that these would not be posted until the Internal Audit work was complete. This means that the Council did not comply with the publication requirements for public rights.

Neither the Public Rights information nor the Notice of Conclusion of Audit for 2019/20 was on the Council's website at the final 20/21 audit date of 18/06/21.

There is no evidence to assess compliance with Notice of Conclusion of Audit Publication, but the evidence shows that the Council was not compliant with the publication requirements for Public Rights. I have, therefore, assessed the test as a 'fail'. As the External Auditor has confirmed that screenshots are an acceptable substitute for a website audit trail, the Council will be able to prove compliance in future.

Audit Recommendations

Recommendations made during the audit are shown in appendix one to this report.

Recommendations are graded as follows:

Rating	**Significance**
High	Either a critical business risk is not being adequately addressed or there is substantial non-conformity with regulations and accepted standards.
Medium	Either a key business risk is not being adequately addressed or there is a degree of non-conformity with regulations and accepted standards.
Low	Either minor non-conformity with procedure or opportunity to improve working practices further.

The number of recommendations made at this audit visit and their priority are summarised in the following table:

Rating	Number
High	16
Medium	9
Low	3
Info	1
TOTAL	29

I would like to thank Wayne Lewin, Responsible Finance Officer; and Kathryn Pearce, Town Clerk for their assistance during this audit.

Appendix 1 – Recommendations and Action Plan

Recommendation number	Detail	Priority (Low/ Medium / High)	Management Response	Responsible Officer	Due Date
1.1 – Implement double-entry finance system	I checked to see that the cashbook is maintained and is up to date. The Council is currently using an excel cashbook. Payments lists are held (2 or 3 per month), and lists of receipts (1 per month). The monthly totals of payments and receipts are then manually entered onto a summary page in the excel bank reconciliation at the month end. Excel cashbooks are useful for smaller parish Councils, but lack the inbuilt checks of a double entry finance system. As such, they are wholly inappropriate for a Town Council the size of Portland. The total of payments lists as compared to the bank reconciliation was 1p out at the first audit date on 31/03/21. The total of receipts lists as compared to the bank reconciliation was £28.99 out at the audit date. The RFO noted that the £28.99 proved to be a refund for a breaker hire (which should have been shown as a negative payment), but was unable to find the 1p difference which ended up being coded against general reserves. By the date of the final audit on 18/06/21, the payments reconciliation was out 29p, being the 1p error identified at the first audit, plus a further 30p error in January 2021 and a negative 10p error in February 2021. The total difference between the individual payments and receipts lists and the payments and receipts total in the bank reconciliation was £29.20. This error changed to £29.30 when	H	The Town Council has approved the SAGE accounting package. This will be in operation within this financial year	WL	

	the 10p error (which was on petty cash) was identified on the reconciliation of the petty cash account to 31/03/21. I strongly recommend that the Council introduce a proper double entry finance system as soon as possible in order to reduce the risk of fraud and error. This recommendation was first made in 2018/19.				
2.1 – Note value of payments approved, and amend minutes where payments lists totals change	I checked to see that a sample of 18 payments (covering 32 invoices) in the cashbook were supported by invoices, authorised and minuted. I found that 4/18 payments were included on 3 payments lists presented to the Policy & Resources Committee or Full Council, but that the amount recorded in the related minute was not the same as the total on the payments list. For 1/3 this was because of timing (the payment was expected to go out of the bank account in one month, but went out in the following month); for another this was because of an error in the cashbook which was subsequently corrected after the payments list had been approved; and for the third the list approved by Members included a duplicate payment which was subsequently removed from the cashbook (as the duplicated amount was not actually paid to the supplier). I noted that Council minutes from October onwards do not record the value of payments approved. This makes it impossible to prove that any of the payments made by Council on those lists was approved. I recommend that where changes are made to the payments lists, that the related minutes are amended so that the audit	H	Any retrospection amendments will be noted on the next payments list with a PV/RV referring back to the original.	WL	

	trail of approved payments is clear, and that all minutes approving payments note the total value of payments approved in order to improve the audit trail.				
2.3 – Ensure all payments are included within payments lists	I found that the service charge payment made to the bank had not been presented to Members for approval. The RFO noted that this was because it was a standing charge and not a choice. This would appear to be in breach of the Council's Financial Regulations, which require at para 6.8 that 'payment for certain items...may be made by banker's standing order provided that...any payments are reported to Council as made'. Para 6.7 makes similar provisions for payments made by variable direct debit. I recommend that ALL payments made by the Council (whether by cheque, direct debit, standing order, Bacs, Chaps or other transfer) are reported to Council or a Committee with the appropriate delegations, as per the Council's Financial Regulations.	H	All payments will be included on the payments list – especially when retrospectively found when completing the bank reconciliation.	WL	
2.4 – RFO to review Financial Regulations	I further recommend that the RFO reviews the Council's Financial Regulations in order to ensure that financial processes are compliant.	M	The RFO will complete this recommendation in liaison with the Town Clerk as appropriate	WL	
2.5 – Authorisation of invoices	I found that 10/32 of the invoices had not been initialled or otherwise marked by the RFO to evidence that they had been checked for accuracy and that related goods/services had been satisfactorily received. I recommend that invoices are initialled to evidence approval. Where possible, the check should be carried out by a different	M	All invoices are checked by the RFO as the cost centres are written on the voucher. 2 alternative signatories are needed to approve payments.	WL	

	officer to the one that processes the payment (in order to ensure separation of duties, which reduces the risk of fraud and error), but I appreciate that this separation is not always practical where small teams of officers carry out many different roles within an organisation.				
2.6 – Obtain invoices for all expenditure	I checked to see that VAT on payments had been identified, recorded and reclaimed. I found that VAT on all samples had been correctly identified and recorded, but noted that £0.95 of VAT was claimed in relation to an Amazon purchase for which no invoice had been obtained. I recommend that invoices are obtained to support all expenditure, and that VAT is only claimed where a valid VAT invoice or receipt is obtained.	M	The invoice will be sourced and added to the voucher	WL	
2.8 – Ensure audit trail exist for coding	I checked to see that payments were correctly coded. I found that there is no analysis on the payments lists prepared each month for approval by Council. The RFO manually adds up the payments lists totals each month and analyses the expenditure out across the budget headings, but there is no detailed list behind these figures. In order to check the coding, I combined all of the payments lists for the year into a payments cashbook (and did the same for the receipts lists). I then analysed out the cashbook as best I could but was unable to confirm the split for £22k of expenditure across 6/20 budget headings (an error rate of 5%). I asked the RFO to complete the reconciliation or identify where the coding in my analysis was not correct, but he confirmed that the analysing of the payments to agree to the bank reconciliation summary would take a significant amount	H	The Town Council has approved the SAGE accounting package. This will be in operation within this financial year	WL	

	of time. This means that it is not possible to confirm that the coding used for payments is correct. This has implications for the accuracy of budget monitoring: the inability to prove what figures have been coded against many of the budget headings means that payments may have been coded against the wrong headings, hiding overspends and meaning that issues are not identified and corrective action not taken. This method of accounting significantly increases the risk of undetected fraud and error. I recommend that the Council moves to a proper finance system with effect from 1st April 2021. If excel continues to be used, I recommend that a full audit trail is put in place which means that each monthly total on a cost centre heading can be tied back to every payment made by the Council.				
3.1 – Minute the review of the risk assessment	The Council is required to carry out a risk assessment annually (Accounts and Audit Regulations 2015. The regulations require that the council meeting as a whole has to review their system of internal control including risk management. Due to an administrative oversight, the Council did not carry out an annual risk assessment in 2020/21. There is a danger that a failure to adequately review and assess the risks facing the Council will result in additional costs and a failure to achieve the Council's corporate objectives. The Council will need to respond 'no' to box 5 (as it did not review its risk assessment during the year).	H	This is noted and will form part of the annual review of all documentation.	WL	

	I recommended that the Council minutes the review of the risk assessment as soon as possible, and that risk management is added to the programme of reports that are considered annually by members.				
3.2 – Compare fixed asset register to insurance schedule to ensure all assets insured	I checked to see that insurance cover was appropriate and adequate. I found that there had been a number of changes to cover during the year, with the addition of the Victoria Gardens Pavilion, 4 public toilets, and 7 playparks that are being transferred to the Council as part of local government re-organisation. I compared the insurance schedule to the Council's year-end fixed asset register, and noted that a number of differences exist. There are assets insured by the Council under a Memorandum of Understanding which are not yet showing on the fixed asset register as they have not been formally transferred. There are also a number of fixed asset showing on the register which do not appear on the 20/21 insurance schedule (the register records £33k of outdoors maintenance equipment, fairy lights, burial equipment etc). I checked the reason for the absence of this equipment from the insurance schedule. The RFO noted that 'The new equipment we brought, benches and play equipment etc. has been brought on'. I asked for an updated copy of the schedule of insurance in order to confirm that all assets are now listed. This has not been provided. I recommend that a review is carried out to ensure that all assets on the fixed asset register are reflected on the Council's insurance schedule. If the Council has decided to self-insure	M	A full review of the insurance is conducted annually. It is deemed from the insurance company that the asset register was appropriate. Pieces of land transferred via LGR will be brought on once the legal process has been completed.	WL	

	lower value assets, I recommend that this decision be recorded on the asset register and formally minuted by Council or appropriate Committee.				
3.3 – Amend, sign, file and publish minutes	I checked the minutes to confirm that there had not been any unusual financial activity. I found that there was no note of which minutes were approved at Council minute 036/20 (May 2020) and 089/20 (17/06/20). I was unable to see where the minutes of the Council meeting of 24/06/20 had been approved. I noted that the Council minutes of 15/04/20 and 19/08/20 had only the back pages signed (which leaves the other pages open to being amended after approval), and that the minutes of 24/06/20 and 16/12/20 onwards are not in the minutes folder (and I could not, therefore, confirm that they had been signed). I noted that the P&R minutes of 06/01/21, 13/01/21 and 03/02/21 stopped being sequentially numbered, and that they now have an inconsistent numbering style to the other Council and Committee minutes. I noted that the minutes of the Planning & Highways Committee of 24/06/20 on the website linked to the minutes of the May 2020 meeting (this link was corrected during the audit). I noted that the minutes of the P&H committee of 27/01/21 refer in error to the approval of the minutes of the meeting of 24/12/20 (the meeting was 23/12/20). This error was corrected during the audit. The minutes of the Staffing Committee of 16/12/20 were not on the website or in the minute file. I requested a copy but none was provided. I recommend that: 1. Council confirms the dates of the meetings approved at minute 036/20 and 089/20.	H	The Town Clerk and RFO will work through these recommendations. The P&R has already been amended.	WL	

	2. Council approves the minutes of 24/06/20 3. All pages of minutes of Council and Committees are signed or initialled 4. All minutes are placed on the relevant minute file as soon as they are printed 5. The minutes of P&H 27/01/21 are corrected (this was actioned during the audit) 6. The minutes of the Staffing Committee of 16/12/20 are put on file, on the Council's website, and a copy provided to the internal auditor to enable the completion of the audit testing 7. The numbering of the Council and Committee minutes that went out of sequence during the year is retrospectively corrected This will ensure that a complete record of approved Council business and decisions are held, and that the appropriate review can be undertaken by internal and external audit.				
4.1 – More detailed budget monitoring	I checked to see that there were no significant unexplained variances from budget. I found that the budget monitoring report received by members is very high level, containing only a note of the total income and expenditure, with a short summary confirming that all cost centres are within budget and confirming the main reasons for over and underspends, with a short note of balance sheet items (cash, reserves, accruals, prepayments and debtors). The RFO prepares a more detailed line by line breakdown of income and expenditure to budget as part of the bank reconciliation, which provides more information and which would be useful to Members as they seek to discharge their duties as regards the management of the budget.	M	It has been agreed that more detailed budget monitoring will be conducted at Finance Committee every 3 months.	WL	

	I recommend that the cover report prepared by the RFO is accompanied by the line by line detailed budget monitoring report in future, in order to ensure that Members have sufficient information to manage the Council's budget.				
5.1 – Make a note of the date that monies were paid in, and use plot number reference	I checked a sample of income due to the Council to confirm that it was collected. This was difficult to complete properly in relation to burials income, as much of the related paperwork is still held by Dorset Council, who administered the service until January 2021, meaning that I had to go from the Council's record of income received rather than the source documents (application forms etc). I found that income due in relation to all samples was received, but noted that the audit trail could be improved in relation to allotments income. The RFO makes a note on the database of the amount received on receipt, but not the date. As the Council does not have a paying-in book (when monies are received they are paid in using a Council bank card which has no audit trail), it would improve the audit trail if a note of the date that monies were paid in could be made on the register; and if the cashbook reference used for the banking including the allotment plot number (as this reference is static). I recommend that the allotment database is updated to include a note of the date that monies were paid into the bank, and that the cashbook reference notes the plot number related to the receipt(s) for that date.	M	This will be incorporated for the next financial year.	WL	

<table>
<tr><td>5.2 – Check VAT reclaimed</td><td>I checked to see that all income due to the Council was collected. I found that the Council's income year on year varied significantly as 19/20 included over £200k of one-off Dorset Council and Leader grants. 90% of the Council's income related to precept (agreed to budget) and was properly received. I did note that there were differences on 3 of the last 5 VAT returns as between the amount shown in the cashbook and the amount received or noted as the year-end 20/21 VAT debtor. These amounted to an apparent net £58.61 overclaim:
<table>
<tr><td>Vat returns:</td><td>Per payments lists/cashbook</td><td>Received</td><td>Q4 20/21 VAT debtor at year end</td><td>Difference</td></tr>
<tr><td>Q4 19/10</td><td>13,994.00</td><td>14,060.29</td><td></td><td>- 66.29</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Q1</td><td>6,711.75</td><td>6,704.08</td><td></td><td>7.67</td></tr>
<tr><td>Q2</td><td>5,356.36</td><td>5,356.36</td><td></td><td>-</td></tr>
<tr><td>Q3</td><td>9,870.91</td><td>9,870.91</td><td></td><td>-</td></tr>
<tr><td>Q4</td><td>5,859.65</td><td></td><td>5,859.64</td><td>0.01</td></tr>
<tr><td></td><td>27,798.67</td><td>35,991.64</td><td>5,859.64</td><td>- 58.61</td></tr>
</table>
I recommend that the RFO reconcile the payments to the VAT returns to ensure that the correct amount of VAT has been reclaimed. A move to a double-entry finance system should ensure that future VAT returns agree to the finance system used to generate them.</td><td>L</td><td>The Town Council has approved the SAGE accounting package.

This will be in operation within this financial year

The RFO will look again at the VAT return.</td><td></td><td></td></tr>
<tr><td>5.3 – Ensure applications in place for all services</td><td>I checked to see that prices charged agreed with those approved by Council. I found that the correct prices appear to have been charged in relation to the sample services, but did note that one of the invoices (relating to the purchase of a memorial plaque and the scattering of ashes) was only supported by an application for the plaque. The RFO noted</td><td>L</td><td>This is noted although is it also appreciated that funerals are very hybrid especially during the last year.</td><td>WL</td><td></td></tr>
</table>

	that the scattering of ashes was something agreed in conversation with the funeral director. I recommend that the Council ensures that applications are properly completed for all services provided by the Council in order to support the invoices raised. This will improve the audit trail and ensure that there is no future dispute from customers about which services have been provided.		In this the wishes of the family were of the utmost importance.		
5.4 – Ensure appropriate details recorded on all income paperwork	The supporting paperwork provided in relation to a second plaque did not identify to which memorial the application related. I recommend that all paperwork is annotated to confirm which person (and, if useful, which grave number or other administrative information) the application relates, in order to improve the audit trail.	L	The RFO will review the forms sent over by Weymouth Crematorium to ensure they meet the needs required.	WL	
6.1 – Petty cash recording	I checked to see that a sample month of petty cash expenditure was recorded and supported by VAT invoices/receipts. Petty cash and cash receipts are noted in an A5 hardback book which is balanced monthly. A new page is used for each month. In prior years the total was checked and counter-signed, but this has not happened in 20/21 due to lockdown and home working. I found that all expenditure for the sample month was supported by receipts, and that VAT has been analysed out where appropriate on the excel cashbook (prior to VAT claim being made). I noted that there are no specific dates noted for when income is received or expenditure incurred, and that later months do not note the date when excess monies held are banked. RV	H	As mentioned, the cash book was often updated retrospectively. The recommendations will be actioned.	WL	

	numbers (receipt vouchers) are rarely noted, and PV numbers (payment vouchers) are not always noted. The names of those making payments to the Council for services are not always noted. Cash has no intrinsic audit trail, so full details of income and expenditure must be recorded when monies are received or paid out or risk funds being unaccounted for. I recommend that all relevant information is recorded in the petty cash book: Date, £ paid or received, Supplier or Customer (name and reference number), Details of supply. This will improve the audit trail.				
7.1 – Ensure changes to staff hours and pay rates approved by Council	I checked to see that salaries agreed with those approved by Council. I found that either most staff appeared to be one at least one scale point higher than expected (the expectation in the absence of a Council minute or job change being that staff would receive one annual increment year on year until they are at top of grade). Four staff appeared to be 1 SCP higher; one was 2 SCPs higher; two were 4 SCPs higher and one was 7 SCPs higher. Two staff were on higher hours than was noted in their contracts. The RFO noted that temporary uplifts of 2 scale points were given to cover the absence of the Town Clerk and of 1 scale point to cover the shielding of the Gardener. The RFO confirmed that 'the decisions were made in discussions with the Chair of PTC, Acting Town Clerk and Deputy Town Clerk'. I was also advised that three members of staff were issued new contracts following a promotion, change in role, and increase	H	A staffing committee is now in place. This was a hybrid way of working during lockdown which ensured that the operational effectiveness of the Town Council and the stepping up of staff in absence of a Town Clerk and Head Gardener was financially immediately noted.	WL	

	in hours. I asked for but was not provided with the new contracts so have been unable to verify this. As I have not been provided with evidence in writing that the majority of changes in scale points or hours have been approved by the Council (either by way of Council or Committee minute, or via new, signed contracts) I have been unable to confirm that the salaries paid have been approved by Council, which appears to be a breach of the Council's Financial Regulations which at para 7.3 note 'No changes shall be made to any employee's pay, emoluments, or terms and conditions of employment without the prior consent of the Council.' I recommend that the changes in rates and hours paid during the year are reported in full to Council or to the appropriate Committee, and that the Committee retrospectively approves the changes made during 19/20. I further recommend that any future changes made during similarly difficult future conditions are minuted for approval as they are made, in order to ensure that staff are paid the correct amount.				
7.2 – Maintain evidence to support all other payments to staff	I checked to see that other payments to employees were reasonable, properly supported and approved by Council. I found that during the sample month several additional payments were made to staff: 1. Back pay - the RFO provided a calculation to support the amount paid. I confirmed that the '% year' figure was the percentage of the year for which the back pay was to be calculated, but I did not understand and was not able to prove	H	There was no Town Clerk in place for the sample month of September 2020. Usually overtime payments are approved via the Clerk and are captured in a spreadsheet. The Acting Town Clerk was given OT until the	WL	

	the 'pro-rata' figure. I asked for further details but none were provided. 2. Acting up back pay - no calculation was provided to support the calculation. I requested proof to support the figures used were correct but none was provided. 3. Working from home allowance - this was agreed to P&R minutes May 2020. 4. Overtime paid to 2 staff - I requested timesheets but none were provided. I noted that the RFO was appointed as Acting Town Clerk in minute 143/20 in the Council meeting of 19/08/20, a post for which a higher salary would be paid, but the minute did not note the hourly rate to be used so I was unable to prove that the increase of 6 scale points paid in relation to overtime worked had been agreed. 5. Mileage - I agreed the mileage paid to 2/3 staff back to mileage claims. 1/3 staff was paid only 35 miles against a claim of 73 miles. The RFO noted that the employee was paid mileage every fortnight but handed in a monthly sheet. I requested a copy of the related paperwork but none was provided. I also noted that mileage claims are not on a standard form. I recommend that proper calculations and paperwork are held to support all additional amounts paid to staff every month, and that these records are retrospectively pulled together for 2020/21 in order to ensure compliance with statutory responsibilities.		appointment of the new Town Clerk.		
7.3 – Standardise claim forms	I further recommend that overtime, mileage and other expense claim forms are standardised, and require the signature and date of the staff member making a claim (in	M	A new form will be designed.	WL	

	order to self-certify that the claim relates to genuine Council business) and to require the signature and date of the line manager approving the claim (in the case of the Town Clerk, it is suggested that the approver could be the Chairman of Council or similar). This will improve the audit trail.				
8.1 – Additional information on the fixed asset register	I checked to see that the Council keeps an asset register of all material assets owned. I found that a register is kept, but that no reference numbers of acquisition or disposal dates are noted, which can make it more difficult to identify which asset is shown, and to reconcile movements in the fixed asset register year on year. I recommend that serial or reference numbers are noted in the register, along with a note of which officer is responsible for the assets (for those assets issued personally), along with acquisition and disposal dates. This will improve the audit trail.	M	This will be added to the asset register	WL	
7.4 – Employee pension contribution rate	I checked to see that pension contributions had been correctly calculated and paid over. I found that rates appeared to be correct for employee and employer contributions for all staff except one, who was paying an employee contribution rate of 5.5% (based on pay at the start of the year) where the current pay indicated a rate of 5.8% was appropriate. The RFO has confirmed that the rate of 5.8% is now being used.	Info	NFA	WL	
9.1 – Prepare compliant bank reconciliation	I checked to see that there was a bank reconciliation for each account. I found that there is a bank reconciliation for all accounts, but that the reconciliation incorrectly includes direct debits (which are not permitted under the Practitioner's Guide), and entries that are on the bank statement for that	H	It is noted that payments and receipts do appear on the reconciliation that have not previously be advised to the RFO. As mentioned	WL	

	month but that have not processed in the cashbook. The latter have been included as the RFO incorrectly uses the payment schedule (which contains a list of payments approved by Council or Committee for that month) as the cashbook payments figure for the month, instead of a proper payments cashbook which records all payments made (whether approved or not). The bank reconciliation is a key financial control. It is critical that it is properly prepared in order to minimise the risk of fraud and error. The Council is a larger Town Council and should be accounting for figures on an income and expenditure basis (when goods or services are provided rather than when they are paid for). The cashbook should include all payments and receipts that have gone through the bank statement, cheques that have been issued but not presented, and receipts that have been banked but which have not yet cleared the bank statements. This recommendation has been raised previously. I recommend that reconciliations are properly prepared in future, that they are signed by the RFO to evidence timely completion, and counter-signed by the Clerk to evidence that they have been checked to ensure that they are compliant.		earlier, these vouchers get approved later. Reasons for these anomalies are now annotated on the bank reconciliation.		
10.1 – Implement agreed audit recommendations	I checked to see that all agreed audit recommendations had been implemented. I found that a number of recommendations, including a high level recommendation regarding the implementation of a double-entry bookkeeping system, were not implemented during the year.	H	The Town Council has approved the SAGE accounting package. This will be in operation within this financial year	WL	

	As a result, the Council will need to ensure that it responds 'no' to box 7 on the AGS. I recommend that all agreed audit recommendations are implemented within deadline in future.		The AGAR will be discussed		
10.2 – Adjusted errors	The following errors were adjusted in the draft AGAR: 1. The wrong form was presented to audit (a form for Parish meetings was originally used). I provided a copy of the correct form to the RFO during the audit. I recommend that the RFO ensures that the Practitioners' Guide and external auditor instructions are followed in future in order to ensure that the correct form is used.	H	Genuine error.	WL	
10.3 – Approval of the 19/20 AGAR	I checked to see that the comparative figures agreed with last year's statements. I found that the figures agreed, but that the date of approval was incorrect. The 19/20 AGAR was shown as approved at minute 11/20/c on 15/04/20, but this minute only recorded a resolution that 'the end of year report provides a true and accurate reflection of the Councils finances'. On 30/09/20, during the 19/20 internal audit, the RFO noted that the AGAR had not yet been approved, that the April 2020 approval was just the spreadsheet receipts and payments figures, and that the approval of the restated income & expenditure AGAR figures would follow in October 2020. However, the October 2020 minutes only note the certification of the 19/20 external audit, and the Council's resolution to accept the satisfactory conclusion of the annual audit. I checked with the RFO why the 19/20 AGAR recorded the	H	This is noted. However, without wishing to make any excuses, this was a particularly difficult time. The Town Council were on less than minimal staff, working from home and conducting all business remotely. It is all appreciated that the internal auditor would have conducted a visit earlier in the year as well.	WL	

	approval by Council on 15/04/20. He noted on 07/07/21 that 'the AGAR was approved in April subject to audit'. But the minute did not record the approval of the AGAR, subject to audit or otherwise, and the I&E figures presented to external audit were significantly different to the R&P figures presented to Council in April: opening reserves were increased by £33k to £101k; other income fell £18k; other payments increased £4k and closing reserves increased by £11k following the processing of accruals adjustments. I asked when the final figures were approved by Council. The RFO noted that they had not been ratified and indicated that this was overlooked as, due to changes in staffing, the RFO was on his own at that point. I recommend that the Council ensures the figures presented to external audit are the same ones approved by the Council, and that the related Council minutes specifically approve the AGS and accounts sections in separate minutes. I further recommend that the 19/20 AGAR is retrospectively approved in order to ensure that the Council has properly approved all of its accounts.				
10.4 – Failure to approve accounts within statutory deadline	The Council was required to approve its 20/21 accounts by 30/06/21. This did not happen, which means that the Council failed to meet a statutory deadline. As noted in recommendation 10.3, the Council did not properly approve its 19/20 accounts, meaning that this is the second year that the statutory deadline has been missed.	H	It is understood that the deadline was extended until 30th September.	WL	

	This also means that the Council failed to provide the proper opportunity for the exercise of Public Rights during summer 2020, and will fail to provide the opportunity again during summer 2021, as the Public Rights process requires that the accounts are published on the Council's website prior to the start of the Public Rights period. The Council will need to ensure that it properly reflects this failure in its 20/21 and 21/22 Annual Governance Statement. I recommend that the Council ensures that it complies with statutory deadlines in future.				
10.5 – Ensure sufficient finance resources are allocated to operate the finance system and engage with audit	The Town Council's internal audit takes three days, which are normally evenly spaced with one day each during Q3 (Oct-Dec), Q4 (Jan-Mar) and Q1 (Apr-Jun). The first audit date was initially booked on 06/11/20, but was deferred following the announcement of a further coronavirus lockdown. I contacted the RFO on 01/02/21 to re-book visit 1, and book visit 2. The RFO responded that this should be reviewed once further guidance is made by the government. The first two audit visits were ultimately agreed for the 29th and 31st March 2021, and were completed remotely. I provided a list of working papers on 25/03/21, to which the RFO responded on 29/03/21 (soft copy papers were provided), with hard copy papers dropped to my office on 31/03/21. I sent request for additional information on 31/03/21 and 01/04/21. I chased responses for these on 26/04/21. The RFO confirmed that these were his priority. Responses started to be	H	The Town Council had to ensure the health and safety of all its staff and potentially visitors. This was a truly unique year and due consideration must be given for ensuing the circumstances and difficulties experienced by staff.	WL	

	provided on 19/05/21 but a number of items were still outstanding at the start of the final day's audit on 18/06/21. I sent a complete list of all outstanding items at the end of the on-site testing on 18/06/21. The RFO confirmed that he would provide responses on 19/06/21. I chased on 25/06/21. The Town Clerk said that the Council had notified the External Auditor that it would be unable to comply with the statutory deadline of 30/06/21 for 20/21, and that the accounts were due to be approved at the Council meeting on 14/07/21. Responses were provided on 05/07/21. A number of queries were not fully answered, with gaps in evidence noted in other recommendations in this report. The internal audit service acts as a critical friend to the Council. Auditors carry out a range of tests to an agreed work programme that is designed to give assurance over key financial controls. When this process is not completed in a timely manner, or there is a lack of evidence, it means that the auditor cannot give assurance to Members (those charged with governance, who are ultimately responsible in the event of something going wrong), staff or taxpayers that the Council's financial systems are being operated properly. I note that the Council has not only had to deal with changed working practices and priorities resulting from the coronavirus lockdown (common to all private and public sector bodies), but				

	that staff also had to manage during the absence of the Town Clerk following the retirement of the former incumbent and pending the start of the Town Clerk. The RFO has noted that his current role continues to include non-finance matters. This combination has impacted on the timely and comprehensive response to audit queries and, as noted elsewhere in this report, has also adversely impacted on a number of key financial controls. I recommend that the resourcing of the finance function is reviewed in order to ensure that sufficient time is allocated to properly complete all finance tasks, and fully engage with internal and external audit reviews.				
10.6 – Ensure regular audits take place to fit with Council or Committee cycles	I further recommend that future internal audit visits take place at regular intervals across the year, working remotely if necessary, and timed to meet agenda paper deadlines, in order to ensure that any significant control weaknesses are flagged up to Council at an earlier stage so that appropriate action can be taken to address them.	M	This is usually done but this was an unusual year.	WL	
14.1 – Publication	I checked to see that the Council complied with the publication requirements for the previous year's Annual Governance and Accountability Return (AGAR). The Council had to publish before 01/09/20 and at least one day before the start of its public rights period 10/08/20) ss1&2 of the AGAR, and the public rights notice including a declaration that the accounting statements were unaudited. On or before 30/11/20, the Council was required to publish the notice of conclusion of audit, and ss1-3 of the AGAR (including the completed external audit report). This element of the test	H	The recommendation of screen shots is welcomed.	WL	

	was not notified to Councils or internal auditors until March 2021, sometime after the test should have been completed. The Council (in common with many others) has no website audit trail which could prove the date of publication and removal. I visually inspected the Council's website on 25/09/20 but was unable to see the Public Rights notice and related publications. I was advised that these would not be posted until the Internal Audit work was complete. This means that the Council did not comply with the publication requirements for public rights. Neither the Public Rights information nor the Notice of Conclusion of Audit for 2019/20 was on the Council's website at the final 20/21 audit date of 18/06/21. There is no evidence to assess compliance with Notice of Conclusion of Audit Publication, but the evidence shows that the Council was not compliant with the publication requirements for Public Rights. I have, therefore, assessed the test as a 'fail'. As the External Auditor has confirmed that screenshots are an acceptable substitute for a website audit trail, the Council will be able to prove compliance in future. I recommend that the Council ensures that it complies with statutory deadlines in future, and that it screenshots the uploading all the public rights and notice of conclusion of audit documents in order to evidence compliance with the publication requirements.				