



FINAL

Internal audit report 2019/20

Visit 1 of 3

SOMERTON TOWN COUNCIL

Date: 5th November 2019

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Introduction

This report contains a note of the audit recommendations made to Somerton Town Council following the carrying out of internal audit testing on site on the 11th October 2019.

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 amended by the additional requirements in the 2018/19 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

As this audit report is an interim one, no audit opinion is offered at this stage.

The report issued after the final visit for 2019/20 (which will be in May or June 2020) will contain the audit opinion.

The following areas were reviewed during this audit visit:

1. Proper Book-keeping
2. Risk Management
3. Income
4. Petty cash
5. Exemption
6. Public Rights

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	2
Medium	0
Low	2
Information	0
TOTAL	4

I would like to thank Jude Raybould, Town Clerk for her assistance during this audit.

Auditor note:

The Town Clerk's office consists of two full time employees: the Town Clerk, and the Deputy Town Clerk. The former Deputy Town Clerk was appointed Town Clerk earlier this year, but there was a three month gap between the departure of the former Town Clerk, and the start on site of the new Deputy Town Clerk. During this time, the Clerk's office was reduced from 2FTE to 1FTE. Ordinarily I would expect this to have had a significant impact on the operation of key financial controls, but the only impact noted during the testing has been a decrease in the amount of time spent actively managing the monies owed by customers to the Council.

Darkin Miller ~ Chartered Accountants
2019/20 INTERNAL AUDIT OF SOMERTON TOWN COUNCIL
FINAL REPORT VISIT 1 OF 3: 5th NOVEMBER 2019

Appendix 1 – Recommendations and Action Plan

Recommendation number	Detail	Priority (Low/Medium/High)	Management Response	Responsible Officer	Due Date
5.1 – Aged debt	<p>I compared the Council's income and aged debtors as at 30/09 year on year. I found that turnover (through debtors) has increased by £9k year on year (about 50%), but that total debt has more than doubled from £8k to just under £20k. £2.2k/11% of the debt is over 120 days old (PY: £143/2%). I discussed the debt with the Clerk who noted that the change in profile is due to having only one member of staff in post for 3 months. Some of the older debt has since been paid, £300 relates to monies owed by the County Council (who will pay eventually), £182 relates to a debtor who pays by instalments. The Clerk is due to meet with the debtor who owes the largest balance in order to set up a payment plan. Of the older balance, the Clerk's assessment is that £20 may have to be written off.</p> <p>I recommend that, now the Deputy Town Clerk is in post, a review of the Council's aged debt report is undertaken monthly, and action is taken promptly to recover all monies due.</p>	H	<p>The largest Debtor has been contacted and a payment plan proposal has been put forward. The oldest invoice was paid by the end of October and the payment plan implementation date is from 5th November to pay 50% of the outstanding and the remaining 50% of the owing amount has been divided by the remaining months in the current financial year.</p> <p>Monies have been chased each month but there has not been the resources to contact personally those older debtors.</p> <p>Older debtors listed for the Viaduct have been researched and where</p>	Jude Raybould	

			editor errors have occurred where ads were placed in magazine against the wishes of the Customer credit notes have been raised and the most outstanding invoice has been credited as the customer did not receive the service.		
5.2 – Recode income and expenditure	<p>I checked to see that a sample of income is properly recorded and promptly banked. I found that one purchase invoice relating to a fire risk assessment, and 2 sales invoices relating to Viaduct advertising income had been coded to N/C 4000 (Edgar Hall income) in error.</p> <p>I recommend that these invoices are recoded.</p>	L	The coding errors have been recoded correctly.	Jude Raybould	
6.1 – Petty cash float	<p>I checked the Council's petty cash expenditure to confirm a sample of items were properly recorded, supported by VAT invoices/receipts (where applicable), reported to Council and regularly reimbursed. I also performed a count of the petty cash tin.</p> <p>I found that the total of the money in the tin plus unreimbursed petty cash expenditure was 8p higher than the petty cash float (£300). I found that petty cash is rarely used, as the Clerk frequently incurs</p>	L	A request will be made to Full Council to cease the use of Petty Cash in the new year Jan 2020 as recommended. Looking at past records this facility is used more in the months of November and December to cover the volunteer refreshments and lunch for the Lights Brigade to the		

	<p>expenditure on behalf of the Council and then reclaims the money via expenses.</p> <p>Whilst the records supporting the Council's cash balances are good, cash remains a higher risk way of paying for goods or services due to its inherent lack of audit trail.</p> <p>I recommend that the Council considers whether, given the infrequency of its use, a petty cash float is still required, or whether incidental items should be purchased using the credit card in order to ensure that a full audit trail is in place.</p>		<p>sum of £130 and for the cash prize for the Christmas Lights Competition to the amount of £50.</p> <p>I have contacted Lloyds Business Banking Manager to request the forms for changing the name of the Company Credit Card from Terry Philpott to Judy Raybould for use in the future as recommended.</p>		
12.1 – Check AGAR scan complete before publishing online	<p>I checked to see that the Council correctly provided the proper opportunity for the exercise of public rights as per the Local Audit and Accountability Act 2014 (the A&A). I found that the length of time allowed for the electors' rights was compliant with the requirements, and that the Annual Governance and Accountability Return (AGAR) had been put up on the Council website, but that the scanned information was incomplete as it did not include s1 and s2 of the AGAR. I raised this with the Clerk, and the AGAR was rescanned and republished immediately.</p> <p>I have checked the position with the Council's external auditor who has confirmed that, in their view, the Council can only demonstrate that it has</p>	H	<p>Actions:</p> <p>Made a full set of notes and guides to acknowledge the error and note of where to report this on the AGAR for the End of Year Return, to ensure the error is fully reported to the external auditor.</p> <p>Also, to prevent making this mistake, as evidence full screen shots will be taken to time line the scanned items and posting of the documents on the website</p>	Jude Raybould	

	<p>complied with the proper exercise of electors' rights if the internal auditor has seen evidence that:</p> <ul style="list-style-type: none"> • the Notice and approved AGAR Sections 1 and 2 were published on the website at least one day prior to the start of the period; • the period was compliant with the Regulations, i.e. 30 consecutive working days including the 1st 10 working days in July and commencing after the Section 2 approval date; • the Notice and approved AGAR remained on the website for the whole period. <p>The external auditor has identified that proving the timely publication may be difficult unless the webmaster can provide an audit trail. Any non-compliance will need to be noted in both the Internal Audit report (control L), and in the Council's Annual Governance Statement (assertion 4).</p> <p>The external auditor confirmed that her expectation is that there will be a large number of Councils in the first year of testing who will be unable to prove that they had met the requirements of the public rights notice (which will require an internal audit response of 'not covered'). From my own (more limited) experience, just under a quarter of Councils had an issue with non-compliance in the first year that this test was applied, and the external auditor has confirmed that this area represents a high percentage of reporting matters raised.</p>		<p>and in doing this will also insight a second checking process to ensure all documents are scanned correctly and present for viewing by the electorate.</p> <p>The IA Report will then be present to all councillors and formally taken to the November 2019 Full Council Meeting.</p>		
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	<p>I recommend that the AGAR scan is checked before being published in future, in order to ensure that the full document is published as required by the A&A; and that the 19/20 AGAR is correctly completed to reflect the non-compliance with the public rights requirements in the summer of 2019.</p>				
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