



FARNHAM TOWN COUNCIL

INTERNAL AUDIT REPORT 2019-2020

I visited the Town Council Office on Wednesday 13th November 2019 to commence the Internal Audit process for 2019-2020. During this first visit I reviewed the implementation of recommendations from last year's report and discussed staffing matters.

A second visit was made on 17th January 2020, at which time I checked Budget and Precept procedures and calculations, some Income procedures, some aspects of Risk Management and Website Accessibility. A third visit was made on 11th March 2020 to consider further aspects of Income, Risk Management, Petty Cash, Asset Register and compliance with Financial Regulations. Year-end returns and Council's policies were reviewed remotely during April and May 2020 as a result of Coronavirus restrictions and amended legislation.

The comments below are in the order of the headings in the Internal Audit section of AGAR.

Recommendations are shown in **bold and underlined**, and any responses received from Council have been added in *italics*.

A. **BOOKS OF ACCOUNT**

Council continues to use the RIALTAS accounting software specifically designed for Town and Parish Councils.

VAT is properly accounted for, with the last return made on 8th January 2020.

Loan repayments continue as per schedule. Consideration is being given to paying off existing PWLB loans from surplus arising this financial year, with a new loan taken out next year if required.

B. **FINANCIAL REGULATIONS**

Financial Regulations were revised and adopted in April 2018 and were due for revision in April 2020, although this has had to be delayed due to office closure.

Standing Orders were revised and adopted in January 2019 in line with latest NALC model.

Payment procedures are generally correctly applied according to Financial Regulations, with purchases monitored to budget authorisation.

One example of a multiple contract (Heathyfield) from June 2019 does not appear to have been subject of alternative quotes or F/R waiver.

FTC Comment

The pathway repairs were tendered in November 2018, with three quotations sought (Charles Aldred Ltd, Heathfields and Hampshire Tarmac). Only two submitted prices and Heathfields (the lowest tenderer) was awarded the contract. In previous years it has also been difficult to obtain three quotations. The 2019-20 budget included a further investment in pathways and the work was awarded to Heathfields in May 2019 at the same rates given the proximity to the previous quote. Technically, Council should have been asked to waive Standing Orders for the additional contract award to Heathfields but the work was carried out in May shortly after the elections and ahead of the In Bloom judging). A judgement was made that this was valid because of the recent quotations.

There is an anomaly on fuel purchase card usage whereby one vehicle appears to be using both diesel and petrol. A vehicle log book for fuel purchase would assist in monitoring fuel usage.

FTC Comment:

After investigation this was found to be due to the purchase of fuel for the mowers (unleaded) in jerry cans at the same time as the fuel for the vehicles was being purchased. A new spreadsheet/logbook has been prepared to allow for the easy reconciliation of purchases going forward.

C. RISK MANAGEMENT

A recent burglary at Council's depot has resulted in the theft of most power tools. An insurance claim has been successful and tools have been replaced with battery models. Enhanced security has been implemented.

Formal inspections of Cemetery sites and Allotment plots are recorded properly, however, although communal areas of allotments are now being inspected regularly, the recording thereof is by defect found, rather than indicating items checked and date of inspection. **A change to "positive" rather than just "negative" is required.**

FTC Comment:

Agreed and implemented

Tree inspection procedures have been revised and are satisfactory.

The external Risk Assessment review has been carried out with satisfactory results.

The Council's comprehensive Annual Risk Management Review was completed in January 2020

A comprehensive record and diary system is in place to check Contractors' Public Liability insurance cover.

A satisfactory Lone Working Policy is in place, although occurrence of this is rare.

D. BUDGET & PRECEPT

A comprehensive Budget review and calculation process has been completed with a precept slightly increased by 2.99% agreed. This results in a Band D figure of £64.49.

Use of Reserves, including Earmarked, has been fully considered, as have tariff levels for services supplied. Salary increases from 4/2019 have been taken into account, as have changes in Council Tax base and reduced Local Council Tax Support funding, together with the likelihood of increased services and sites being taken on from WBC.

E. INCOME

Income from various sources continues to be controlled correctly, ie., Events, Sponsorship, Allotments, Cemeteries, Room Hire, Banners. Unfortunately, neither the Cemetery nor Allotment software packages relate directly to the accounts system, so a manual interface is required particularly where payments are made by BACS.

Income from all sources is properly charged, invoiced and collected, with action taken regarding slow payers as appropriate.

Tariffs for all income streams are regularly reviewed and adjusted when appropriate.

F. PETTY CASH

Petty cash is properly controlled by use of cash float of £300 or use of corporate credit cards.

A separate Mayor's Charity petty cash float of £500 is held, also an Events float of £66.

The Mayor's float receives cash income and this is used when appropriate to top up the FTC float rather than banking surplus cash and thereby incurring bank charges.

One instance of intended banking of surplus cash from Mayor's charity which was not correctly carried out is under investigation.

FTC Comment:

A delay in banking occurred and the amount to be banked was not stored securely overnight as required by the Financial Regulations as a result of an oversight by an officer. The Officer has been retrained and a warning against future occurrences issued.

G. PAYROLL –

Payroll is operated externally with appropriate control over input of salaries, extra hours worked, sick pay etc.

A random sample of one month's gross salary figures indicates that staff are paid at correct level for their agreed SCP.

Expenses are properly controlled with sign-off at appropriate levels. Payment is either made by Petty Cash for amounts under £30 or paid with salary.

Members Allowances scheme has not been adopted but will be reviewed with new Council after May 2019.

FTC Comment

When this was discussed informally at Councillor training, it was agreed not to bring forward a proposal to change the current arrangement at this time.

H. ASSETS AND INVESTMENTS

A detailed Asset Register is maintained and reviewed annually. Acquisitions and Disposals are noted on the register in yearly columns to ensure adjustment at year end.

A random check of purchases indicated one item which should have been added to Asset Register had not been done.

FTC Comment

The asset register is always reviewed in detail at the end of the financial year and adjustments made if any have slipped through the net at the month end.

I. BANK RECONCILIATIONS

Current Account is reconciled weekly, Call Account and Mayor's Account monthly. Money Market accounts reviewed at various maturity dates, as are other deposit accounts.

Members of S&F Group have full balance information quarterly, but do not actually check Bank/Deposit statements or records. These are however checked by contracted Accountant.

J. ACCOUNTING STATEMENTS AND YEAR END ACCOUNTS

The end of year figures from the accounting system have been reviewed remotely, and correct figures have been entered on the draft AGAR shown to me. **There is however a £1 rounding error on the AGAR.**

FTC Comment

The rounding error has been corrected in the AGAR version presented to Council on 14th May.

Bank accounts appear to have been reconciled correctly, although I have not yet been able to see Bank statements showing balances as at 31 March 2020.



K. TRUSTEESHIP –

FTC is the Trustee of the Farnham School of Science and Art, known as The South Street Trust.

Separate accounts are maintained, and these are subject to independent examination. Accounts are properly lodged with the Charity Commission, although this year revised accounts had to be submitted because of a late receipt of an income payment.

Members of Council meet annually as Trustees to allocate grants from the income derived from Trust assets. Separate Minutes of meetings are maintained. The Independent Examination last year indicated that because of income levels, the higher standard of reporting was required. This resulted in a late submission of accounts to the Charity Commission.

OTHER ITEMS

Website Accessibility Regulations – an initial check has been carried out with the website developer, with some aspects fixed, others unable to be fixed. An accessibility statement is on track for publication in summer 2020.

Council's Complaints Procedure displayed on the website appears to be quite old and is not dated.

Similarly, the Information Publication Scheme date from April 2012 and should be reviewed to ensure it is still current.

Staff Organisation Chart on website dates from July 2019 is out of date.

FTC Comment

The following policies were renewed at the Council meeting in on 18 April 2019 (Minute 179/18).

- i) Members' Code of Conduct (Annex Di)**
- ii) Complaints Procedure (Annex Dii)**
- iii) Freedom of Information & Publications Policy (Annex Diii)**
- iv) Documents Retentions and Disposal Policy (Annex Div)**
- v) Code of Corporate Governance 2019 (Annex Dv)**
- vi) Town Clerk Scheme of Delegation (Annex Dvi)**
- vii) Member Officer Protocol (Annex Dvii)**
- viii) Co-option Policy (Annex Dviii)**

These were updated on the FTC website in June 2019 but it appears an old version is still available. These will be corrected and the latest staff organisation chart will be added.