

FARNHAM TOWN COUNCIL

INTERNAL AUDIT REPORT 2020-2021



Because of Coronavirus restrictions, I was unable to visit Farnham Town Council Offices in November as is normal for my first interim Internal Audit. Instead, I discussed a number of aspects of the Council's activities with the Town Clerk via Zoom.

During this discussion I reviewed the implementation of recommendations from last year's report, and considered staffing matters, website information, procedures for approving payments, special activities relating to Coronavirus, progress with devolvement of assets from WBC, and current budget position.

Email exchanges with Town Clerk took place in February 2021 and April 2021 to cover a number of items, and a specific Zoom meeting with Council's Bookkeeper was held on 17th March 2021 to consider all accounting procedures.

A further discussion with Business and Facilities Manager was held to consider aspects of Risk Management, and the Asset Register.

Year-end returns were considered remotely on 21st April 2021 with clarification achieved where required by email.

The comments below are in the order of the headings in the Annual Internal Audit Report section of AGAR. i.e.:-

- A. Accounting Records
- B. Financial Regulations compliance
- C. Risk Management
- D. Precept & Budget
- E. Income
- F. Petty Cash
- G. Payroll
- H. Assets and Investments
- I. Bank reconciliations
- J. Accounting Statements
- K. Exemption criteria (if applicable)
- L. Public Rights
- M. Trust Funds

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

A. ACCOUNTING RECORDS

Council continues to use the RIALTAS accounting software specifically designed for Town and Parish Councils. Accounting records have been kept up to date during the periods of restricted activity either by limited attendance at FTC Offices, or remotely, with access given to Council's Bookkeeper and Accountant.

Council has no outstanding loans, with all being repaid at the end of last financial year after 2020/2021 budget was agreed.

During the pandemic, FTC has led a Coronavirus Support Fund project with income raised by donations and a grant from Council. Grants to individuals in need are agreed by a panel of stakeholders, and implemented by FTC, usually in the form of purchases of household equipment. All entries for this are separately coded in the accounts.

FTC will need to consider how the residual balance (some £30,000) is to be shown in the end-of-year accounts.

FTC Officer's comments:

The detailed account for the Coronavirus hardship fund is held under a capital code and all expenditure and income (including a grant from DEFRA) is recorded there. At the end of the year, the outstanding balance will be carried forward explicitly as an earmarked reserve. VAT continues to be applied correctly relating to this account (i.e items are not for FTC and should not have VAT reclaimed)

Last VAT return was made in January as at 31/12/2020. Items purchased for the Coronavirus Support Fund were originally treated incorrectly for VAT, but this has now been adjusted and VAT on subsequent payments has been disregarded as the funds do not belong to FTC.

B. FINANCIAL REGULATIONS

Financial Regulations were revised and adopted in September 2020, **although the previous version is also available on the website (under Openness & Transparency – Publication of Information list)**

FTC:- Now removed

A resolution made 12th March 2020 specified a "Remote Payment Procedure" for use when staff/Member attendance at FTC Office is restricted, and gave Town Clerk additional delegated decision-making powers for use in specific pandemic related circumstances.

Payments over £100 required to be published on website have not been shown since 31/12/2019.

FTC:- Now added up to 1/9/2020 and 31/12/2020

17/3/21 - The next quarters payments have not been added.

FTC:- Figures to 31/3/2021 under preparation.

Annual Reports section of website does not include 2019-2020.

Standing Orders were revised and adopted by Council in line with latest NALC model, on 11th March 2021.

FTC Officer's comments:
Standing Orders adopted March 21 and updated on website.
The Annual Report and Financial Statement for 2019/20 was on website but at bottom of list rather than top because of the way the website was re-ordered in 2019.
Some end of year cheque payments were issued at end of March for invoiced and payments due by 31st March.

Expenditure procedures have been adjusted to accommodate remote working, with purchase invoices scanned, authorised and emailed for action and retention. The BACS run file and HSBC payment summary is emailed to Town Clerk for checking and subsequent issue to two Councillors for remote authorisation. No cheque payments are currently issued. Utility direct debit payments and use of fuel cards are monitored by Facilities Manager.

C. RISK MANAGEMENT

The annual external review of Health and Safety was carried out in October 2020 with generally satisfactory results. **Implementation of a programme of annual Risk Assessment reviews was recommended.**

All regular inspections of Allotments, Cemeteries, and other public access sites have continued during the year using risk assessment-based checklists.

The annual review of risk management was considered by Strategy & Finance on 2nd March and confirmed by Council on 11th March.

FTC Officer's comments:
Risk Management Report approved by Council March 2021.

Specific additional measures for Covid precautions have been implemented for the outside workforce.

D. BUDGET & PRECEPT

A comprehensive Budget review and budget calculation process took place in December. Various factors including grants, Council Tax collection rates, reduced income and a small increase in number of properties indicated that the budget for 2021-2022 may require use of Council reserves. A Precept of £1,169,830, Band D £67.37, an increase of 1.94%, was agreed.

E. INCOME

Whilst a few events have been able to be held during 2020, including some music events and one Farmers' Market, lower levels of sponsorship, stall rentals and event income have impacted overall on budget position.

Some cash income is still being received, and an amended procedure introduced because of Office closure works satisfactorily. Electronic records are kept of all income received.

F. PETTY CASH

No use has been made of the cash float or Mayor's petty cash float for some time. Corporate credit card usage is monitored, and additional cards are being considered for relevant staff.

G. PAYROLL

Payroll has operated normally, with input to external providers checked by Council's Accountant. I have been unable this year to carry out a spot check on salaries paid.

Council has not adopted the Members' Allowances scheme.

H. ASSETS AND INVESTMENTS

There has been little change to assets during the year with only a few minor purchases following the re-equipping exercise last year. All acquisitions and disposals are updated on the asset register and included on insurance when appropriate.

I. BANK RECONCILIATIONS

Reconciliations of current account are carried out twice weekly as usual, with Mayor's account and Call account done monthly.

End of year accounts have been reconciled although there is a small discrepancy in the pence figure of the Cambridge and Counties balance. This does not impact on the overall figures.

FTC Officer's comments:

A scribing error meant there was a difference of 7p. The relevant sheets have been adjusted and there is no difference to the Financial statements or reports because of rounding.

J. ACCOUNTING STATEMENTS

End of year statements for all accounts have been checked to accounting records, and proper account is taken of debtors and creditors in producing figures for AGAR.

K. EXEMPTION CRITERIA

(Not applicable)

L. PUBLIC RIGHTS

Correct, and indeed additional, display of information during 2020 satisfied public rights requirements.

M. TRUST FUNDS

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

The Trust operated as usual and extra checks were implemented to ensure that the Trust did not send out agreed grants for those who knew they were not able to deliver their proposed projects as a result of Covid19. Accounts will be finalised shortly and are subject to separate audit.

OTHER ITEMS

Website Accessibility Statement has been prepared and was updated last on 20th October 2020. However, it is not immediately apparent how to find this on the website!

Investment Strategy, Health & Safety Policy, Comments, Compliments & Concerns Procedures, Fire Safety Management and Environmental Policy have all been renewed during the year.

Paul Hartley
Internal Auditor
22nd April 2021