

FINAL

Internal audit report 2022/23

Visit 5 of 6

# SWANAGE TOWN COUNCIL

Date: 13<sup>th</sup> March 2023

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## **Introduction**

This report contains a note of the audit recommendations made to Swanage Town Council following the carrying out of internal audit testing on site on the 30<sup>th</sup> January and 10<sup>th</sup> and 15<sup>th</sup> February 2023, with some remote testing.

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 later AGARs, with additional tests specific to the Council as agreed with the Town Clerk and Finance Manager.

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 2022/23 (which will be in May 2023) will contain the audit opinion and a summary of all the high and medium level findings and recommendations made during the 2022/23 audit year.

The following areas were reviewed during this audit visit (all testing complete except where noted):

1. Risk Management – work in progress
2. Budgetary Control
3. Income – work in progress
4. Car parks income – completed
5. Lease income – completed

## 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	4
Low	2
Info	1
TOTAL	9

I would like to thank Martin Ayres, Town Clerk; Alison Spencer, Finance Manager; Culvin Milmer, Visitor Services Manager; and the Visitor Services team for their assistance during this audit.

**Darkin Miller ~ Chartered Accountants**  
**2022/23 INTERNAL AUDIT OF SWANAGE TOWN COUNCIL**  
**FINAL REPORT VISIT 5 OF 6: 13<sup>th</sup> MARCH 2023**

**Appendix 1 – Recommendations and Action Plan**

Recommendation number	Detail	Priority (Low/Medium/High)	Management Response	Responsible Officer	Due Date
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<p>I checked to see that the audit recommendations made in relation to the 2019/20 review of the council’s policy documents and compliance with the Transparency Code had been implemented. There had been a delay in 20/21 and 21/22 due to Coronavirus so the recommendations were re-raised in the 21/22 audit report. The original recommendations are noted below in italics at items 3.2 – 3.4. Additional comments have been added in un-italicised text below.</p>					
<p>3.2 – Implement risk register and policy documents actions from 2019/20 audit</p>	<p><i>I checked to see that there is consistency as between the risk register (which should note policies that need to be updated, or key policies relating to on-going risks faced by the Council), the Council's website (which should contain all policies adopted by the Council), and the Council's freedom of information publication scheme. I found that the list of policies across the three locations was not consistent.</i></p> <p><i>I also noted that the Council does not have a published policy for GDPR, IT Security, Budget Management, Business Continuity or Member training &amp; development.</i></p> <p><i>I recommend that comparison carried out during the testing is used to identify where documents should be included in the risk register or FOI scheme, or published to the Council's website, and that the Council considers whether the named policies should be adopted and/or published. This will help to ensure</i></p>	<p>M</p>	<p>Agree as before. Preparation of a Policy Register with relevant dates of review will be produced and used as a monitoring tool to ensure compliance.</p> <p>A significant amount of work has been carried out post-pandemic in updating policy documents, but it is acknowledged that this is a work in progress.</p>	<p>TH1 &amp; TH7</p>	<p>June 2023</p>

	<p><i>that the Council's risk register and policy documents are up to date.</i></p> <p>The original deadline for this recommendation was March 2023. The Finance Manager noted that, as at 08/03/22, this work is ongoing.</p>				
3.3	<p><i>I found that a number of the policy documents are older (one dates from 2006), and that none contain a note of the review date or policy owner. The inclusion of a review date, and the identification of a policy owner, will help to ensure that the policies remain fit for purpose.</i></p> <p><i>I recommend that a policy control sheet is drawn up (this could be based on the comparison sheet created during the audit) to show the policy name, its purpose (or the risk it is managing), the date of adoption, the review date, and where the policy is published. This will make it easier to ensure that policy updates are carried out in a timely manner, and that all published versions of the policies are updated when changes are made.</i></p> <p>The original deadline for this recommendation was March 2023. The Finance Manager noted that, as at 08/03/22, this work is ongoing.</p>	M	Agreed – see above.	TH1 & TH7	June 2023
3.4	<p><i>I also noted that the Council's publications under the Transparency Code are not up to date, with payments lists only published to June 2017, tender and contract information to Q1 2015/16, and no information</i></p>	H	Agreed. Work is ongoing in this matter with some progress	TH1 and Management Team	September 2023

	<p><i>published in relation to other required items such as information on Council properties.</i></p> <p>The Council noted that ‘the information is published (via agenda papers, minutes and the Dorset Explorer website) [but that it] should be made more readily accessible from the relevant web page’.</p> <p>The original deadline for this recommendation was September 2023. The Finance Manager noted that, as at 08/03/22, this work is in progress and expected to be up to date by September 2023.</p>		made and more imminent.		
19.3 – Reconcile Just Park income to remittance advices and fee invoices	<p>I checked that car park phone and pay income is complete and that collections are supported by documents showing the completeness of income. I found that, for the sample month tested of August 2022, there was an £8.60 difference on income per the figures shown on the Just Park report (used by Just Park to generate their remittance advice and fee invoice in the middle of the following month) and the figures shown on the system at month end (when the Town Council’s invoice was prepared, in order to bring in the correct balance for that month’s management accounts). The figure used by the Town Council, which is higher than Just Park’s figure, is the same figure shown on Just Park’s database as due for August 2022 when rechecked during the audit on 30/01/23. This is an error rate of 0.01%, and is likely to relate to a timing difference which is usually adjusted for in the following month’s figures.</p>	Info	N/A	N/A	N/A

	<p>I noted that the actual funds received and the charges levied were correctly allocated against the invoice raised by the Town Council, leaving an £8.60 difference in September 2022. There continue to be timing differences, but at 30/01/23 these had risen to £595.50. It is not clear why this larger difference has arisen.</p> <p>The Finance manager noted that these are timing differences as the remittance is usually reconciled on the 10<sup>th</sup> of the following month but that it has to be carried out earlier (resulting in differences) in some months due to the next to close the month end. She also noted that the difference on the account was £12.46, and that this has been cleared for year-end.</p>				
19.4 – Ensure residents’ permit database fully completed	<p>I checked to see that the residents’ car parking scheme is administered properly. I found that a database is maintained which shows the date, registration number, name, address, postcode, receipt number (for cash receipts) or BACS payment, permit number and columns confirming that the resident’s proof of residency and vehicle ownership had been checked. I noted that the databased was nearly fully completed, but that there were three errors:</p> <p>1. The date of BACS receipts had not been included. Including the date improves the audit trail and helps to ensure that all monies have been properly received.</p>	M	Agreed	TH5 & TH6	March 2023

	<p>2. 1/251 permits to 21/12/22 did not contain a note of the payment method. The permit was paid for using £5 cash, and the monies were properly recorded in the reception cashbook.</p> <p>3. The permit numbers should run sequentially, with a note made where a permit is withdrawn due to error. One permit number, 27492, was missing (where the relevant line had been deleted from the database).</p> <p>I recommend that no entries are deleted on the database, and that all available fields are fully completed, in order to improve the audit trail.</p>				
24.1 – Lease schedule	<p>I checked to see that recommendations made in the 2020/21 internal audit review of lease income had been implemented. Three recommendations were made:</p> <ol style="list-style-type: none"> <li>1. Add Bowling Club and Prospect Nursery rental agreements to the lease and licence report (a periodic update to the PFPM Committee)</li> <li>2. Either update the schedule of fees and charges (lease section) to agree with the Debtors Schedule used by the Finance Manager to track current rental values and timely invoicing, or include information from the Debtors Schedule with the leases and licences report reviewed by Members so that Members have a comprehensive overview of the agreements in place and amount of rent due.</li> <li>3. Consider compiling all of the rental asset</li> </ol>	H	Agree. Spreadsheets to be updated. F&G to review each January for the year ahead.	TH1 & TH3	September 2023



	<p>information in one place and linking it to the Council's Pear mapping system.</p> <p>The deadline for implementation on all three recommendations has passed, but the last two years has seen disruption due to vacancies and staff turnover, and due to Covid. The Finance Manager noted that the Bowls Club lease is now finalised, the Prospect Nursery one still in progress, and that the work to update and collate rental information in one place is still in progress.</p> <p>I recommend that the collating of rental information is completed as soon as possible, to note for each asset the:</p> <ul style="list-style-type: none"><li>- Asset</li><li>- Tenant</li><li>- Lease/licence start, end and review dates</li><li>- Initial and subsequent rent values (with a note of the date and minute of the Council meeting where agreed if relevant)</li><li>- For any leases or licences with expired terms or for which a review date has passed - a note of the action being taken to let a new lease or carry out the rent review</li><li>- Plus any other information that will enable timely management of rental income</li></ul> <p>And that this information is review by the PFPM committee at least once a year in to ensure that all</p>				
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	leases and licences are up to date and rent is being charged in accordance with those agreements.				
24.2 – Ensure debtors schedule is up to date and rents invoiced as soon as possible	<p>I checked to see that charges anticipated in the annual fees and charges list are invoiced promptly. As the Council no longer has a section of the list which notes lease rentals, I compared the leases shown on the schedule of debtors (a spreadsheet created and maintained by the Finance Manager which contains details of periodic amounts due in relation to leases, licences and other regular property-related agreements, which notes details of the tenant, annual amount due, nominal code, vat type and invoicing schedule) to the Council's accounts, to confirm that both contained consistent information and that invoicing was up to date. I noted that:</p> <ol style="list-style-type: none"> <li>1. The schedule of debtors contains an entry relating to a yearly contribution to observatory fees which is no longer relevant. The Finance Manager noted that this should be removed.</li> <li>2. Two of the debtors shown on the debtors schedule have had no invoices raised for this financial year in relation to the rental of the related property (Prospect Nursery rent, and rent of Football Ground at Days Park). The Finance Manager confirmed that invoicing for both is on hold pending resolution of the lease, and that she understand that the former will be a peppercorn rent with utilities recharged.</li> <li>3. The schedule of debtors does not include detail of agreements relating to boat rings and motor boats (although the former is under £100/year). There is a</li> </ol>	M	Agreed, but note that the majority of the lease/licence agreements referred to are either peppercorn or nominal rents. F&G to review each January as above.	TH1 & TH3	April 2023

	<p>note of the agreement in relation to a wayleave or acknowledgement re the Downs, but the £1 value is not noted on the debtors' schedule.</p> <p>4. The debtors schedule has not been updated for a change to the lessor for one of the Burlington Chine chalets (for which ground rent is charged).</p> <p>I recommend that:</p> <ol style="list-style-type: none"> <li>1. The schedule of debtors is updated to remove the entry for the observatory, and to include the boat rings (if material), motor boats, and the amount due in relation to the Downs wayleave, and to correct the name of the lessor for the chalet.</li> <li>2. The Prospect Nursery and Football Ground agreements are concluded and related rental charged as soon as possible, in order to ensure that there is clarity over lease terms and that the Council receives all income due.</li> <li>3. The matters are reported back to the PFPM Committee (as has been carried out previously) in order to ensure member oversight of ongoing lease negotiations and rent reviews. This will improve the audit trail and help to ensure that the correct amount is charged to the correct tenant at the correct time.</li> </ol>				
24.3 – Consider whether review is due in relation to one site	I checked to see that a sample of leases with rent reviews due had had the reviews carried out promptly. I noted that 4/13 samples were due a review (either as a consequence of the provisions of the lease, or because the rent had not been reviewed	L	Agreed	TH1 & TH3	June 2023

	<p>in at least six years). Of those samples, 2/4 are with the valuer, 1/4 is related to a property which has been forfeited (and will be re-let in due course), and 1/4 relates to an agreement to site 3 telescopes, the value of which is under £200.</p> <p>I recommend that the actions relating to the first 3 leases continue as planned, and that the Council considers whether a review is due in relation to the fourth.</p>				
24.4 – Finalise agreements in due course as planned	<p>I noted that 4/13 samples did not have a current agreement in place. 1/4 related to a lease being repossessed by the Council, 1/4 related to a separate agreement relating to an existing lease (for a linked piece of land) with that agreement still being draft, and 2/4 related to a new term for an existing tenant. For the latter 3/4, the rental value had been agreed and was being paid by the tenant.</p> <p>I recommend that the agreements are finalised and signed in due course as soon as possible.</p>	L	<p>Agreed. However, lease renewals and rent reviews are always a process, which can often be drawn out due to the process of negotiating changes. Where the premises was repossessed, there cannot be an agreement in place as currently there is no tenant. Those where protected business leases are in place are holding over.</p>	TH1 & OPS 1	September 2023