



FINAL

Internal audit report 2018/19

Visits 5 & 6 of 6

SWANAGE TOWN COUNCIL

Date: 22nd May 2019

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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 4th, 6th and 8th March 2019, and the 12th and 17th May 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', with additional tests specific to the Council as agreed with the Town Clerk and Finance Manager, and tests required by the AIAR section of 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

The internal audit for 2018/19 has now been completed in accordance with the provisions of the Practitioners' Guide and the CIPFA code of internal audit practice.

Based on the sample testing carried out at this final audit visit and during the year, all of the Council's current financial controls appear to be operating effectively.

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	3
Medium	5
Low	3
Info	0
TOTAL	11

The number of recommendations made in total during this audit year is as follows:

Rating	Number			TOTAL
	Visits 1 and 2	Visit 3 & 4	Visits 5 & 6	
High	4	0	3	7
Medium	2	5	5	12
Low	1	4	3	8
Information	1	0	0	1
TOTAL	8	9	11	28

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

Darkin Miller ~ Chartered Accountants
2018/19 INTERNAL AUDIT OF SWANAGE TOWN COUNCIL
FINAL REPORT VISITS 5 & 6 OF 6: 22nd MAY 2019

Appendix 1 – Recommendations and Action Plan

Recommendation number	Detail	Priority (Low/Medium/High)	Management Response	Responsible Officer	Due Date
10.1 – James Day Trust – associated Trust fund valuation	<p>The Council is Trustee for the James Day Trust. In 2017/18, the bank which operated the Trust bank account closed the account and issued a cheque. As the cheque is made out to the Trust, and the Trust does not hold any other bank accounts, the Council is unable to bank the funds.</p> <p>The Trust receives income from the J Day Will Trust, and pays the fees of the Trustee of that Trust (Lloyds Bank - Private Banking service). Over the last few years, the income generated by the J Day Will Trust has been less than the amount charged for the administration of the Trust. The bank has written indicating that it would like to step down as Trustee.</p> <p>The annual fee charged by the bank is based on 1.1% of the fund value as at 30th March of the previous year. The calculation for the year ended 31/03/19 notes a fund value of £17,016 as at 30/03/18. The reconciliation of the Trust Fund report notes a fund value of £7,016 as at the 30/03/18 (a difference of £10k compared to the administration fee calculation value), with a value</p>	H	Agreed.	TH1 & TH3	31 st July 2019

	<p>of £7,046 as at 29/03/19.</p> <p>I recommend that the Council asks the J Day Will Trust trustee to explain the difference in valuations per the two documents, to confirm why the fund value appears to have fallen by £10k, and to ensure that the correct basis is used for the administration charge levied by the bank.</p>				
10.2 – Investigate closure of both trusts	<p>I further recommend that the Council investigates whether it would be appropriate to dissolve both Trusts and to bring the remaining balance into its accounts as an earmarked reserve, with funds applied to the original purposes of the Trust.</p> <p>This would save considerable administration fees and still allow for the remaining funds to be applied in accordance with the wishes of the settlor.</p>	H	<p>Officers will seek advice/clarification from the Charity Commission regarding the possible dissolution of the James Day Trust.</p> <p>Officers will also discuss with Lloyds Bank the possibility of them dissolving the James Day Will Trust.</p>	TH1 & TH3	31 st July 2019
21.1 – Consider management control on frequent kit issue	<p>I checked to see that the clothing and materials stock movement records are correctly maintained. I found that a sample of delivery notes agreed to the goods in records for the related stocks. I checked clothing issued back to the personal clothing issue records (which include a record of all initial and subsequent clothing and PPE issued, and the requisition forms raised for additional clothing and PPE). I found that clothing requisition forms (which used to be initialled by</p>	L	<p>This procedure has now been reinstated and all clothing and PPE requests and subsequent issue are checked and initialled by the Operations Manager</p>	OPS1	7 th May 2019

	<p>the operations manager to approve the additional clothing being issued, as a check against wastage) have not been initialled recently. The requisition forms are still being signed by the employee requesting the kit (to evidence that they have receive the kit) and by the officer handing the kit over.</p> <p>I recommend that the Operations Manager considers whether to reinstate the management check on the frequent issue of additional kit, or to put in place some other control against wastage.</p>				
21.2 – Update records to ensure complete	<p>I found that the most recent kit issued to staff according to the records of goods out were not shown on the personal clothing records of the staff for two employees. One member of staff had been issued with ear defenders; another with protective coveralls. I also found that the kit issued to a new member of staff was not reflected on the goods out record (but that the goods out record is only used to record post-start issues); and that a stihl harness shown on the clothing record was not reflected in the goods out record.</p> <p>I recommend that the operations manager confirms what kit should be included in the goods out record (i.e. all kit except gloves and dust masks, which are perishable and wear out quickly), and that the goods out record and personal clothing records are updated and</p>	M	All PPE and clothing both pre and post start are now recorded. Records have been updated accordingly. Consumable and perishable items of low value are currently not recorded.	OPS1	7 th May 2019

	maintained to ensure that they contain a complete record of all post-start kit issued to staff.				
21.3 – Petrol stock records – officer review and signature	<p>Petrol stock records are maintained. These record the quantities of petrol stock purchased and issued, along with a note of the officer to whom the stock was issued, the quantity and the job number. Of the five sheets that cover the financial year to the start of March 2019, most records appeared to be correctly maintained.</p> <p>I found two small (1litre) casting errors for fuel stock used 04/06/18 and replaced 14/12/18.</p> <p>I found a note on 16/07/18 that a new method of control was put in place, against which 30 litres of fuel were deducted. The Deputy Operations Manager had investigated discrepancies in the amount of fuel held against what had been issued (there was less fuel than there should have been). He adjusted the records to reflect the amount held and changed the locks to restrict access. Access has been further restricted following the move to the new depot - only a handful of people have the ability to access the Council's fuel store, and the Deputy Operations Manager confirmed that fuel records tally to what is held at the Council's depot.</p> <p>Job numbers were not in place for three of the</p>	M	We now operate a far more diligent system for the recording of petrol, the stores officer records all usage and ensures correct reporting.	OPS1	7 th May 2019

	<p>approximately 100 entries.</p> <p>Only one of the fuel sheets (the oldest) was signed and dated by an officer to evidence that it had been checked for accuracy and completeness.</p> <p>I recommend that the Stores Manager checks each finished sheet for accuracy and completeness and signs to evidence the check, in order to ensure that errors are identified and addressed at the earliest opportunity.</p>				
21.4 – Remind staff to note job numbers	I recommend that staff are reminded of the need to complete job numbers in order to ensure that there is a complete audit trail of fuel use.	L	Noted.	OPS1	20 th May 2019
21.5 – Completion of gas oil records	<p>Records of diesel usage are maintained on gas oil sheets. The sheets note the date of usage, meter reading before and after, quantity used and vehicle registration. The driver who fills up the vehicle is required to sign the sheet. The majority of records in the year appear to be correctly maintained, but the following issues were identified:</p> <p>The sheets add up overall, but there are small errors noted for the quantity used on individual lines. Note that these balance out and the records appear complete overall (for the period 24/05/18 to 01/03/19, which is the latest entry).</p> <p>On one occasion the driver has not signed the sheet against the usage record.</p> <p>None of the sheets were counter-signed by the</p>	M	Diesel storage is now located at the new depot and this provides us with much greater control over use. Refuelling is metered and each diesel fuel fill is recorded and monitored by the stores officer.	OPS1	7 th May 2019

	Stores Manager. I recommend that all sheets are fully completed and properly filed.				
21.6 – Process notes for stock sheet completion	I also recommend that a set of process notes be created for each stock sheet to explain how the sheet is to be completed by the works team and their supervisor. This will help to ensure that stock sheets continue to be correctly completed even when less experienced staff are required to complete them.	M	Noted. We will address this issue within our regular tool box talks and provide regular reminders of best practice.	OPS1	20 th May 2019
21.7 – Daily vehicle check sheet records	Daily vehicle check sheets are maintained for each vehicle when the vehicle is in use. The sheets cover one month and note the date, driver, hours or mileage, whether or not the vehicle is in serviceable condition, the action taken if not and there is space for a signature. A sample of 5 sheets were checked to ensure that they had been properly completed. All sheets were in order, but the 2019 sheets had 2018 printed on the heading. It would make it easier to confirm that records are complete if dividers were used to separate each months' records, and if a list of current vehicles was included in the folder. It is recommended that the daily vehicle check sheets are updated for the correct year, and that consideration is given to using file dividers and a list of vehicles to make it easier to confirm that all records are held.	L	Noted.	OPS1	20 th May 2019

21.8 – Locate missing records	<p>I tested Hand Held Equipment issue sheets to confirm that they had been correctly completed and that equipment was being properly signed in and out.</p> <p>I found that records were not held for the period from 12/04/18 to 09/10/18. These appear to have been mislaid during the depot move.</p> <p>I found that most of the sheets still held were completed correctly, but that on occasion staff had either not signed out some equipment (1 instance out of 5 sheets) or not signed something back in (5 instances).</p> <p>I recommend that the missing sheets are located if possible, in order to ensure a complete audit trail of equipment issued and any performance issues noted.</p>	H	Noted, we will endeavour to find the missing records	OPS1	20 th May 2019
21.9 – Completion of records	I recommend that staff are reminded to fully complete the sheets, and that the Stores Manager checks the sheets once complete and signs and dates the sheet to evidence that check.	M	Noted. Now that we are firmly settled in the new depot we are able to diligently record and file.	OPS1	20 th May 2019