



FINAL

Internal audit report 2020/21

Visit 2 of 5

SWANAGE TOWN COUNCIL

Date: 11th December 2020

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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 2nd, 3rd, 9th, 10th, 13th and 23rd November.

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.

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 2020/21 (which will be in May 2021) will contain the audit opinion and a summary of all the high and medium level findings and recommendations made during the 2020/21 audit year.

The following areas were reviewed during this audit visit:

1. Risk Management (work in progress)
2. Payments (almost complete: need to check the minute approval of 7 samples)
3. Income generally, and with a specific focus on:
 - a. Boat Park (complete)
 - b. Market (complete)
 - c. TIC rent (beach huts, with an additional focus on the processing of refunds and transfers following the coronavirus lockdown) (complete)
4. Petty cash (complete)
5. Payroll (complete)

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	8
Low	8
Info	0
TOTAL	19

I would like to thank Martin Ayres, Town Clerk; Alison Spencer, Finance 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
2020/21 INTERNAL AUDIT OF SWANAGE TOWN COUNCIL
FINAL REPORT VISIT 2 OF 5: 11th DECEMBER 2020

Appendix 1 – Recommendations and Action Plan

Recommendation number	Detail	Priority (Low/Medium/High)	Management Response	Responsible Officer	Due Date
2.1 – Authorisation of invoices	<p>I checked to see that a sample of payments made in the year were supported by invoices, authorised (signed by an appropriate officer to confirm that the invoice was correct and related to a genuine supply to the Council) and minuted for approval by Members. I found supporting paperwork in place for all 14 payments (covering 37 invoices) in the sample.</p> <p>I noted that 24/37 samples were noted by Council, as the Council's financial regulations place the requirement to authorise payments at the officer level (due to the volume of transactions). 12/37 are due to be on payments lists which will be noted at a future Council meeting. 1/37 relates to the income refund (and so is not a payment for services under the Financial Regulations).</p>	L	<p>Agreed. This is a temporary measure due to the C-19 pandemic to limit contact and sharing of physical documents. The approved signing and authorisation process will be resumed when deemed safe to do so. Control measures continue to be in place.</p>	TH3	Unknown-As soon as it is deemed safe

	<p>Of the 37 samples, the majority had not been authorised in the normal way (signed off by the budget holder or Clerk) prior to payment. This was for two reasons: the Council's financial regulations place the authorisation of the expenditure at the purchase order stage, meaning that as long as the related invoice agrees with the purchase order it is treated as approved. In addition, the remote working requirements of Coronavirus disrupted the Council's normal working practices. In order to ensure that the Council continued to pay suppliers in a timely manner, the Finance Manager completed the authorisation process, but the related invoices were not marked in the normal manner.</p> <p>I recommend the Council returns to its normal authorisation process as soon as possible in order to improve the audit trail for payment approvals."</p>				
7.1 – Signed timesheets	I checked a sample of other payments to employees to confirm that they were reasonable, properly support and approved by the Council. I found that all overtime and standby allowances paid for the sample month of July 2020	L	Agreed. This is a temporary measure due to the C-19 pandemic to limit contact and sharing of physical documents. The approved signing and authorisation process will be	TH3	Unknown-As soon as it is deemed safe.

	<p>agreed to timesheets and hourly rate calculations, but noted that none of the timesheets were signed as the Council was still operating CV-19 lockdown protocols. Officers subsequently confirmed that the Depot sheets are in a separate file, and that the only missing signed documents should have been the TIC and overtime forms.</p> <p>I recommend that the Council returns to signed timesheets for the TIC and overtime forms at the earliest opportunity in order to ensure that staff self-certify the hours claimed.</p>		<p>resumed when deemed safe to do so. Control measures continue to be in place.</p>		
15.1 – Prompt action for non-payment	<p>I checked to see that all boats are parked within their grids and payment is received in respect of a sample of occupied grids. I found that all boats were parked within grids, but that two of the sample boats tested were in the wrong bays (a boat that had been in the D row was moved to the B row following discussion with the Visitor Services Manager as the boat would not fit in its D row space - the owner is to pay B rates from next year; and another boat was in the next door bay). I found that, for the 12 sample spaces, 8/12 had paid their fee; 1/12 had been invoiced but had not</p>	M	<p>Action is about to be undertaken to deal with the abandoned boat and the non-paid one is due to Covid and the customer is refusing payment. This will also be dealt with under the impound procedure.</p>	TIC1	December 2020

	<p>yet paid (the customer was very late paying the previous invoice); 1/12 was empty; 1/12 the invoice had been credited as the space was not used; 1/12 was occupied by an abandoned boat.</p> <p>The Visitor Services Manager confirmed that he was taking action to impound the boat of the customer who hasn't yet paid, and the boat which had been abandoned.</p> <p>I recommend that action is taken to deal with the abandoned boat and the non-paid boat at the earliest opportunity, in order to ensure that only boats for which payment has been made are parked in the boat park.</p>				
15.2 – Amend payment details in year if boat changes rows	<p>I recommend that where owner's estimates of boat length proves inaccurate such that they need to move to a larger space, that they pay the appropriate fee and that records are updated accordingly. I also recommend that boat owners are reminded to ensure that they are parked in the correct space. This will ensure that the correct fee is paid, and make it easier to confirm that all boats are correctly</p>	M	<p>This is agreed. The complication with the customer being referred to here was that he was very close to the limit of the bay and it seemed to be a genuine mistake on his part. Additionally, in putting his boat into the smaller bay he damaged it on the corner and there was a suggestion (from him) that we might be liable. On this occasion the simplest solution seemed to be to allow him to use</p>	TIC1	April 2021

	parked in the right bay for their size and the price paid.		the larger bay for the remainder of the year on the understanding that the full rate would be occurred from next year. The records on Avalon should have been updated, although I believe it was on the spreadsheet that we use. This was however very much a one of solution.		
15.3 – Agreement for/ policy on early payment discounts during pandemic	<p>I found that one of the customers took advantage of the 10% early payment discount, even though payment was not made early. The Visitor Services Manager confirmed that, due to the pandemic and the closure of the Boat Park, a decision was taken to allow the discount anyway as an incentive for customers to make a payment.</p> <p>I recommend that any such changes are reported back to and/or formally agreed by Council in light of the potential duration of changed ways of working due to the pandemic.</p>	L	<p>We came under significant challenge for raising payments on 1st April due to the pandemic and therefore I retained the 10% discount for early payment. This was referred to Council in July.</p> <p>This would not have normally been the case.</p>	TIC1	May 2021
15.4 – Amend Avalon to include kayak storage	The Council started offering kayak storage at the Boat Park this year. The invoicing system (Avalon) has not yet been updated for the change, which means that the one fee charged for 20/21 has been accounted for outside of	L	Before promoting the option of kayak storage at the boat park, we wished to wait for the installation of the kayak stand which has only recently been installed (mid Nov). In August we were approached by	TIC1	April 2021

	<p>Avalon. Whilst the income has been reflected in the Council's finance system, its absence from Avalon (which is used by the TIC to invoice and monitor collection of Boat Park debt) weakens the audit trail.</p> <p>I recommend that kayak storage is added to Avalon as soon as possible.</p>		<p>a customer who was very keen to store their kayak and pay the full annual fee of £70. I was aware that we could store this by the kiosk. The payment was logged on the spreadsheet, but I was unable to find the time to add the kayak locations to the Avalon system. This has now been done.</p>		
<p>15.5 – Consider debt management system and integration of figures with Sage</p>	<p>The Avalon system does not have a traditional aged debt report (showing a summary of debtors with debt totals by age profile). It is possible to run a list of all invoices paid and, separately, all invoices outstanding. Cancelled invoices do not show on either report. In practice, debt management is carried out using a monitoring spreadsheet which is updated for details of payments made and debt control measures taken (contacts attempted and made, and promises to pay). Given the increased risk of error and accidental overwriting with spreadsheets, this information would be better recorded within a debtors system.</p> <p>The Avalon system is not integrated with Sage, so Boat Park or Beach Hut income which is invoiced through Avalon does</p>	H	To be reviewed.	TIC1/TH1/TH3	April 2021

	<p>not appear on the Council's accounts (as income or a debtor) until money is actually received. This means that the Council's accounts are understated for income and debt (albeit given the size of the Council, this understatement is unlikely to be material).</p> <p>I recommend that the Council considers a debtor module for Avalon (if one exists), or the use of the main finance system (Sage) for large annual invoices; and that consideration is given to whether or not there should be greater integration between the two systems to ensure that the accounts are fairly stated.</p>				
<p>15.6 – Formal monthly check on boat park</p>	<p>I noted that due to the coronavirus lockdown, the 20/21 invoicing for storage was done based on confirmation from prior year customers that they wished to continue to store their boat. No physical check was made on the boat park itself at that time. In normal years, a physical review of the site should be carried out to ensure that all users of the boat park have received an appropriate invoice, but this was obviously not possible due to the pandemic.</p>	<p>M</p>	<p>Agreed. We are also establishing a weekly and monthly monitoring system for the boat park which will ensure that required checks are undertaken and logged formally.</p>	<p>TIC1</p>	<p>May 2021</p>

	<p>The Visitor Services Manager confirmed that it had taken a little while to realise that the abandoned boat was abandoned.</p> <p>I recommend that a physical review of the site is carried out prior to each invoicing run in future periods, and that the site is formally checked each month (with a note made on the boat park map of which boats are in each bay and which tickets are displayed). This will help to ensure that all boat park users are charged for the service that they receive, and that action can be taken to remove abandoned vehicles at the earliest time.</p>				
15.7 – Clear signage that charges apply	<p>I found that the boat park noticeboard (next to the trailer row) contains a schedule of fees and charges, and notes that users should pay at the TIC if no attendant is present, that charges apply 24 hours per day, and that the area is covered by CCTV and by Enforcement Officer patrols.</p> <p>However, the fact that there is only one sign, and that it is located in the middle of the boat park, might mean that users may be unaware of the charges.</p>	M	<p>While it is possible that some people using the boat park may be unaware of the need to pay, this is unlikely. There is a, albeit small sign (due to health and safety) on the vehicle entrance saying charges apply, a notice of the fees and charges attached to the kiosk and a very large sign by the slipway itself. All users should also be expected to review the noticeboard before using the slipway which is clearly titled</p>	TIC1	May 2021

	<p>I recommend that a sign is placed at the entrance to the Boat Park, or an existing sign modified, to advise that charges apply 24 hours per day and that enforcement action will be taken for non-payment. This recommendation was made during the previous audit.</p>		<p>'Noticeboard'. However there remains a clear need to re-enforce the message and make the payment procedures simpler and clearer.</p> <p>We will review the sign by the entrance and will also add further signage to the kiosk to explain the payment procedures.</p>		
<p>15.8 – Complete re-lining of car park as soon as possible</p>	<p>The white lining for the boat park has been carried out in sections, with rows B and C still only outlined in blue pending their proper re-lining. The work has been carried out in sections in order to enable users to continue to store boats while sections of the parking area are lined.</p> <p>The lack of proper white lining and numbers on rows B and C make it more difficult to check that boats are in the correct storage bay, and I noted that two of the boats in row B were in the wrong space (one had been moved by agreement from row D as the boat was larger than calculated, the other was in an adjoining space).</p> <p>I recommend that the white lining and</p>	M	<p>This work is due to take place in March 2021.</p>	TIC1	March 2021

	<p>numbers for rows B and C is actioned as soon as possible, and that (unless otherwise agreed) boat owners are reminded that they need to park in the correct bays. This will make it easier to ensure that all users have paid the correct fee for their storage.</p>				
<p>15.9 – Boat park receipt records</p>	<p>Batches of tickets issued from the receipt books are summarised on the Daily Return (which frequently covers several days). The Daily Return should note the attendant name, date, ticket range and total collected (ideally split by value and number sold to enable the calculation to be checked). The return is then counter-signed by a senior TIC officer, and the total sales for that return are entered onto the till, with a note is made on the TIC banking sheet (which records the results across all income codes for up to 4 days of bankings). The TIC banking sheets are then sent to the Finance team at the Town Hall, totalled for the month, and the gross totals then posted to the finance system before the bank reconciliation is carried out.</p> <p>I found that some of the Daily Returns were not fully completed, or did not</p>	<p>H</p>	<p>Recommendations (see numbers in last paragraph)</p> <ol style="list-style-type: none"> 1. When receipt books are used up, to procure new ones with date, amount, and type of payment (cash or card). In the meantime, to update the staff notes to ensure these are added to the top of the current receipts and a check added to the weekly management check list 2. A daily return is already completed by boat park staff, although this does not cover all the requirements set out here. This will be reviewed for 2021. One key aspect is that this is a single sheet of paper which covers the whole period but it will now be developed as a single piece of paper for each day which can be attached to the weekly return. 	<p>TIC1</p>	<p>April 2021</p>

	<p>agree in total to the value of daily receipts covered by that return. For instance, Daily return 0075 contained only a total of £325 with no note of the related receipt numbers, and had no till receipt attached to confirm monies 'banked' with the TIC. A review of returns 0074 and 0076 indicates that 0075 covered the span 5631-5643, but the total of these tickets was £305 (ticket number 5637 was missing from the book, which may account for the £20 difference). Daily return 0081 was noted as covering 5735-5753 with a value of £835 cash + £107 cards = £960, but the total of the related receipts came to £995.</p> <p>Most of the differences between what the daily return notes as having been sold for the period, and what is recorded in the TIC banking sheet, relates to:</p> <ol style="list-style-type: none"> 1. Launch fees sold by the TIC (not shown in the Daily Return, but shown as part of the Daily Launch fees processed on the till and reflected in the banking sheet); 2. Card receipts from the new card machine (introduced 30/07/20), the totals of which were not included in the 		<ol style="list-style-type: none"> 3. The daily returns will allow a check of receipts and total cash etc 4. Add cash, card and BACS details to daily TIC banking sheet. We will also record the different payments on the EPOS system (i.e TIC sales, BP Cash sales, BP card sales) TIC banking receipt to be attached to daily banking report 		
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	<p>daily return or banking sheet. These were identified during the bank reconciliation process. Both the Finance Officer and Visitor Services Manager spent a considerable amount of time reconciling these payments as they did not initially appear on any of the summary paperwork; and</p> <p>3. Small differences between what the receipts said had been paid for a launch, and the amount actually banked.</p> <p>I was unable to fully reconcile the differences on banking for two samples (both of which were in the same return). The reconciliation work carried out by staff indicates there is a difference of about £146 between expected and actual bankings, with £5304 expected based on the launch fee receipts, and £5158 shown as having been recorded at the date of the reconciliation of 14/09/20. This difference appears to be a permanent one, as the banking records show only 20p was received from the card machine in September (so £146 of launch fees were not 'sold' in August as part of the £5304 but banked in September).</p>				
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	<p>I recommend that the receipt book includes a note of the date, amount, and type of payment (cash or card). Daily Returns should be fully completed in future periods, with a note of the attendant, date, ticket range and the value and numbers of tickets sold, separated by cash and card payments (with a note of the receipt numbers which relate to credit card payments). The total to be banked should be double checked back to the original receipt books to ensure that it is correct before being signed off, and both cash and card sales should be processed through the TIC till and added to the banking sheet so that the total takings for that period for boat park launch fees are captured by the banking sheet. The TIC banking receipt should be attached to the Daily Return receipt to complete the audit log. The total for this should agree to the total shown on the daily return and on the banking summary for that day.</p>				
15.10 – Process notes and training	I further recommend that this and all other control processes around the issue and verification of boat park and launch fee tickets are noted in a set of instructions for issue to staff dealing	H	Agreed	TIC1	April 2021

	with the boat park, and are covered as part of an induction. This should improve both compliance and the audit trail.				
15.12 – Ensure receipt books fully completed	<p>During the audit I noticed that one of the receipts (ticket 5714 from book 15) contained no details of the value of the ticket sold. Dates either side of this ticket were 12/08/20 and 15/08/20, indicating that the ticket was dispensed in mid-August.</p> <p>I recommend that staff are reminded to fully complete the details on the receipt in order to ensure that all monies are properly accounted for.</p>	L	Agreed	TIC1	April 2021
15.13 – Complete reconciliation of individual launch fee tickets to accounts	<p>I checked a sample of launch fee receipts to confirm that the correct price had been charged, and that the monies had been received in the Council's accounts. I found that the prices appeared to be correct (there are a range of prices depending on the service and whether or not the user is entitled to a residents' discount), but I was unable to prove that all monies had been received in relation to 2/5 samples.</p> <p>Both samples were included within the bankings of 05/09/20, relating to Daily</p>	M	The reconciliation work will be completed and for next year we will have a weekly reconciliation process in place.	TIC1	April 2021

	<p>Return number 81, which covered tickets 5735-5753 and contained a mixture of card and cash receipts. I was able to prove that the boat park card receipts (£107 over four receipts up to 31/08/20) were included within the launch fee income for August 2020. I was able to prove that £853 of TIC cash and card receipts was included within the September 2020 launch fee income. This totals £960. The related reconciliation of individual tickets sales to bankings indicate that the total sales for this period should have been £995, a difference of £35.</p> <p>The Visitor Services Manager has carried out a reconciliation of individual tickets sales to income recorded in the accounts. This indicates that, up to 14/09/20, the amount due on individual tickets is £5304, of which £5158 had been banked. This gives a difference of £146 or 3%, which may be a timing difference (where monies have not yet been banked), or may be a permanent difference due to errors within individual tickets (where monies taken did not agree to the face value of tickets sold).</p>				
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	<p>I recommend that the reconciliation work is completed to see if the difference is a timing one. A recommendation on timely checks on the accuracy of the Daily Return is made at recommendation 15.9.</p>				
<p>18.2 – Ensure signed agreements held for all stallholders</p>	<p>I checked to see that signed agreements were in place for all eight market stallholders present on the day of the site visit (23/10/20), and that all had been charged and had paid the correct fee. I found that google form agreements were in place for 5/8 (with their electronic submission counting as a signature), and a hard copy signed form was in place for 1/8, but that there appeared to be no agreement in place for 2/8 stallholders.</p> <p>A signed agreement should be in place for all stallholders to ensure that both the rights and responsibilities attaching to the licence to trade and the number of weeks and price charged have been agreed.</p> <p>I recommend that signed agreements are put in place for all stallholders.</p>	M	Agreed	TIC1	Ongoing

<p>18.3 – Market charges</p>	<p>I found that the Council revised its charges for the market at its meeting in March 2020. The fees charged were subsequently varied using the Town Clerk's delegated authority, as they were found to be too high in comparison with nearby markets. The Visitor Services Manager created a spreadsheet to calculate prices for a variable number of weeks and plot sizes, aimed to give an incentivising discount. I checked the prices charged for the period including 23/10/20, but was unable to agree the amount charged for 7/8 stallholders. The Visitor Services Manager confirmed that the bookings all related to regular traders who were charged at the most discounted weekly rate (as the bookings were made for a continuous period).</p> <p>I recommend that Council reviews the charges again following a full year of in-house operation, and considers retrospective approval of the revised charges, including on-going discounts for regular traders, and how to deal with the setting of charges in future (whether by pre-approval at Council, or by delegated authority and the reporting back subsequently of prices set), in</p>	<p>M</p>	<p>Agreed</p>	<p>TIC1</p>	<p>January 2021</p>
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	order to ensure that Members have agreed the charges levied.				
20.1 – Coding of income	<p>I checked to see that income received in relation to beach hut rental had been paid in to the correct nominal code in the accounts. I found that 13/14 samples were paid into the correct code. 1/14 samples was paid in 3 instalments, with 1 of those being incorrectly coded to shore road huts current year, where it should have been coded to shore road huts receipts in advance (as the money was taken in 2019/20 but related to the 2020/21 bookings). The error was £200 against a total recorded income of £96.5k for 2019/20 (0.2%). This appears to be an isolated error.</p> <p>I recommend that all income is coded to the correct year.</p>	L	Agreed	TIC1/TH3	Ongoing
20.2 – Replace hut numbers and repair door damage	<p>I checked to see that the Beach huts and bungalows are physically located in accordance with the plan and all included in the records. I found that the site plan for the spa huts included hut 27, which has since been removed. Other than that, all huts shown on the Shore Road and Spa plans were present.</p> <p>I noted that there were no hut numbers</p>	L	The Spa hut numbers have now been repainted and are in the process of being replaced. A maintenance programme exists for all beach huts and include both routine and emergency repair.	TIC1	December 2020

	<p>present on the Spa Retreat huts and was advised that this is due to the huts having been recently repainted. There was also some damage to the door on Spa hut 31.</p> <p>I recommend that the hut numbers are replaced as soon as possible to ensure that they are clear for hut users, and that the damage to the door of hut 31 is replaced in order to prevent further damage due to wind or water.</p>				
20.3 – Missing paperwork	<p>During the year, the Council was forced to close its beach huts during the first Coronavirus lockdown. On re-opening, it adopted social distancing measures which meant leaving every other hut vacant. As a result of these measures, the Council offered customers a transfer of their original bookings (to later in the same year, or to next year with dates adjusted for e.g. Carnival week as necessary), or full or partial refunds. I checked a sample of 8 refunds (4 full, 4 partial), and 4 re-bookings to confirm that transfers had been correctly effected (with replacement bookings being the equivalent value), and that refunds had been correctly calculated with reference to the value and duration</p>	L	Agreed	TIC1	December 2020

	<p>of the period refunded. I also confirmed that any refunds were coded correctly in the Council's accounts.</p> <p>I found that the original bookings and subsequent transfers, refunds or partial refunds appear to have been correctly calculated and processed. I did note that the original paperwork relating to one of the samples could not be located, and that revised invoices issued by the bookings system, Avalon, did not correctly account for VAT as it showed the net and gross amounts to be the same. However, the Council accounts for VAT using the figures calculated from gross sales, meaning that the correct amount of VAT has been declared in its accounts.</p> <p>I recommend that the missing paperwork be located as soon as possible to ensure that the audit trail is complete.</p>				
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