

FINAL

Annual Internal Audit Report 2019/20

SWANAGE TOWN COUNCIL

Date: 29th May 2020

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1 Introduction

- 1.1 Internal audit provides Members and management with assurance that the internal controls required for the proper stewardship of public funds are being adequately maintained. This is a statutory function provided in accordance with Accounts and Audit Regulations. The level of assurance is in accordance with the agreed audit plan (Appendix A), which is designed to ensure that all of the Council's significant finance and governance systems are subject to audit on an annual basis, with less material or inherently risky systems audited periodically in accordance with a strategic audit plan, and with the depth of the audits determined by an assessment of risk and materiality.
- 1.2 The main purpose of this report is to provide an opinion on the assurance that can be placed on the internal control system.

2 Audit Objectives and the Internal Control System

- 2.1 Internal Audit's principal objective is to provide an independent appraisal function for the review of the internal control system as a service to the authority. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
- 2.2 The internal control system is not fixed but can and should evolve in response to the changing local government environment. It must, therefore, be subject to continual review and it will always be possible to improve on the overall system. The review of the internal control system is encompassed by all of the audit activities listed below.
- 2.3 The main objectives of the internal control system are to:
 - ◆ Ensure adherence to management policies and directives, in order to achieve organisational objectives.
 - ◆ Safeguard assets.
 - ◆ Secure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of the records.
 - ◆ Ensure compliance with statutory requirements.

3 Audit Opinion

Based on the internal audit reviews completed in respect of 2019/20, in accordance with the annual audit plan, Swanage Town Council's central systems and internal control arrangements appear to be effective.

4 Summary of Activity

- 4.1 A total of six audit reports have been issued in 2019/20 relating to the standard internal audit programme for local Councils (appendix 9 audits per the 2014 Practitioner's Guide, plus two additional tests introduced by the 2018/19 AGAR), as supplemented by additional testing specific to Swanage Town Council. There was one additional audit carried out in the year, covering a review of the Council's Fishermen's Slipway project. The report for this audit is at draft stage so the results are not included below. The audits covered a variety of services and functions, resulting in a range of recommendations, which in the main related to improvements in record keeping and financial procedures. During the course of the audit, each recommendation was discussed with the relevant staff and the Town Clerk.
- 4.2 In addition to the planned audit work set out above, advice was also provided on an ad-hoc basis ranging from systems issues to potential irregularities, and Trust funds and the statements of the Community Partnership were independently examined where required.

5 Format of Audit Reports

- 5.1 Three standard formats are used for reports.
- 5.2 The in-year appendix 9 audit reports identify which systems were reviewed during the audit visits and (in a separate action plan) note the findings, implications and recommendations made in relation to areas of identified control weaknesses. Management responses, responsible officers and due dates are also captured within the action plan.
- 5.3 The end-of-year appendix 9 audit report summarises the audit opinion for the year, in addition to noting findings, implications and recommendations from the final audit visit.

- 5.4 The third audit report format is for non-appendix 9 audits. This report notes the risks being tested by the audit, the audit opinion (where the range of assurance given is full/reasonable/partial/none) and the findings from each of the tests carried out. Recommendations made during the audit are shown within the report and are summarised in an action table at the end of the report.
- 5.5 Each audit report uses the following grading system for the significance of recommendations made:

Rating	Significance
High	Either a critical business risk is or may not be 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.

- 5.6 In addition, each audit continues to be supported by detailed working papers for each of the audit tests undertaken.

6 Audit Recommendations

- 6.1 A summary of the number and significance of appendix 9 audit recommendations, is shown below:

Rating	Number						
Visit	1	2	3*	4	5	6	TOTAL
High	2	0	1	0	1	0	4
Medium	0	1	3	0	3	1	8
Low	3	2	0	0	2	0	7
Information	0	0	0	0	0	0	0
TOTAL	5	3	4	0	6	1	19

*includes 1 finding from a confidential report, the detail of which is not noted below.

- 6.2 In total 19 ‘appendix 9’ recommendations were made in 2019/20 (2018/19: 28 ‘appendix 9’ recommendations). 4 were graded ‘high’, and 8 ‘medium’ (2018/19: 7H and 12M for appendix 9). As the Fishermen’s Slipway report has not been finalised, the recommendations from that report are not included above.
- 6.3 The high and medium level recommendations (and related management responses) are noted at the end of this report for information.

7 Follow-up

- 7.1 The role of the Policy, Finance and Performance Management Committee continues to be effective in supporting the implementation of audit recommendations and follow-up issues. In addition, a responsible officer continues to be identified for each recommendation. As a result performance on implementing recommendations is very good.

8 Conclusions

- 8.1 The number of recommendations made has fallen year on year. The number of medium and high recommendations was higher last year following audits of the Boat Park (which had re-opened following a programme of works) and of the Depot (where there had been a change in staff resulting in changes to the controls operated). Overall recommendations remain low for a Council of this size, mainly as a result of the prompt implementation of agreed audit recommendations which improved the control environment,
- 8.2 As agreed with the Town Clerk, elements of the detailed audit relating to income and the depot have been moved to a periodic audit review over a four year strategic audit plan. The number of days spent carrying out the core appendix 9 audit was 13 days (2018/19: 15).
- 8.3 4.75 days' audit work relating to the Fishermen's Huts and Slipway Project was carried out in 2019/20 (of which, 3 days had been carried forward from 2018/19), taking the total number of days to 17.75 (2018/19: 0 additional days, total 15).
- 8.4 Whilst the Internal Audit function is unable to give absolute assurance, the results of the reviews completed during the year have resulted in an overall opinion that: in all material respects:
- Key central systems and internal control arrangements continue to be effective;
 - Agreed policies, regulations and Standing Orders are complied with;
 - Managers are aware of the importance of maintaining internal controls and accept recommendations made by Internal Audit to improve internal controls; and
 - Adequate arrangements are in place to prevent and detect fraud.
- 8.5 The annual audit did not identify any significant control weaknesses for inclusion in the Annual Governance Statement.

I would like to thank the staff at the Town Council for their high level of co-operation during my internal audit work throughout the year.

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2019/20 INTERNAL AUDIT OF SWANAGE TOWN COUNCIL
ANNUAL AUDIT REPORT: SUMMARY OF HIGH AND MEDIUM LEVEL RECOMMENDATIONS

Appendix 1 – Recommendations and Action Plan

Recommendation number [Report number]	Detail	Priority (Low/ Medium/ High)	Management Response	Responsible Officer	Due Date
14.1 – Carry out agreed audit recs [1]	<p>Given the number of recommendations made in relation to the newly re-opened boat park in 2018/19, I was asked to carry out a follow-up. This was carried out in Sept 2019. Recommendations graded L or M were followed up by way of an update from the Visitor Services Manager. Recommendations graded H were followed up by reviewing evidence of compliance.</p> <p>I found that 2/9 recommendations had been implemented. Of those not implemented, I found that:</p> <p>1. A medium level recommendation to re-do the boat part grid lines (due April 2019) has not been fully implemented. 'D' row (which was the most troublesome one) had been repainted, but the VSM plans to complete the rest of the re-marking row by row (moving boats as needed) over the winter period.</p> <p>2. A high level recommendation to upgrade the bookings software to</p>	H	<p>1. Plans are still being made regarding the re-lining of the bays. This work will be undertaken in the spring (2020), although it may be done over a two year period as moving boats is a particular challenge.</p> <p>2. The debt management element for Avalon is still being progressed and will hopefully be in place over the winter 2019/20.</p>	TIC1	April 2020

	<p>include a debt management module (due Dec 2018) has not yet been implemented. The VSM noted that a significant upgrade is due to be carried out to the bookings system over the winter season 2019, and that the debt software will be installed then. The VSM provided a copy of the current debt report, which is on excel. There has been more active debt management in 2019, and there is only one debt outstanding at the audit date, with a note on the spreadsheet of one further invoice which needs to be raised. This is a considerable improvement on 2018/19.</p> <p>I recommend that these items are carried out as soon as possible.</p>				
<p>20.1 – Right of audit</p> <p>[1]</p>	<p>The Council has renewed the licence to operate the Swanage Market, which is held by an external market operator. The fee consists of a set amount plus a percentage of turnover based on the operator's figures. The agreement does not contain a right of audit (which would enable the Council to review the underlying records that go to make up the operator's figures, in order to ensure that income is correctly stated).</p>	H	Agreed: To be reviewed when considering any new licence agreement.	TH1	April 2020

	<p>It was recommended in the 2016/17 internal audit that a contractual right of audit be inserted into the market agreement at the next opportunity.</p> <p>I recommend that a right of audit be included within the next contract or licence agreement signed in relation to the operation of the market.</p>				
<p>16.1 – Update cemetery fees and charges</p> <p>[2]</p>	<p>I checked to see that memorial forms were properly completed, correctly coded and raised for the correct amount. I found that forms were properly completed and income correctly coded, but that the fee charged was the prior year fee for 4/5 samples. This was due to the Committee's recommendations for changes to memorial charging being omitted in error from the revised scale of fees and charges for 2019/20. The updated figures were formally approved on 29/05/19, and a revised schedule issued for the updated charges, but this change wasn't applied to 3/4 samples where the service was performed after 29/05/19, leading to a £12 total undercharge across the samples.</p>	M	Agreed.	TH3	January 2020

	<p>The error came to light during the year, and revised copies of the fees and charges schedule was provided to the Administrator and to the local Undertakers and Stone Masons.</p> <p>I recommend that in future years a check is made to ensure that all changes to fees and charges are incorporated in the updated schedule of fees and charges which is approved by Council and distributed to relevant officers.</p>				
<p>15.1 – Chase non-payment of ECTs promptly [3]</p>	<p>I tested a sample of 5 Excess Charge Tickets (ECTs) to see that income is received in respect of tickets raised. I found that income was promptly received for the correct amount for 1/5 samples, and appeals properly processed with valid write-offs for 2/5 samples.</p> <p>For 1/5 samples, the due date for the payment of the ticket has just passed (without appeal) so further information will be obtained to pursue the payment of the ticket.</p> <p>I recommend that the Council issues letters chasing the non-payment of</p>	M	Agreed. The responsible officer will be reminded of the importance of issuing notification letters in a timely manner.	TH6	With immediate effect

	overdue ECTs at the earliest opportunity.				
15.2 – Phone and pay tariffs [3]	<p>I checked to see that the income from phone and pay (car parks) is complete. I found that the transaction records held by JustPark (who provide the phone and pay service) agreed to the Council's records for the sample date, and that the income raised had been correctly coded, invoiced, and that all funds had been received. However, I found that the prices charged by JustPark did not agree to the Council scale of fees and charges for 3/7 samples. 1/7 samples included additional charges levied by JustPark in relation to a notification fee. 2/7 samples were related to JustPark's failure to update the car park tariffs for the summer charges (in spite of repeated reminders and chasing by the Finance Manager). There was also an issue with incorrect tariffs being applied and some duplicated payments (resulting in a higher-than-normal number of refunds being issued).</p> <p>The Finance Manager has calculated the loss and is currently withholding a payment to JustPark pending the agreement of the compensation due to</p>	M	<p>Agreed. A meeting will be held with the account manager to resolve the issues seen in the summer of 2019 to ensure that this is not replicated in 2020.</p> <p>Compensation for the loss of income will be pursued.</p>	TH3	To be resolved by March 2020

	<p>the Council under the terms of the phone and pay contract.</p> <p>I recommend that the matter is resolved as soon as possible.</p>				
<p>17.1 – Retrospective approval for change in fee charged for winter market licence</p> <p>[3]</p>	<p>I checked to see that the income from the winter market was charged at the correct amount, and that funds had been received. I found that the Council has started operating a winter market this year, and that the two stallholders have both been granted licences. Both licences have been invoiced, paid, and coded to the correct nominal code in the accounts. However, the price charged does not agree with the prices set by the Council in September 2019.</p> <p>Council originally agreed three charges based on pitch size. When the market was set up, the Visitor Services Manager realised that the market would be more inviting if the stallholders were able to spread out (as it would show all goods on offer). The VSM, in consultation with the Mayor, agreed to charge the lowest fee of £230 for the first year, regardless of pitch size. The stallholders have indicated that trade has been good, raising expectations that the winter</p>	M	<p>The price change will be put to Council to be retrospectively agreed. It will also be put to Council to consider whether to grant the Visitor Services Manager discretion over the winter market stall prices (in consultation with appropriate Members) to allow for pro-active pricing.</p>	TIC1	<p>16th December 2019</p>

	<p>market could be a regular activity.</p> <p>I recommend that the price change is retrospectively agreed by Council, and that Council considers whether to grant the Visitor Services Manager discretion over the winter market stall prices (in consultation with appropriate Members) to allow for pro-active pricing in future years.</p>				
<p>2.2 – Procurement arrangements for non-tendered revenue expenditure</p> <p>[5]</p>	<p>I checked that items or services above the de minimis (£60k under the old Financial Regulations; £25k under the new ones) have been tendered, and that procurement arrangements are satisfactory. I found that all larger value single-item contracts have either been tendered or that the Council has procured them through a compliant framework agreement.</p> <p>I noted that most of the Council's significant recurring expenditure has also been through a compliant procurement process, but that there remain some areas of ad-hoc expenditure (such as tree works, and electrical services) where the Council places work directly with suppliers who are familiar with the Council properties.</p>	M	Agreed.	OPS 1	September 2020

	<p>Ideally these works would be packaged up (looking at a typical basket of services over a 3-5 year period) and let as one contract. This will enable the Council to prove that it is obtaining value for money.</p> <p>Where the works are deemed sufficiently specialist to fall under a financial regulation exemption from carrying out a competitive process, then this should be documented in order that the Council can agree the approach, and to ensure that expenditure is compliant with the Council's Financial Regulations.</p> <p>I recommend that such works are either tendered or, where an exemption exists, that a note is made of the exemption that applies.</p>				
<p>3.2 – Review of policies</p> <p>[5]</p>	<p>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</p>	M	<p>Agree. Preparation of a Policy Register with relevant dates of review will be produced and used as a monitoring tool to ensure compliance.</p>	<p>TH1 and management team</p>	<p>March 2020</p>

	<p>not consistent.</p> <p>I also noted that the Council does not have a published policy for GDPR, IT Security, Business Continuity or Member training & development.</p> <p>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 that the Council's risk register and policy documents are up to date.</p>				
<p>3.3 – Policy control sheet</p> <p>[5]</p>	<p>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.</p> <p>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</p>	M	Agreed – see above.	TH1 and management team	March 2020

	purpose (or the risk it is managing), the date of adoption, the review date, and where the policy is published, along with a note of who is responsible for the policy. 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.				
3.5 – Transparency Code data [5]	<p>I also noted that the Council's publications under the Transparency Code do not appear to be up to date, with payments lists only published to June 2017, tender and contract information to Q1 2015/16, and no information published in relation to other required items such as information on Council properties.</p> <p>I recommend that this information is published as soon as possible in order to ensure compliance with the Transparency Code.</p>	H	The required information is published (via agenda papers, minutes and the Dorset Explorer website), however, it is acknowledged that this should be made more readily accessible from the relevant web page.	TH1	September 2020
10.1 – Audit update report [6]	I checked to see that agreed audit recommendations have been implemented. I found that some recommendations relating to more complex matters (e.g. the resolution of issues with one of the Trusts administered by the Council, which rely	M	The progress of the implementation of agreed actions following audit recommendations should be reported to the Policy, Finance and Performance Management Committee for review.	TH1/TH3	October 2020

	<p>on responses from a third party; or the modification of Parking Orders, which require a review of the relevant legislation) had not been implemented by the agreed deadline.</p> <p>I recommend that an audit action plan is maintained for agreed recommendations that have not been fully implemented, with an update report made to the Policy, Finance and Performance Management Committee on a regular basis, in order to ensure that progress with implementing recommendations is monitored.</p>				
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Darkin Miller ~ Chartered Accountants
Appendix 2

SWANAGE TOWN COUNCIL: STRATEGIC AUDIT PLAN
2019/20 – 2022/23

	Days			
	2019/20	2020/21	2021/22	2022/23
	Actual	Planned		
Income				
Allotments		0.50		
Beach Gardens	1.00		1.00	
Boat Park (19/20: follow-up only)	0.25	0.50		0.50
Car Parks	1.25	2.00	1.00	1.00
Cash Collection and Bank reconciliation	0.25	0.75	0.75	0.75
Cemeteries	1.00			0.75
Debtors	0.75	0.75	0.75	0.75
Market	0.25			0.25
Lease Income		0.50		0.50
TIC Cash Income	0.50		0.50	
TIC Rent Income		1.00		1.00
<i>Section Total</i>	5.25	6.00	4.00	5.50
Expenditure				
Bookkeeping	0.25	0.50	0.50	0.50
Creditors – payments	1.00	2.00	2.00	2.00
Depot stocks and stores			0.50	
Payroll	1.00	1.50	1.50	1.50
Petty cash and imprests	0.25	0.50	0.50	0.50
Bank reconciliation and Treasury management	0.25	0.50	0.50	0.50
Budgetary Control	0.25	0.50	0.50	0.50
Risk Management	1.75	1.00	1.00	1.00
Year end procedures and Fixed Assets	1.00	1.25	1.25	1.25
<i>Section Total</i>	5.75	7.75	8.25	7.75
Other audit areas				
Trust Funds	0.40	0.25	0.25	0.25
Community Partnership	0.10	0.25	0.25	0.25
Available audit days/contingency	0.00	2.75	4.25	3.25
Fishermen’s Slipway – (3 days c/f from 2018/19)	4.75			
<i>Section Total</i>	5.25	3.25	4.75	3.75
Management/planning/reporting	1.50	1.00	1.00	1.00
TOTAL	17.75	18.00	18.00	18.00