

FINAL

Internal audit report 2020/21

Visit 1 of 5

SWANAGE TOWN COUNCIL

Date: 28th October 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, 5th, 6th, 16th, 23rd and 26th October.

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. Proper Bookkeeping (complete)
2. Risk Management (wip)
3. Income, with a specific focus on:
 - a. Boat Park (wip)
 - b. Market (wip)
 - c. TIC rent (beach huts, with an additional focus on the processing of refunds and transfers following the coronavirus lockdown) (wip)
4. Petty cash (wip)
5. Depot stocks and stores (complete)
6. Public rights (complete)
7. Exemption (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	0
Medium	0
Low	11
Info	0
TOTAL	11

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

Darkin Miller ~ Chartered Accountants
2020/21 INTERNAL AUDIT OF SWANAGE TOWN COUNCIL
FINAL REPORT VISIT 1 OF 5: 28th OCTOBER 2020

Appendix 1 – Recommendations and Action Plan

Recommendation number	Detail	Priority (Low/Medium/High)	Management Response	Responsible Officer	Due Date
6.1 – Update Petty Cash Totals at month end	<p>I performed a physical count of the petty cash and stamps held by the Town Hall (including enforcement, and the repaid Boat Park and Beach Gardens floats). I found that the monies contained in the tins/bags agreed to the value shown on the finance system, but that there was a £2.73 difference between the value of stamps shown (£35) and the value counted on 06/10/20 (£32.27). The Receptionist said that 5 2nd class stamps had been used in September (when the franking machine was not working). Due to reduced usage of petty cash during the lockdown, only one petty cash reimbursement has been claimed in relation to the Town Hall (for expenditure to August 2020), so the value of the 5 stamps has not yet been adjusted on the finance system. The value has also not been adjusted on the 'Petty Cash totals' spreadsheet, which is the manual record of the Council count and reconciliation of balances held, last updated on 14/08/20.</p> <p>I recommend that the Petty Cash totals spreadsheet is updated at month end in order to ensure that items with a poor inherent audit trail (cash and stamps) are fully reconciled regularly in the absence of the petty cash reimbursement (which updates totals on the finance system).</p>	L	Agreed.	TH3/TH6	October 2020
22.1 – Fully complete	The Council maintains a vehicle key issue log in a hard-back A4 log book. This records the date, key number, name of	L	Agreed	OPS1	October 2020

vehicle key issue log	<p>employee signing the key out, and has space for the signature of the employee on sign-out, and the stores supervisor on sign in. There is also a comment column if the return of the key is delayed (e.g. the vehicle is in the garage). I checked a random sample of 5 pages of the log book for the financial year, and found that 2 of the sample pages had a gap or gaps where the key had not been formally signed back in. The first sample had 3 gaps; the second 1. A flick through the other pages in the log book indicates that the majority of pages are fully completed.</p> <p>I recommend that all pages of the log book are fully completed in order to ensure that the issue and return of keys is fully evidenced.</p>				
22.2 – 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 there 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 01/04/20 to 20/10/20, which is the latest entry).</p> <p>On two occasions the driver has not signed the sheet against the usage record - one related to the digger, and the other to the dumper.</p> <p>I recommend that all sheets are fully completed.</p>	L	Agreed	OPS1	October 2020

22.3 – Fully complete Daily Vehicle Check	<p>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. One sheet did not have an entry for the final mileage for the month/total mileage used for the final visit, and another contained an entry on which the total mileage had not been calculated for one trip (although the start and end mileage were noted, so the total could be calculated retrospectively).</p> <p>I recommend that the sheets are fully completed.</p>	L	Agreed	OPS1	October 2020
22.4 – Consider Daily Vehicle Check summary and issue of vehicles numbers to all vehicles	<p>The September 2020 section of the file contained sheets for 12 vehicles, 10 of which had been assigned numbers and two of which (a Peugeot and a JCB Motorised Wheel Barrow) had not. Whilst the sheets are filed in month order, they do not appear to be filed in vehicle number, and there is no control sheet to confirm that all vehicle sheets for the month have been fully completed and are present in the file.</p> <p>I recommend that all vehicles are given a number, and that the Council considers introducing a monthly summary sheet on which the supervisor could place a tick for each sheet present, and sign and date the sheet to confirm that this check had been carried out. I further recommend that vehicle sheets are filed in number order behind the monthly summary. This would improve the audit trail and allow the Operations Manager to quickly confirm that all vehicle check controls had been complied with.</p>	L	Agreed	OPS1	December 2020

22.5 – Monthly check on radios	<p>I checked to see that radio issue sheets are correctly maintained. The depot manage the issue of radio for operations and car park enforcement staff. Operations staff have 7 radios (1 on main controller and 6 handhelds for use on site); car parks have 2. The radios held by the operations team and the senior enforcement officer (who has access to the depot) are monitored via the use of a hardback A4 book, in which the issue and return of radios is logged, with staff signing to evidence receipt.</p> <p>Most of the radios are signed out by the staff member using the radio, and signed back in by the stocks supervisor; but the radio issued to the second enforcement officer is signed in and out by the user (as they have no access to the depot, and their shifts often end after the depot has closed, meaning that there is no-one from Operations present to log the return of the car park radio).</p> <p>I recommend that the Council considers a monthly check (perhaps at month end) to confirm that the car park radio exists and is in good working order. This will help to ensure that there is control over smaller assets, without impacting on the practicality of daily operations.</p>	L	Agreed	OPS1	December 2020
22.6 – Loose leaf radio sheets	<p>The radio issued to the second enforcement officer is monitored via the use of loose leaf sheets in a green index file. One of the sheets was missing at the start of the audit but subsequently located at the back of the clipboard on which the current sheet is held. The sheets are not sequentially numbered but do follow in date order.</p>	L	Agreed	OPS1	October 2020

	I recommend that the loose leaf sheets are sequentially numbered, and that the completed sheets are transferred to the archive folder as soon as possible, in order to ensure that a complete record of radio issue and return is maintained.				
22.7 – Place name on each page of personal clothing record	<p>Clothing stocks are issued following the submission of a signed clothing request form. The form is signed by the stocks supervisor on issue, and by the Operations Manager or Deputy on review. The personal clothing issue record is updated to record all clothing issued (note this does not include stocks of masks or gloves which are classified as consumables, but records those stocks which are in use for a longer period of time). The signed request forms are filed behind the related personal clothing record, all of which are filed alphabetically in the Personal Clothing Issue folder (an A4 lever arch).</p> <p>I found that some of the personal clothing issue records included supplementary sheets on which details of stocks issued were recorded. The sheets have a corresponding date (for the issue of the first set of clothing), but do not contain the relevant staff name. This may make it easier to tie records back if the papers are misfiled.</p> <p>I recommend that any supplementary sheets are labelled with the staff name in order to make it easier to tie records back should the records become detached.</p>	L	Agreed	OPS1	October 2020
22.8 – Ensure clothing request forms are fully completed	I checked a sample of operations staff clothing records to confirm that all clothing request forms had been signed by the employee requesting clothing, the stores supervisor, and the operations manager; and that the related clothing record had been updated. I found that the majority of sample requests	L	Agreed	OPS1	October 2020

	<p>were fully completed and that all requests tied back to the clothing record, but that one of the clothing requests had not been signed by the employee to whom the clothing was issued. Staff must sign the form to evidence both the request and the receipt of the clothing, in order to ensure that the matter could not be disputed at a later time.</p> <p>I recommend that the clothing request forms are fully completed.</p>				
22.9 – Ensure all goods in are recorded	<p>Consumable stocks in and out (the latter excluding clothing issued to staff) are recorded on a spreadsheet. I checked a sample of 5 delivery orders to confirm that the items delivered had been properly recorded on the goods in spreadsheet.</p> <p>I found that 4/5 orders were fully reflected on the goods in spreadsheet, but that the fifth order (relating to 5 items) excluded a pack of saws. I checked with the Stores Supervisor and this appears to be an oversight, as saws are included on this list (and were included from a later order from the same supplier). The oversight may have occurred if the saws were not delivered at the same time as the rest of the order.</p> <p>I recommend that all consumable stocks are recorded on the stock movement record.</p>	L	Agreed	OPS1	October 2020
22.10 – Information on red tagged equipment	<p>I checked to see that stock loss/write-off controls are operating effectively. I found that there is a red label system in place for equipment which is damaged or malfunctioning. The user of the equipment places a red tag on and notes the problem and date. The matter is then reported to the Operations Manager or her Deputy for a decision. Equipment</p>	L	Agreed	OPS1	December 2020

	<p>is repaired where it is economic to do so, and replaced if not. The Stores Supervisor keeps a log of any equipment sent for repair (noting the equipment, date that the equipment was sent to repair, the company to whom the item was sent, and the date that the equipment was returned) in order to ensure that there is a note of Council equipment which is not on site.</p> <p>I found that there were two pieces of equipment which had been red-tagged. Both had been notified to management. One (a chainsaw) did not contain a note of the date that the fault developed.</p> <p>I recommend that the red tag includes a note of the user who identified and reported the issue, a note of the person to whom they reported the issue, details of the issue itself and of the date of malfunction. This will help to ensure that there is a full audit trail associated with any malfunctions, and that repairs or write-offs can be undertaken in a timely manner.</p>				
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