

Do the Numbers Limited
37 Upper Brownhill Road, Southampton, SO16 5NG
29th January 2016

Stephen Holley, Clerk
 Shaftesbury Town Council, Town Hall, Shaftesbury, Dorset SP7 8LY

Dear Stephen,

Subject: Matters arising from interim Internal Audit 31 March 2016

Further to my visit to the office yesterday, please find below details of the matters that should be addressed by the before the year end. I have not included any issues relating to Tracy's work as I would like to meet with her to gain a better understanding before making comment. Some of the matters are long standing and significant. I would like to see the council develop a point by point action plan to address each one.

Control area	Issue	Recommended Action
Minute signatories	There have been some instances during the year where not all pages of the minutes were initialled by the chair and one or two sets that have not been signed at all. This is contrary to LGA 1972.	Please could the chairs of all committees ensure that every page of the minutes is correctly approved at the meeting from now on.
Subcommittee approval	The full council is approving the minutes of committees but the minutes do not specify exactly which meetings are being approved. Good practice says that the date and name of each minute are included to allow confirmation that all meetings are properly recorded.	Please could the Full Council minute template be amended to include this information.
Payment approval	The list of payments is included in the agenda pack but only the total is included in the signed minute pages. This is not in accordance with LGA 1972.	The payment listing should comprise a page of the signed minutes from now on.
Bank balances	It is good practice to minute the cleared balance held at each bank account of the council at least once a quarter as an additional level of protection against fraud and theft.	The minute template of the GMC meetings should be updated to include this information.
Contracts and capital expenditure	The council agenda packs include the information about quotes and contracts but the minutes are the primary record of the council. Therefore the name, amount and, where relevant period, of all contracts and capital expenditure should be clearly recorded.	The minute template should be updated to include the key financial information that will evidence changes in the asset register.
Verbal reports to council	It appears that on several occasions in various committees, Chairs have made oral reports on significant issues. This is not good practice as all important information should be in the agenda pack, transparently and equally available to all members.	It may be worth adding "Items for next meeting" into the agenda so that matters which were not clear in good time for one meeting are properly addressed at the next.
Correspondence	When the officers are preparing the agenda to call meetings, it is good practice to include a list of correspondence received that should be drawn to the attention of members as an appendix to the Clerk's report to council.	There is no need to physically copy papers to members – they may either see the originals in the office, or the council could use a cloud service.

Risk Assessment	The Financial Risk Assessment approved by the council at March 2015 is not in accordance with good practice. It is significantly lacking in quantified detail, specific dates and information specific to Shaftesbury Town Council.	The council should download the proforma from the BDO extranet and populate it with the appropriate information in time for approval in March.
Constitution	The constitution document runs to over 170 pages, many of which are duplicated in more recent documents, many of which are not relevant to a Town Council and some of which are not in accordance with current legislation.	The constitution should be superceded by specific documents and policies with appropriate review dates and best practice information.
Budget spreadsheet	The budget spreadsheet used by STC is not in accordance with the regulations, the guidance or best practice. It is not fit for purpose and should not be used from now on. It does not appear to have any reference to prior year data, actual data or any evidence checks of completeness (this was one of the reasons for the 2014 External Audit Qualification). It is unclear whether figures are incremental or zero base budgeted. The numbers are all keyed in rather than formula driven so it is impossible to check whether they have been derived on a basis that complies with the regulations. Netting off is not permitted in budgets (or under UK GAAP)	The precept has been approved and, being in line with previous years, should be appropriate for the Council's needs. However before the end of the year a budget should be drawn up that is based on the accounting records and best practice. The Omega system had exactly such a report, Sage does not, so a spreadsheet will be required. There are best practice examples that will quickly resolve many of STCs budget discrepancies.
Wages budget	It appears that the wages budget has historically been kept entirely confidential, to the extent that Members have not been appropriately aware of the cost impact of their decisions. The costing sheet for the Pay rises in December did not include the effects of ERS NI and LGPS so was not in accordance with the regulations. The wages budget has also not included an appropriate level of contingency to cover sick leave, emergencies and unexpected staff changes.	As part of the recalculation of the budget (see above) the cost of employing each member of staff and each team of staff should be clearly stated in the papers for Members' attention. The level of, and basis for, contingency on wages should also be made clear.
Total cost of wages	It is good practice, and a significant step in the prevention of fraud for the terms and costs of employment of all staff to be minuted (confidentially) each year at the full council – usually as part of the budget setting process	When the budget has been rebuilt in an appropriate manner, this document can be approved in March.
Office hours	The office of the council is open to the public from 9am to 4pm most days. This leaves the officers little time when they know that they can get work done without distractions and interruptions.	It may be worth reducing the hours so that each officer has at least two hours of every day when they are free of telephone calls and emails.
Website working group	According to the minutes, this group included non members of the council. The council will be subject to the Transparency Code from 2017 (and should be starting to comply with it now) – the legal requirements of such are very specific.	Care should be taken that all members of the working group fully understand the specific requirements for a Town Council website.
Files and records of the council	During my visit it became clear that more than one file had been taken home by a member of the council. This is not appropriate and greatly increases the risk of the council.	Members are free to go through files at their leisure in the office but should never take them home.

Annual Accounts	Section 1 of the Annual Return that is submitted for External Audit comprises a summary of and extract from the Financial statements of the council. To approve Section 1, the Council must first have approved the Income and Expenditure report and Balance sheet, including having an understanding of debtors, creditors, obligations and contingencies. It is not apparent from the minutes or the file of prior year Annual Returns that full and complete accounts have been approved by the council in recent years.	The Omega system produced full accounts with comparatives but they were not used. The Sage system does not produce the appropriate reports so spreadsheets will be needed for 2015/16. A proforma spreadsheet set of accounts that drives straight from the Sage TB should be set up and approved by the council this year.
Scheme of delegation	Regular reference is made in minutes, agendas and correspondence to the "scheme of delegation" - which comprises several pages of the "Constitution". However that document has no legal basis and the scheme is based on the rules for a District Council rather than a Parish. The clerk has delegated authority under the NALC model Standing Orders and Financial Regulations to carry out the agreed actions of the council up to the individual transaction limit and the agreed budget.	The clerk has delegated authority and once the reporting systems are working smoothly (steps towards that will be in my February report) there should be no need for anything more complicated and unclear.
Member officer protocol	There is a form of protocol within the Constitution document, but it is not in accordance with best practice and has clearly not had the desired effect.	With the constitution defunct, a new protocol, based on one of the excellent examples available, should be adopted and implemented without delay.
Micro management by members	There has been a persistent and consistent problem, going back several years, of members of the council attempting to micro manage and interfere with the officers as they carry out their duties. This has resulted in the loss of staff, members and reputation. It has also directly impacted on the efficiency and effectiveness of the council from 2013 onwards. The minutes and records clearly show regular meetings and training sessions to "resolve" the issue and yet the attitude persists, to the detriment of the ratepayers of Shaftesbury. The council needs transparent empirical evidence of exactly where the problem lies and then the full council needs to work together, publicly, to ensure that there is a mindset change that will allow STC to improve its professionalism.	The telephone system of the council records the source and duration of all incoming calls. The email system records the number of messages received by officers. These data sets should be reviewed (ideally starting from a few months ago to ascertain the underlying pattern) and the number of emails and the number of minutes of incoming calls from each Councillor be quantified. Any councillor emailing more than once a day or on the phone for more than an hour a week should consider the impact they are having on the effectiveness of the paid officers.

If either you or your members have any queries, please do not hesitate to contact me.

I will be with you in the office on Tuesday February 9th where my focus will be on the accounting systems and records.

Regards



Eleanor S Greene