

Do the Numbers Limited
37 Upper Brownhill Road, Southampton, SO16 5NG
15th March 2016

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

Dear Stephen,

Subject: Matters arising from third interim Internal Audit visit for 31 March 2016

Further to my visit to the office today, please find below details of the remaining matters that should be addressed by the before the year end.

I must say how impressed I am with the progress that has been made by the officers and the council towards having a proper system of internal controls which will allow the Council to start to operate effectively.

Control area	Issue	Recommended Action
VAT Registration	Some of the activities of the Council fall under the criteria of "business activities" as per Section 5 of VAT publication 749	The council should follow the advice of the VAT specialists and register for VAT without further delay.
Fixed asset register	The fixed asset register document has much of the information needed to make it a key document in long term planning of capital expenditure.	The Grounds and Office staff should review the lifespan expectations of all significant assets and from that build a capex plan to feed into the budgets that are presented to members late in 2016 onwards.
Swimming Pool	The swimming pool has been transferred to the Council so unless other action is taken will become a cost centre, charging VAT on its income and recovering VAT on costs.	If the council wish to run the pool as a CIC or Charity, the Clerk should take advice from other councils that support open air pools as to the governance issues in advance of the 2016 season.
Earmarked reserves	The Omega system cannot (yet) automatically track movements on earmarked reserves. A spreadsheet that can be linked to the ledgers will be of use to the council.	The spreadsheet should be used from March onwards to ensure that reserves and commitments are correctly recorded.
Budget commitments and virements	The Omega system can record adjustments to budgets allowing the officers to provide to members accurate, complete and forward planned information.	The costs of the training to make the changes has not been previously budgeted, but the beneficial impact on transparency and effectiveness of the council is clear.
Staffing Review	The outcomes of the staffing review do not appear to fully dovetail with the long term requirements of the council.	Before the review is fully enacted, professional advice should be sought on the HR aspects and members review / clarify the level of required sector knowledge (as distinct from commercial type knowledge) for the councils.

Update on Previous reports

The overall list is still long but the improvements will allow better reporting, decision making and improved trust as time goes on.

Control area	Issue	Recommended Action
Payment approval	The payment listing is typed rather than generated directly from the accounting software	From March the Omega listing will be included in the agenda / minutes
Bank balances	Good practice to minute the cleared balance at each bank account at least once a quarter as an additional level of protection against fraud and theft.	The Omega Bank reconciliation report should be added into the agenda pack from now on
Verbal reports to council	It appears that on several occasions in various committees, Chairs have made oral reports on significant issues.	Items for the Next Agenda has been added into the template and as information flows improve, this matter will resolve itself
Risk Assessment	The updated Risk assessment is out for approval by the council, and complies with the requirements	As the control environment of the council improves, it can be reviewed every six months.
Total cost of wages	The terms and costs of employment of all staff should be minuted each year at the full council – usually as part of the budget setting process	For 2016/17 can be done at the start of budget setting
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 from telephone calls and emails.
Website working group	The council will be subject to the Transparency Code from 2017	All members of the working group fully understand the requirements for a Town Council website.
Scheme of delegation	Regular reference is made in minutes, agendas and correspondence to the “scheme of delegation”	The statutory documents should be prepared from best practice by December 2016
Member officer protocol	The protocol is not in accordance with best practice and has clearly not had the desired effect.	A protocol based on best practice should be adopted by December 2016
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.	It is essential for the effectiveness of the Council that roles and responsibilities are adhered to according to best practice.
Bank balances	It is good practice to minute the cleared balance held at each bank account of the council at as an additional level of protection against fraud and theft.	The minute template of the GMC meetings should be updated to include the Omega Bank report .
Bank reconciliation	It is good practice for members to check that the reconciliation as minuted agrees to the actual bank statement on a monthly basis	All members should take turns to check statement agrees to the reconciliation once a month.
Bank interest	The council keeps almost all of its funds in the current account earning no interest at all. The remaining funds are in an account earning 0.05% interest.	Officers should investigate alternate accounts that might provide some return on reserves.
General Reserves	The formal guidance states that general reserves should be between 3 and 6 months of revenue expenditure.	General reserve for a council of the size of STC should be around 3 months of expenditure.

Earmarked reserves	All earmarked reserves should have a clearly identified location / asset to which they relate, a clearly determined total value and a defined date upon which they will be spent in full.	In time for the October 2016 budget setting round, all earmarked reserves should be reviewed for compliance with the guidance.
Minute signing	Not all pages of the minutes were initialled by the chair / signed at all	Done
Subcommittees	Full council is approving the minutes of committees incompletely	Done
Contracts	Information about quotes and contracts should be clearly recorded.	Done
Correspondence	List of correspondence received drawn to the attention of members	Done
Constitution	The constitution document runs to over 170 pages,	Done
Budget spreadsheet	The budget spreadsheet used by STC is not in accordance with regulations	Superceded by Omega
Wages budget	Wages budget has historically been kept entirely confidential	Done
Files and records	more than one file had been taken home by a member of the council.	Done
Annual Accounts	full and complete accounts have not been approved in recent years.	Resolved by Omega
Accounting Software	2015/16 STC switched from Omega to Sage for its accounting records.	Reverted to Omega at 31 Jan 2016
Budget comparisons	The Omega software budget monitoring reports by committee	Done
Software training	The officers have not been able to use the full functionality of the software.	Done
Invoice authorisation	Invoice authorisation is done onto a cover sheet,	Done
Credit control	Receipts are by cheque and slows down cashflow.	Done in Sage and now Omega.
Monthly reports	It is good practice for the RFO to review the printed reports on a monthly basis	Reports file set up from February 2016
Staff overtime	Members have had concerns about staff overtime	Resolved
Salary rises	Members concerns staff had been paid salary increments	Resolved
Delegated Authority	There appears to be some confusion about what the £500 actually covers.	Regulations clarified as per best practice
Budget spreadsheet	Spreadsheets and documents budgets for 2015/16 and 2016/17	Resolved with Omega
Rifles Monument	Ongoing issue	Ownership transferred and installation planned

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

I will be return to the Council on Tuesday May 3rd to review the completed accounts of the council and the systems and records that support the relevant sections of the Annual Return.

As always I will be available to discuss any issue with any member of the council at the end of the day.

Regards



Eleanor S Greene