

**Do the Numbers Limited**  
37 Upper Brownhill Road,  
Southampton, SO16 5NG  
11<sup>th</sup> February 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 this week, please find below details of the matters that should be addressed by the before the year end. This report is in addition to that which I issued after my January visit. Some matters are addressed in both reports because my second visit produced further clarification. At my March 15<sup>th</sup> visit I would like to focus will be on income streams and Grants / SLAs as well as drawing together year end documents.

<b>Control area</b>	<b>Issue</b>	<b>Recommended Action</b>
Accounting Software	At the start of 2015/16 STC switched from Omega to Sage for its accounting records. It is not clear why the change was made, bearing in mind that Omega is widely used Parish sector specific software that makes compliance with the legislation simple and Sage is a book keeping programme for small companies.	The council should look to generating its year end accounts on the Omega system and return the book keeping to that software from 1 <sup>st</sup> April 2016 so that reporting and information flows can improve.
Budget comparisons	The Omega software is geared to producing budget monitoring reports by committee and separating capital and revenue items. It is unclear why the previous clerks did not make use of these accurate and simple to produce reports in previous years.	If the officers enter the 2015/16 and 2016/17 budgets to Omega it will allow accurate and complete budget monitoring, directly traceable to the underlying records to be produced from now on.
Software training	The officers have not previously been able to make use of the full functionality of the software – including its direct link to the Facilities Booking software already in use. Bespoke training will allow them to start to use the system without delay.	As soon as possible a training session should be booked for all officers with RBS (the supplier) so that the budget and actual data can be reported to members using the Omega software.
Invoice authorisation	At present, purchase invoice authorisation is done onto a cover sheet, doubling the size of the ledger files, using extra resources and increasing the risk of that page becoming separated from the invoice.	The officers should purchase an authorisation grid stamp so that the original invoice is marked for approval and payment.

Credit control	At present, most income receipts are by cheque which increases administration time and slows down cashflow.	The invoice template should be updated to include bank details and FPS payment by customers encouraged.
Monthly reports	It is good practice for the RFO to review the printed reports on a monthly basis to ensure that there are no anomalies and that control accounts balance.	The Finance officer should print the I&E, Balance sheet, TB, aged debtors and aged creditors each month and the RFO should check that they all accord with each other.
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.
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 that the 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.	After the year end, officers should investigate alternate accounts that might provide some return on reserves.
Staff overtime	Members have had concerns that staff overtime may not have been properly approved and the hours may have breached the working time directive.  Upon investigation it became clear that the staff total hours were within the WTD and that the overtime was in stead of an extra member of staff so within the budgeted figure approved by the council and therefore correct procedures had been followed by the officers.	The council should be aware that there is an ERS NI benefit to having more lower hours staff and once the year end is complete it may be worth reviewing whether the vacant grounds post should be filled. Once the reporting and minuting systems have been updated in accordance with IA recommendations, such concerns about payments should not recur.
Salary Increments	Members have had concerns from their analysis of wages that staff had been paid additional salary increments over and above that which had been budgeted. A detailed analysis of the Sage payroll data for 2014/15 and 2015/16 showed this not to be the case. All fluctuations in gross pay for the office team were fully supported by extra duties - particularly Mayoral functions.	Again this is an issue which would have not arisen had the financial reporting systems of the council been efficient, prompt and transparent.  Once the system changes, officers will have a clearer understanding with which they will be able to accurately inform members.
Clerk's Delegated Authority	There appears to be some confusion about what the £500 actually covers.  In the regulations, it is to allow the clerk to spend, without the prior approval of members, on matters for which there is no clear budget. The most common usage in councils is vandalism repairs.	Where the council has agreed a budget for a category of expenditure, the Clerk needs no further approval to spend up to the budgeted or minuted amount. All delegated payments should be allocated to a budget line and approved at the next available meeting.
General Reserves	The formal guidance states that general reserves should be between 3 and 6 months of revenue expenditure. Having previously had insufficient reserves, the council now has an appropriate level.	The level of general reserve for a council of the size of STC should be kept between 3 and 4.5 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.
Budget spreadsheet	<p>Following my visits, the officers have sent to me all of the spreadsheets and documents that pertain to the budgets for 2015/16 and 2016/17</p> <p>I have to some extent been able to cross reference them to the underlying records, but the lack of built in control checks has resulted in minor transposition errors and incompleteness regarding prior year reserves. This is a fault of the design of the sheets rather than their implementation.</p> <p>It is therefore essential that all budget and monitoring reports from now on be based on the Omega software – this will assist officers in producing reports swiftly after month end cutoff date and allow easy drill down to source records to answer member queries.</p>	<p>As recommended above, the budgets for 2014/15, 2015/16 and 2016/17 should be entered onto the Omega system.</p> <p>The “actuals” values for 2014/15 and before are already there.</p> <p>2015/16 actuals can be input by journal (leaving the drill down data accessible in Sage) and then 2016/17 full data set will go into Omega.</p> <p>Taking this approach will result in year end figures upon which officers, members, auditors and ratepayers can place reliance.</p>
Rifles Monument	<p>This sculpture is currently in storage by the council at a cost of £65 per month and its current location is not in accordance with the wishes of the subscribers who paid for it.</p> <p>The council has an identified appropriate location for the monument but the final ownership is still to be decided.</p> <p>One of the parties seeking ownership is an informal grouping of individuals who may not have made provision for the insurance, maintenance and upkeep of the monument in perpetuity.</p> <p>The other two parties are the council themselves and a registered local charity.</p>	<p>It is unlikely that the heirs of any individual would be willing to take on the liability for insuring and maintaining such a monument.</p> <p>Therefore the council should allow the charity to complete their deliberations and arrange for the erection of the monument and either the transfer of ownership to the charity or its inclusion in the schedules and registers of the council, ideally before the year end.</p>

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

Regards



Eleanor S Greene