

Agenda item 9

For decision - Approval of internal audit report, reappointment of Internal Auditor, statement of internal controls and disposal of assets

Author: Hannah Watts, Assistant Finance Officer

Internal Audit

Frome Town Council approved the appointment of Kevin Rose, IAC Audit and Consultancy Ltd as our internal auditor for 2024/25 at Oversight Committee on 31 January 2024. Kevin has provided the internal audit report from his visit on Thursday 5 September 2024, [a copy of this report was taken to Oversight on 23 October 2024, but it can be viewed on the website here.](#)

Kevin reviewed:

- The accounting system and records
- Payment system, income billing
- Collection and VAT, payroll
- Bank reconciliations
- Accounting statements and trust funds.

The second internal audit visit was conducted on 19th December 2024. Kevin reviewed;

- Risk
- Insurance
- Income
- Leases
- Grants
- Bank Payments
- Petty Cash

[You can view the internal audit report from 19 December 2024 on the website here at Appendix 9.1.](#)

If Cllrs have any questions on the internal audit reports, please let me know in advance of the meeting where possible (hwatts@frometowncouncil.gov.uk).

Recommendation

1. Approve the internal audit report for the internal audit conducted on 19 December 2024.

Kevin Rose has advised where improvements can be made. Kevin has been reassuring with the change of systems in 2024/25 – we have started using a new accounting software (Xero) from 1 April 2024. We also have been using Approval Max alongside this for our purchase order system and approval of bills, which has been rolled out to all staff. We also moved to Staffology for our payroll software from 1 August 2024. We recommend reappointing Kevin Rose, IAC Audit and Consultancy Ltd as our internal auditor for 2025/26. Kevin is independent from Frome Town Council, Councillors and staff members and is competent.

Recommendation

2. Approve the reappointment of Kevin Rose, IAC Audit and Consultancy Ltd as our internal auditor for 2025/26

Statement of Internal Control

As part of Frome Town Council’s Annual Governance and Accountability Return (AGAR) Frome Town Council are asked as part of the Annual Governance Statement to confirm that ‘We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and review its effectiveness.’ Therefore, we are asking the Oversight Committee to review our internal controls set out below. Once these have been reviewed this means we can select yes on the statement at 2024/25 yearend.

The purpose of an internal control is to mitigate or eliminate risk to the Council by following processes and procedures that are in place. Not all risk can be eliminated but can usually be reduced to a residual risk which is deemed acceptable.

Internal audit	<p>Frome Town Council appoint a competent, independent internal auditor to review the accounts, processes and procedures in line with Joint Panel on Accountability and Governance (JPAG) and the Annual Governance and Accountability Return (AGAR).</p> <p>The reports from the internal audit visits are reported to Oversight Committee for them to review and approve.</p>
External audit	<p>Frome Town Council is required to submit the Annual Governance and Accountability Return (AGAR) within the timeline set by the External Auditor.</p> <p>The Annual Governance and Accountability Return (AGAR) needs to be approved by Council, and we have to publish information on our website and noticeboard as per the guidance set by the External Auditor.</p> <p>The external audit report is required be published on the website; we also take the report to Oversight Committee for information.</p>
Cashbook and bank reconciliations	<p>Now we are using Xero accounting software the cashbook has a live bank feed for the Barclays Current bank account and the Barclays Savings bank account, this means transactions are automatically added to the cashbook on Xero, we then add the details and add the original documents (bills, sales invoices, receipts from purchases or bank statements) and reconcile.</p> <p>For all other cashbooks we manually enter the transactions and add the details and original documents as above.</p> <p>We reconcile all cashbooks monthly to ensure all transactions are accounted for.</p>

<p>Financial Regulations and Standing Orders</p>	<p>We have Financial Regulations and Standing Orders in place for employees and Councillors to follow.</p> <p>Both of these policies are reviewed annually, and we have a working document throughout the year that we can add suggestions to for amending them at the next review. If there are any major amendments to be made these will be agreed before the review date at the appropriate meeting.</p>
<p>Procurement</p>	<p>Financial regulations set out the procurement procedures for staff and councillors to follow.</p> <p>Now we are using Approval Max for purchase orders, we have an approval process in place for different values. Up to £500 will issue the purchase order, over £500 will require budget holder approval and over £3,000 requires Responsible Finance Officer (Business Manager) approval in addition to the budget holder's approval.</p> <p>All invoices (apart from petty cash, direct debits and standing orders) go through Approval Max for the budget holder to approve. If the invoice is over £3,000 the Responsible Finance Officer (Business Manager) also needs to approve the bill.</p> <p>Purchases over £25,000 follow the tender process.</p>
<p>Payment controls</p>	<p>Each bill should have a purchase order number where possible. Bills need to be addressed to Frome Town Council with our full address.</p> <p>Assistant Finance Officer sets up payments which then are approved by Responsible Finance Officer (Business Manager) or Town Clerk if urgent approval is required when Responsible Finance Officer (Business Manager) is absent. If Assistant Finance Officer is absent, then Responsible Finance Officer (Business Manager) sets up payments for Town Clerk to approve. We have limited users (Responsible Finance Officer (Business Manager), Town Clerk and Assistant Finance Officer – we are in the process of setting up Deputy Town Clerk). All users have a card to log into the bank with a secure pin number.</p> <p>Two Councillors meet Assistant Finance Officer monthly to go through and approve payments made.</p> <p>Payments over £100 are published with the finance report to Oversight Committee.</p> <p>All direct debits are signed by three bank signatories to set the direct debit up.</p>
<p>Internal bank transfers</p>	<p>As we receive the precept from Somerset Council in April for the whole year, we ensure that we transfer the majority of the precept into our savings accounts.</p>

	<p>We update bank mandates as soon as possible after elections to update the authorised bank signatories.</p> <p>All transfer from savings accounts back to the current account require three bank signatories.</p>
VAT reclaims	<p>All invoices are addressed to Frome Town Council with the full address so VAT can be reclaimed.</p> <p>The VAT return is checked and completed through Xero (accounting software).</p>
Income controls	<p>All cash and cheques are counted and then stored in a secure safe until banking. Only a limited number of staff members have access to the safe.</p> <p>All cash and card transactions are recorded through Sum Up. Cash is reconciled to the Sum Up reports.</p> <p>Xero (accounting software) sends automatic reminders for invoices outstanding and Business Administrator contacts customers with outstanding invoices on a monthly basis.</p> <p>Responsible Finance Officer (Business Manager) sends off the precept request to Somerset Council in a timely manner once Councillors have agreed the budget.</p>
Financial reporting	<p>Financial reports go to Oversight Committee for Councillors to approve.</p> <p>Councillors can ask the Business Team any questions they may have.</p> <p>Two Councillors meet Assistant Finance Officer monthly to go through and approve payments made.</p> <p>Budget holders have access to Xero, can ask for reports and have meetings with Business Team to discuss.</p> <p>The Annual Governance and Accountability Return (AGAR) needs to be approved by Council after financial year end.</p>
Budget controls	<p>The budget is prepared by Responsible Finance Officer (Business Manager) in consultation with the Town Clerk, Managers and Councillors and approved by Council at the January meeting.</p> <p>The budget sets out the precept that is required which is approved by the Council at the January meeting each year.</p>

	Responsible Finance Officer (Business Manager) sends off the precept request to Somerset Council in a timely manner once Councillors have agreed the budget.
Payroll controls	<p>All employees are paid under PAYE as an employee of the Council, we use Staffology payroll for our payroll software, this system connects to HMRC ensuring the necessary tax, National Insurance etc. payments are taken into account.</p> <p>Assistant Finance Officer processes payroll and Responsible Finance Officer (Business Manager) checks and authorises this. The salary budgets are agreed by Council in the budget setting meeting usually in January.</p> <p>Assistant Finance Officer reports to associated organisations (Local Government Pension Scheme, NEST, Unison, HMRC and Prudential pension) in a timely manner.</p> <p>Assistant Finance Officer completes annual pension returns in line with the guidance and deadlines set.</p> <p>Assistant Finance Officer sets up payments which then are approved by Responsible Finance Officer (Business Manager).</p>
Risk	<p>The risk register is taken to Oversight annually for approval.</p> <p>Risk assessments are completed for tasks and events by the relevant member of staff.</p>
Asset control	<p>The Business Team maintain a current asset register. The Business Administrator adds assets to the asset register where required.</p> <p>The asset register is reviewed annually.</p> <p>Assets that cost over £500 require Councillor approval at Council or Oversight committee for disposal.</p> <p>We ensure that adequate insurance policy is in place for the assets we have. We obtain quotes every three years.</p>

Recommendation

3. Review and approve the Statement of Internal Control

Disposal of Assets

We recommend that the following assets are disposed of, in the table below you can see the value and reason for disposal.

ID	Description	Cost	Purchase date	Reason for disposal
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BUNTo01	Town bunting	£850.00	15/07/2016	The bunting was leant to Frome Carnival a few years ago, they have since been storing and using the bunting. Frome Town Council have had new bunting made by the community at various events which we use. So, our suggestion is that we remove the Town bunting from our asset register as we have not inspected this for a few years.
LAPo25	HP ProBook 440 G6 (supplied Dec 2019)	£590.00	01/04/2020	This laptop was running very slow, and programmes were not responding. ITEC (our IT company) asked us to upgrade to Windows 11, but it still had the same issues. The second line team at ITEC checked the laptop and said that it wasn't repairable. It is suggested that we donate this to Dontate IT for spares and repairs.
MACo02	Space grey MacBook Pro 13"	£1,480.60	18/05/2018	Rachel Griffin and more recently Laura Hales was using this. However, it kept going into sleep mode even though it was in use and with plenty of charge. This MacBook is out of warranty and ITEC advised it would not be financially viable to repair it. It is suggested that we donate this to Dontate IT for spares and repairs.

Please note that Councillors agreed via email to Sarah Williams for the disposal of the following;

ID	Description	Cost	Purchase date	Reason for disposal
VANoo1	Van Ford Transit (HJ56 ZNN)	£4,730.00	01/04/2012	We have purchased a replacement e-Van for our old yellow transit van. We have now disposed of the old van. The van was in very poor structural condition. It cost £2,000 for specialist welding at the last MOT, and it will need more at some point in the near future. Cosmetically the van had a number of scratches and dents.

				Given the uncertainty over its structural integrity and the poor cosmetic condition we believe it only had scrap value or marginally more. We have removed the logos and received approval via email from the majority of Councillors to Sarah Williams for approval to sell this for £300.
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Recommendations

4. Approve the disposal of assets in the table above
5. To ratify the disposal of Transit van (HJ56 ZNN)