



Paul Wynne  
Town Clerk  
Frome Town Council  
Frome Town Hall  
Christchurch Street West  
Frome  
BA11 1EB

20th January 2025

Dear Paul,

### **Interim Internal Audit (Second Audit)**

An audit was carried out by Kevin Rose on Thursday 19 December 2024. This was the second internal audit, following on from previous audit on 5 September 2024

The audit was undertaken using the standard IAC Audit Checklist, that we use for all Local Councils, which has 208 items. A total of 49 items were tested during this audit in addition to the 94 tested at the first audit and pre-audit. The balance of 65 items will be checked during the Year End audit.

The following 'Internal Control Objectives' of the Annual Internal Audit Report (part of the AGAR) were checked and confirmed as being Not Applicable to your Council for this financial year.

*-Exemption from External Audit (Box K)*

*-the Transparency Code (for Smaller Authorities) (Box L)*

#### **Areas subject to audit were;**

- the Payment system (Box B)
- Risk and insurance (Box C)
- Budget and precept setting and monitoring (Box D)
- Income billing, collection and VAT (Box E)
- Petty cash (Box F)
- Payroll (Box G)
- Bank reconciliations (Box I)
- the Publication of the Annual Governance and Accountability Return (Box N)
- Trust Funds (Box O)

Of the 45 applicable items tested a Positive response was obtained in respect of 9 tests. There were 9 Negative responses identified and 14 Observations were made, details of which are set out in the attached Interim Internal Audit Observations.

#### **Summary of tests undertaken during this audit**

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Positive response	36
Negative response	9
Not Applicable to your Council	4
Total tests carried out	<b>49</b>

I am pleased to advise that no 'Non-Compliances' were identified at this stage that would give rise to a negative response on the statutory Annual Internal Audit Report, although this will depend on the External Auditors response to my Observation N1 in respect of publication of the External Auditors report.

One matter that I would particularly like to draw to the Council's attention is the review of Risk. It is a requirement of the Annual Governance Statement and Annual Internal Audit report to confirm that a review of Risk has been carried out during the financial year. As at the date of this interim audit this has not yet been done. The Council must ensure that such a review is conducted and formally recorded in the Minutes prior to the end of the financial year.

I would like to express my thanks for the assistance provided to me during my audit.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'K. Rose'.

Kevin Rose ACMA  
Director

# Frome Town Council

## Financial Year 2024-25



IAC Audit and Consultancy Ltd

Audit date: 19 December 2024

### Visit 2 Internal Audit Observations

**B** *This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.*

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
1	Is expenditure on Credit / Debit Card subject to independent review and scrutiny?	Yes	<i>It was noted that items paid for using the Charge Card do not follow the same authorisation process as other purchases (they do not go through the Approval Max system).</i>	The Council should review the approval process on payments made through the charge card and consider whether these should go through the same 'Approval Max' process as other Council expenditure.	Medium	All transactions using a card need the cardholder's approval. The cardholder should check that budget holder's approval has also been given for the purchase. Purchase orders should be entered to Approval Max for chargecard purchases which go through the approval process. Cardholders are; Town Clerk, Business Manager, Assistant Finance Officer and Lead Ranger.
2	Have invoices been approved as required under Council Financial Regulations?	Yes	<i>The Council is now using 'Approval Max' software to manage the procurement process. It is understood that there is an approval matrix in the system, this includes an approval level for items below £500. It is not clear that the approval matrix in the system fully agrees with that set out in the Councils Financial Regulation 9.</i>	The Council should review the approval matrix in the Approval Max software and ensure that it corresponds with the requirements of the Council's Financial Regulations. If necessary the Council to amend either the Financial Regulations or process so that both agree.	Medium	Financial Regulations are to be reviewed in May 2025. Approval Max processes will be included.
3	If payments are made under Direct Debit and Standing Order have these been subject to review and approval by Council in accordance with Financial Regulations? (This is 7.9 of NALC Model Financial Regulations).	No	<i>It is not clear that the Councils Financial Regulations cover the requirements in respect of payment by Direct Debit of Standing Order.</i>	The Council to review how its Financial Regulations cover payments made by Direct Debit and Standing Order.	High	Financial Regulations are to be reviewed in May 2025. Direct Debit and Standing Orders will be included.
4	Has the Council complied with the requirements of the Public Contract Regulations?	To Check	<i>The Council has used Contracts Finder for large value procurement, however it does not appear that the Council has published the details of awarded Contracts on the portal as required.</i>	The Council to note the requirement for it to publish the detail of awarded contracts on the Contract Finder portal.	Medium	Noted that we should publish the details of awarded Contracts on the portal, we will check previous Contracts.

**C This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.**

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
1	Council has formally documented Internal Controls	No	<i>From a review of records it does not appear that the Council has formally documented Internal Controls.</i>	Council should formally document its Internal Controls.	High	Report to be taken to Oversight Committee on 29th January 2025.
2	The Council, meeting as a whole, has reviewed the effectiveness of its internal control system as required by Regulation 6 of the Accounts and Audit Regulations 2015	No	<i>The Council has not reviewed the effectiveness of its internal control system as required by Regulation 6 of the Accounts and Audit Regulations 2015. (This is also a requirement to satisfy Assertion 2 of the Annual Governance Statement.)</i>	Council to note the requirement for it to regularly review the effectiveness its internal control system prior to the approval of the Annual Governance Statement.	High	Report to be taken to Oversight Committee on 29th January 2025.
3	The value of the Councils Fidelity Insurance covers the value of the Councils cash & bank holdings	No	<i>The value of the Councils Fidelity Insurance, at £2 million, does not cover the value of the Councils cash &amp; bank holdings. (as at the date of the audit visit these stood at approximately £2.4 million).</i>	The Council to review the level of its Fidelity insurance and consider whether it is adequate to cover the value of cash and bank balances held.	Medium	Insurance quotes are currently being obtained, we will ensure adequate cover is in place where possible.
4	Has the Council carried out necessary risk assessment in respect of any CCTV systems in use (if so does the Council have a copy on file)?	To Check	<i>From a review of records it does not appear that the Council has put in place a Data Impact Assessment for its CCTV cameras.</i>	The Council to review the requirements for CCTV cameras and ensure that any required Data Impact Assessments are put in place.	High	Environment Manager has completed a Data Impact Assessment for the Ranger's Office at Victoria Park. Town Hall Steward is in the process of completing a Data Impact Assessment for the Town Hall.

**E Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.**

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
1	Is there an appropriately approved schedule of fees and charges which is published on the Councils website?	No	<i>It is not clear that the Councils maintains a formal schedule of fees and charges.</i>	The Council to put in place a formal schedule of Fees and Charges	High	Marketing and Communications Manager is currently reviewing Town Hall hiring fees to be agreed at Oversight Committee or Council meeting.

**I Periodic bank account reconciliations were properly carried out during the year.**

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
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1	Bank reconciliation have been subject to independent review (not by a bank signatory). (Interim)	No	<i>Bank reconciliation have not been subject to independent review (not by a bank signatory). It was noted that the Councils Financial Regulations do not state this as a requirement, although it is stated as a requirement in NALC Model Financial Regulation 2.6 and The Practitioner's Guide (1.10 inter alia)</i>	Bank reconciliations should be subject to independent review as set out in The Practitioners Guide.  The Council to consider amending its Financial Regulations to include this requirement.	High	Noted - RFO (Business Manager) to review
2	Bank reconciliations have been signed and dated as evidence of independent review (Interim)	No	<i>See above</i>	See above	Medium	Noted - RFO (Business Manager) to review

**N**     ***The authority has complied with the publication requirements for 2023/24 AGAR (see AGAR Page 1 Guidance Notes).***

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
1	The Council has published the External Auditors report on its website in accordance with the requirements of Regulation 13 of the Accounts and Audit Regulations	No	<i>The Notice of Conclusion of Audit was dated 15th October. The Notice states that this was the date of receipt of the External Auditors report (the date of signature on the External Auditors Report was 26th August 2024). The Accounts and Audit Regulations (Regulation 13) require that the External Auditor Report has to be published 'no later than 30th September'.</i>  <i>The Internal Auditor is aware of similar problems experienced by other Councils.</i>	The Council should clarify with the External Auditor what response is required in respect of the 2024-25 Annual Governance Statement due to the delay in publication of the External Auditors Report.	High	Assistant Finance Officer has contacted the External Auditor for clarification. As we were unable to publish the 2023/24 external report by 30 September we are required to answer 'No' to Assertion 4 of the Annual Governance Statement. When a 'No' response is given we are also required to publish the reason why. The reason for this was that the external report was not received by FTC until 15th October 2024, despite two communications with the External Auditor's office.

**O**     ***(For local councils only)***  
***Trust funds (including charitable) – The council met its responsibilities as a trustee***

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
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1	Trust assets are recorded as assets of the Trust, and NOT as assets of the Council	No	<p><i>It was noted that various items, mainly play equipment, which stand on Charitable Land, are recorded as assets of the Council.</i></p> <p><i>Items which are permanently affixed to Trust land should be recorded as assets of the Charity, not the Town Council.</i></p>	The Council should review its asset register and ensure that Trust assets are recorded as assets of the Trust and NOT as assets of the Council	High	We understand this recommendation, however the Town Clerk had legal advice a few years ago and as the only objective of the charities is to keep land open to the public (or similar), the assets still belong to Frome Town Council. This means the Charity commission returns are simplified. Frome Town Council are responsible for the assets (including insurance, inspections and all maintenance).
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