



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

17th September 2024

Dear Paul,

### **Internal Audit Visit 1**

An audit was carried out by Kevin Rose on Thursday 5 September 2024. This was the first internal audit visit, part of the annual internal audit coverage of the Council. Prior to the audit a 'Pre-Audit' was carried out remotely which tested items which are required to be published on the Councils website.

The audit was undertaken using the standard IAC Audit Checklist, that we use for all Local Councils, which has 208 items. A total of 93 items were tested during this audit, including items that were examined and tested as part of the pre-audit process. A balance of 115 items remain to be tested.

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 Accounting system and records (Box A)
- the Payment system (Box B)
- Income billing, collection and VAT (Box E)
- Payroll(Box G)
- Bank reconciliations (Box I)
- Accounting Statements (Box J)
- Trust Funds (Box O)

Of the 85 applicable items tested a Positive response was obtained in respect of 75 tests. There were 10 Negative responses identified and 14 Observations were made, details of which are set out in the attached Interim Internal Audit Observations.

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**Summary of tests undertaken during this audit**

Positive response	75
Negative response	10
Not Applicable to your Council	8
Total tests carried out	<b><u>93</u></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.

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**

**Visit 1 Internal Audit Observations**

Audit date: 5 September 2024

**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	Does the Council use the NALC model Financial Regulations?	No	<i>The Council does not use the NALC model Financial Regulations. This can make it difficult to ensure that the Council is aware of, and complies with, proper practices. It can also make it difficult to revise and update regulations to reflect changes in statutory requirements.</i>	The Council to consider adopting the NALC model Financial Regulations.	Medium	Town Clerk and RFO to discuss and make a recommendation to Council.
2	Has a Responsible Finance Officer (RFO) been appointed with specific duties in accordance with section 151 of the Local Government Act 1972?	No	<i>The current RFO of the Council is the Business Manager, however it was noted that this appointment has not been formally confirmed either through the Contract of Employment or Financial Regulations.</i>	The Council to consider amending its Financial Regulations, and/or the Contract of Employment, to formally record that the Business Manager is the RFO for the Council.	High	Proposal to go to Oversight/Council.
<b>C</b> <i>This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</i>						
No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
1	The Council, as a body, has undertaken a formal review of risk (this cannot be delegated to sub-committee) - Interim Audit	No	<i>As at the date of the first Internal Audit the Council had not formally Minuted a review of Risk, this was previously carried out in January 2023. It is understood that this will be carried out in January 2024.</i>	The review of Risk is a key requirement of both the Annual Governance Statement and the Annual Internal Audit Report. The Council MUST ensure that it Minutes a formal review of Risk prior to the end of the financial year.	Advisory	FTC have undertaken a review of Risk and this was formally minuted at Council on 31 January 2024.
<b>D</b> <i>The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.</i>						
No.	Audit Test	Response	Observation	Recommendation	Priority	Comments

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Financial Year 2024-25**



**IAC Audit and Consultancy Ltd**

**Visit 1 Internal Audit Observations**

Audit date: 5 September 2024

1	The Council has reviewed any points raised by the Internal Auditor as required	Yes	<i>The Council formally Minuted and review of the internal auditors report at the meeting of 15th May 2024, however this was after the Council had approved the Annual Governance Statement, in particular Assertion 6 which relates to the maintenance of an effective internal audit.</i>	In future the Council should review the annual report of the Internal Auditor prior to approving the Annual Governance Statement in order that it may give a complete response to Assertion 6 of the Annual Governance Statement.	Medium	Noted
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E	<i>Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.</i>					
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No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
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1	Is there is an investment policy in place? (obtain copy)	No	<i>The Council does not have a formal Investment Policy in place.</i>	The Council should note that it is a specific requirement of the 'Statutory Guidance on Local Government Investments' paragraph 14 that Local Councils with total investments above £100,000 have in place an Investment Strategy. (An example strategy has been provided to the RFO)	High	The RFO and Cllr Anne Hills will review the example strategy provided and prepare an Investment policy for Oversight/Council to approve.
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2	Is income due on investments subject to regular check and verification? (Is investment performance regularly reported to Council?)	No	<i>It was noted that a detailed report on investments was presented to the Oversight Committee 26th July 2023. From a review of Minutes it is not clear that the Council has established a regular process for the review of investment performance.</i>	The Council should put in place arrangements for the regular review and reporting of investment performance. This review should be recorded in Minutes of the appropriate meeting.	High	Noted
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G	<i>Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.</i>					
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No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
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**Frome Town Council**

**Financial Year 2024-25**



**IAC Audit and Consultancy Ltd**

**Visit 1 Internal Audit Observations**

**Audit date:** 5 September 2024

1	Salaries paid agree with those approved by the council	Yes	<p><i>It was noted there was a difference in the rate of pay of two members of staff (both appear to have been paid below the correct rate) and a small difference in the contracted hours of work of another member of staff.</i></p>	<p>The Council undertake a review of salaries paid and confirm that they are correct and are in accordance with contractual terms and conditions.</p> <p>Council to review any short payments and arrange to make payment of any arrears.</p> <p>Where staff are paid pro rata the Council should, in particular, check and verify both the pro rata pay is correct and that the hours paid agrees to the hours stated in employment contracts.</p>	High	<p>Noted. The amendments to underpayment were made in September 2024 payroll following the Internal Audit visit. A review of contracts versus payroll records has been conducted and all relevant documents updated.</p>
2	The Members allowances have been paid in accordance with approved rates	No	<p><i>The Council approved an annual allowance of £1,500 at a meeting held on 18th January 2023, (£125 per month) but the amount being paid is £103.33 or £1,240. It is understood that this lower amount is due to a subsequent recommendation by the Parish Remuneration Panel.</i></p> <p><i>Council has not formally considered and agreed to the lower amount and it is not clear the Council has formally considered the report of the Remuneration Panel.</i></p>	<p>The Council must formally approve the rate of Councillors Allowance to be paid.</p> <p>The Council must also comply with the other requirements as set out in the Member's Allowance Regulations (a copy of the relevant section of the regulations and the NALC Legal Topic Note have been provided to the Town Clerk and RFO with this report)</p>	Medium	<p>Ratification of the amount in the recommendation by the Parish Remuneration Panel will be taken to the next appropriate Oversight/Council meeting.</p>
3	The Council has published the details of Members Allowances paid in accordance with Regulation 15 (3) of Members Allowances Regulations 2003.	No	<p><i>The Council has not published the details of Members Allowances paid in accordance with Regulation 15 of Members Allowances Regulations 2003.</i></p>	<p>The Council to note the publication requirements in respect of Members Allowances and to ensure that details of allowances paid are published in accordance with the Regulations.</p>	High	<p>Noted. Publication to be made in accordance with regulations.</p>

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4	Payroll payments are subject to independent review and approval	Yes	<i>The current practice is that payroll is prepared by the Assistant Finance Officer and subject to review and approval by the RFO this is confirmed electronically (sometimes via Teams). At present it is not practice to formally retain a copy of the payroll authorisation for audit purposes.</i>	The Council to review how evidence of payroll approval is generated to ensure that a record is retained and available for audit purposes.	Medium	Noted. Process has been changed to be conducted by email approval, copies of which will be retained in the relevant monthly payroll folder.
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**L** *The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.*

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
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1	The Council has complied with the publication requirements of the ICO Model Publication Scheme for Parish Councils. (This includes a requirement to publish the Annual Internal Audit Report).	No	<i>From a review of the Councils website it is not clear that the Council has fully complied with the requirements of the ICO Model Publication Scheme for Parish Councils. In particular the Council has not published the annual report of the Internal Auditor and has not published details of expenditure over £100.</i>  <i>The Council has published expenditure over £500, which is a requirement of the Transparency Code, but this code does not apply to Town and Parish Councils with income and expenditure below £6.5 million (See Statutory Instrument 2015/480).</i>	The Council should note the legal requirements to publish information in accordance with the ICO Model Publication Scheme (Version 3).  Although this is not a requirement under the Accounts and Audit Regulations 2015, or the AGAR, the Council should note that it is a statutory requirement under the Freedom of Information Act.	Advisory	Noted and procedure amended. FTC now publishes payments over £100 quarterly (from 1/4/24).
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**M** *The authority, during the previous year (2023/24) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).*

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
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<b>Frome Town Council</b>									
<b>Financial Year 2024-25</b>								<b>IAC Audit and Consultancy Ltd</b>	
<b>Visit 1</b>	<b>Internal Audit Observations</b>							<b>Audit date:</b> 5 September 2024	
1	Council Minutes record the dates set for the Exercise of Public Rights	No		<i>Council Minutes of 15th May 2024 record Council approval of the dates for the Exercise of Public Right but do not record the dates set for the Exercise of Public Rights. It was noted that the supporting appendices do state the dates to apply.</i>		In future the Council to ensure that the dates set for the Period of Exercise of Public Rights is recorded in Council Minutes. This is accepted as audit evidence that the Council has complied with its statutory obligations if the Notice should not be retained on the Council website.	Medium	Noted.	

**Frome Town Council**

**Financial Year 2024-25**



**IAC Audit and Consultancy Ltd**

**Visit 1 Internal Audit Observations**

Audit date: 5 September 2024

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

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
1	Trust income and expenditure has been transacted through a separate bank account in the name of the Trust and has not been recorded in Councils accounts	No	<i>It was noted that income and expenditure of the Mayors Charity has been recorded as income and expenditure of the Town Council.</i>	Trust income and expenditure should not be recorded as income and expenditure of the Council. Given the low volume and value of the transactions on the Mayor's Charity it may be appropriate for these transactions to be recorded in a Control Account on the balance sheet.	Medium	A control account on the Balance Sheet has always been in use, FTC will no longer record transactions in the Income & Expense accounts.
2	The Council has submitted necessary Charities Commission returns	Yes	<i>It was noted that the Council, as Trustee, has submitted the required returns to the Charities Commission, however all three returns were filed late. It was noted that returns for the Millenium Green have been filed late for the last 5 years.</i>	<p>The Council to note that it has not complied with the filing deadlines for the charities returns. The Council to also note that, in the case of the Millenium Green Charity, this has also occurred over a number of years.</p> <p>The Council to ensure that, in future, all Charities Annual Returns are submitted prior to the deadlines set by the Charities Commission.</p> <p>The Council to consider what response it may give in respect of Assertion 9 of the 2024-24 Annual Governance Statement.</p>	High	Noted.



# Audit summary - visit 1 Frome Town Council

(shaded Internal Control Objectives are not applicable to your Council)



Audit 1 Date 5 September 2024

Internal Control Objective		N/A	Tested	Positive	Negative	Observations	Non Compliance
Box A	Appropriate accounting records have been properly kept throughout the financial year.	-	6	6	-	-	
Box B	This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	1	19	16	2	2	
Box C	This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	-	2	1	1	1	
Box D	The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	1	10	9	-	1	
Box E	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	3	10	5	2	2	
Box F	Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	-	-	-	-	-	
Box G	Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	1	24	21	2	4	
Box H	Asset and investments registers were complete and accurate and properly maintained.	-	-	-	-	-	
Box I	Periodic bank account reconciliations were properly carried out during the year.	1	5	4	-	-	
Box J	Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	-	2	2	-	-	
Box K	If the authority certified itself as exempt from a limited assurance review in 2023/24, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2023/24 AGAR tick "not covered")	-	-	-	-	-	
Box L	The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.	-	1	-	1	1	
Box M	The authority, during the previous year (2023/24) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).	-	5	4	1	1	
Box N	The authority has complied with the publication requirements for 2023/24 AGAR (see AGAR Page 1 Guidance Notes).	-	5	5	-	-	
Box O	(For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee	1	4	2	1	2	
<b>Totals</b>		<b>8</b>	<b>93</b>	<b>75</b>	<b>10</b>	<b>14</b>	<b>-</b>