

Responsible Financial Officer Reports (8-15)

8. RFO Report – to provide an update on the Council’s accounting systems Attachments – 8i. Balance Sheet as at 31 March 2020, 8ii. Income & Expenditure for year ended 31 March 2020

The attached reports are provided to give information on the Council’s position at year end.

Completion of the year end accounting procedures took longer than expected for a number of reasons. Undertaking the process for the first time with the new software, which records more information than the previous system e.g. reserves, ironing out any glitches from the initial set-up and correcting mistakes made during the year was exacerbated by the pandemic which prevented staff working together, and the new internal auditor visiting in person to complete the necessary checks (the whole year assessment as interim checks had not been carried out by the previous auditor). In March, a great number of bookings already invoiced and, in some cases, paid, were cancelled and therefore it was also necessary to ensure that credit notes and/or refunds were processed and reconciled to correctly reflect the year end position.

The account’s clerk like other office staff commenced homeworking from the start of lockdown, while spending two days in the office to work on the accounting system which was not remotely accessible. Unfortunately, this time was eaten up carrying out other duties which needed to be performed in the office and very little progress was made. Further setbacks included the software being unavailable, the power being off and the server going down. The account’s clerk is now working all her contracted hours in the office, with a slightly amended work pattern, and prioritising inputting the 2020/21 transactions to bring us up to date. The pandemic has resulted in a reduced number of financial transactions from April e.g. no Public Hall and Guildhall payments to process, and we expect this to be completed by the next Council meeting in August, when budgets reports to the end of July will be presented. (We currently estimate approx. 20 hours is required to complete each month’s work, plus additional essential tasks such as payroll, VAT return etc)

Staff are now fully conversant with the operation of the system for day to day transactions. As transaction levels increase with facilities reopening, monitoring of officer hours required to maintain the system is needed to ensure it is adequately resourced. Rialtas offer a paid service to undertake the year end on behalf of Councils, and the RFO will investigate this to assess whether the savings in officer time would justify the additional expense. While the introduction of the new accounting system has not gone smoothly in the first year, it does provide a more transparent and robust system that previously used, to move forward with.

9. **Annual Internal Auditor Report 2019/2020** to receive and consider the Internal Auditor's report.
Attachments - 9i. Internal Audit Report, 9ii. Annual Internal Audit Report (from AGAR), 9iii. Internal Audit Coverage Coronavirus Impact

The Internal Auditors Report includes 3 recommendations as follows:

<p>1. Procedure manuals are produced for all key areas in sufficient detail to allow a temporary or new member of staff to undertake the function with minimal disruption.</p>
<p>A comprehensive manual is currently in place at the TIC, while detailed instructions exist for aspects of the Facilities Assistant and Admin Assistant roles, such as for the process for raising all invoices.</p> <p>It will be time consuming to put these in place but may also assist in reviewing the number of officer hours required for various tasks. In view of the priorities currently set for senior staff and the account's clerk this task should be considered for the October to December 2020 quarter.</p>
<p>2. The Council reviews its current reserves to ensure it is in compliance with best practice and its own reserve policy.</p>
<p>In accordance with the Council's reserves policy it should hold a minimum of £147,563 in general reserves (based on 2020/21 budget). The balance is currently £94,175 however, in addition it has £100,000 in an earmarked reserve for a possible investment in the cattle market redevelopment. As Cornwall Council have sourced funding for phase 1 (the workspace) it is unlikely that an investment opportunity with a satisfactory return would be possible, and therefore these monies could be returned to the general reserve to rectify this position.</p> <p><u>Recommendation:</u> To agree to return the monies in the Cattle Market Investment reserve to the general reserve</p>
<p>3. A member verifies bank reconciliations on at least a quarterly basis.</p>
<p>Bank reconciliations on all accounts are undertaken monthly by the account's clerk and checked by the RFO. To accord with Financial Regulation 2.2 these should be verified quarterly by a member who is not the Chair or an account signatory (RB, SC, JP, JS, NT, CW). It is suggested this takes place on or around Friday 14 August when the first three months reconciliations will have been completed and can be reported to Council on 25 August.</p> <p><u>Recommendation:</u> To agree which Councillor will undertake this check</p>

In addition, four other actions are suggested:

<p>1. Financial Regulation 11.1(b) sets out the requirement to comply with the Public Contracts Regulations 2015 and places a limit of £60,000 (the Council's own threshold for a formal tender process). <i>The Regulations apply to procurements above £25,000 whether they are subject to a formal tender process or not and it is suggested that the wording is amended to reflect this and that the Regulations are followed for all such procurement activity.</i></p>
<p>The annual review of the Financial Regulations is due in August 2020 and this suggested amendment should be included.</p>
<p>2. Purchase orders are used and are kept in a separate file rather than being appended to the invoice. <i>The audit trail would be enhanced if purchase orders were attached to the invoice once payment has been agreed. The Council's accounting system has a purchase order module which also allows commitments to be taken into consideration when monitoring budgets and may be worth considering.</i></p>
<p>Since we began homeworking, a new more detailed electronic purchase order register has been in operation, which can be remotely accessed. This will be maintained, and in future the paper copy attached to the invoice on receipt.</p>
<p>3. Payments are included on payment schedules which are reported to and approved by Members, the values included are exclusive of VAT, so the total amount of actual payments are not included. <i>The control should be in respect of payments made not the impact on the Council's accounts and thus the total value of payments should be included in future.</i></p>
<p>This commenced from 24 March 2020 and is already in place as per the schedule of payments presented at this meeting.</p>
<p>4. The Council reviewed its risk management arrangements in June 2019 and must be mindful of the requirement to review the effectiveness of its internal controls prior to approving the Annual Governance Statement. <i>The Coronavirus pandemic has had significant impacts on local councils not only in terms of the way that work is carried out but for some there will be significant losses of income and potentially increased costs. The Council's experience should be reflected in its risk management arrangements and continuity planning as well as any financial impact being included in its budget management processes and reserves policies.</i> <i>In addition it is suggested that a formal appraisal of the impact of the pandemic, including (the unlikely) possibility that there is an impact on the 2019/20 accounts, is carried out as part of the Councils approval of the Annual Governance Statement, specifically Assertion 8.</i></p>
<p>The Review of Internal Controls and Financial Risk Assessment are presented at agenda item 10 and include reference to the impact of the pandemic.</p>
<p>Members should consider these impacts when responding to assertion 8 of the Annual Governance Statements presented at agenda item 11.</p>

The following points should also be noted, and actions taken:

<p>1. Internet banking controls are about to be strengthened to incorporate Member 'release' of payments.</p> <p>The Town Clerk, Account's Clerk and RFO undertook training with HSBC on 30 April for use of the new bacs payments system which requires Councillors to authorise payments electronically before they are released. However, this has not yet been rolled out to councillors due to the restrictions of the pandemic.</p> <p>The RFO will contact those councillors involved (RB, SC, JP, JS, NT & CW) to consider how this may be done safely with support provided to ensure payments are not delayed.</p>
<p>2. TIC/Museum - Testing revealed that in a couple of instances takings had not been banked; new procedures have been implemented and we will test them during 2020/21.</p> <p>New procedures have been agreed to be implemented from reopening of the TIC and museum, and staff briefed. The RFO will monitor implementation.</p>
<p>3. Shop Rents - Rental income is charged in line with the leases provided; in one instance a copy of a renewed lease could not be located so we will test that one during the next financial year.</p> <p>We were unable to provide a current lease for the small office at the Guildhall. We hold a lease dated 2012 expiring in 2015. Property committee minutes from 2015 show a resolution that this should be renewed at an increased rent until September 2018. The increased rent has been charged, but we are unable to locate the lease which will now also have expired. Coodes have been contacted for a copy, however, they indicate that their office is closed during the current Coronavirus.</p> <p>This matter should be passed to the Facilities committee to ensure it is in order by the interim internal audit checks in December 2020.</p>

Recommendations:

- a) **To agree to return the monies in the Cattle Market Investment reserve to the general reserve**
- b) **To agree which Councillor will undertake the bank reconciliation verification check in mid-August**
- c) **To agree that the RFO should make regular reports to Council on the progress of all actions from the internal auditor's report.**

10. Annual Review of the effectiveness of Internal Controls and Risk

Management Arrangements 2019/2020 – to review the effectiveness of internal controls and risk management arrangements for 2019/2020 and consider any additional action required

Attachments – 10i. Statement of Internal Control 2020, 10ii. Financial Risk Assessment

Annually, the Council must review the effectiveness of its internal controls and risk management arrangements, before considering the Annual Governance Statements. The attachments are provided to assist with the review.

Recommendation: To approve the Statement of Internal Control 2020 and Financial Risk Assessment as reviewed July 2020

- 11. Annual Governance Statement 2019/2020** – to respond to each of the nine Statements of the Annual Governance Statement (Section 1 – Page 4).
Attachment – 11. AGAR

The Council must consider and respond to each statement, with reference to the discussions on agenda points 9 and 10. As advised by the internal auditor, particular consideration must be given the impacts of the current coronavirus pandemic.

Recommendation: To approve the Annual Governance Statement for 2019/20 as completed by the Council for signature by the Chairman and Clerk

- 12. Accounting Statements 2019/2020** – to consider and approve the Accounting Statements for 2019/2020 signed by the RFO (Section 2 – page 5).

The Accounting Statements for 2019/2020 within attachment 11 which have been checked by the internal auditor are presented for approval.

Recommendation: to approve the Accounting Statements 2019/2020 for signature by the Chairman

- 13. Budget Monitoring 2020/2021** – to receive and accept a report on all committee budgets for monitoring purposes.
Attachment – 13. Budget Monitoring Report – to follow

Recommendation: To accept the budget monitoring report

- 14. Schedule of Payments** – to receive and approve the schedule of payments.
Attachment – 14. Schedule of Payments

Recommendation: To approve the Schedule of Payments

- 15. Aged Debtor** – to agree action on an outstanding debt

On 26 May 2020 Council considered the following item:

15/20 AGED DEBTORS – *Councillor Hawken proposed, Councillor Cassidy second and the Council RESOLVED to write off the smaller items and refer the largest item to the Facilities Manager and the Chair and Vice Chair of Facilities to further consider and bring back a recommendation.*

The larger item (£119 commercial hire of the Public Hall) has been referred to the Chair and Vice Chair of the Facilities committee, and following discussion, a further attempt have been made to recover this amount, including statutory interest and late payments fees totalling a further £11.89 but payment has not been received.

Recommendation: To agree action to be taken on this outstanding debt