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# **Abergavenny Town Council**

***Internal Audit Report (Final update) 2021-22***

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***Claire Lingard***

***For and on behalf of  
Auditing Solutions Ltd***

## **Background**

Statute requires all town and parish councils to arrange for an independent Internal Audit (IA) examination of their accounting records and systems of internal control and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR).

This report sets out the work undertaken in relation to the 2021-22 financial year, during our interim review of the Council's records for the year, which took place on the 14<sup>th</sup> & 15<sup>th</sup> January, 12<sup>th</sup> April, 22<sup>nd</sup> May and the 22<sup>nd</sup> June 2022. We wish to thank the Town Clerk/RFO in assisting the process, providing the documentation necessary to facilitate completion of our review for the year.

## **Internal Audit Approach**

In commencing our review for the year, we have again had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover is designed to afford assurance that the Council's financial systems remain robust and operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory regulatory framework. The programme is also designed to facilitate our completion of the 'IA Certificate' in the Council's AGAR, which requires independent assurance over a series of internal control objectives.

## **Overall Conclusions**

We are pleased to advise that, based on the work undertaken this year, the Council continues to maintain generally adequate and effective internal control arrangements with seven areas of concern identified in relation to Best Practice Minute taking, Financial Reporting and the management of the council's funds under deposit. These are recorded in the main body of the report and in the appended action plan. We have discussed the report, our conclusions and recommendations with the new Town Clerk/RFO, prior to its onward presentation to Members.

We have noted that the Council has continued to take all reasonable steps both to comply with Central government public health directives re: Covid-19, which have been amended from time to time, whilst ensuring that the Council's service provision remains consistent.

We take this opportunity to thank the new Town Clerk/RFO who has prepared all the required documentation for both the interim and this final update audit of the 2021-22 financial year. We are grateful for the expedient and exemplary manner in which the documents were presented for this review process.

We ask that members consider the content of this report and acknowledge that the report has been formally reviewed and adopted by Council.

# Detailed Report

## Review of Accounting Records & Bank Reconciliations

The Council's accounting records are maintained using Rialtas Omega software with separate current and deposit accounts in place at Barclays with transactions recorded in a single cashbook in the accounting software: a daily sweep facility is in place to retain a current account balance of £10,000. The Council also holds a short-term "investment" account with the Gateway Credit Union. Further the council utilises a Barclays Bank Credit Card and Debit Card.

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. We have consequently:

- Verified the accurate carry forward of closing trial balance detail in the 2021-22 Statement of Accounts to the current year's Omega records;
- Noted that the Council maintains a Barclays Bank Debit Card which is maintained for the purposes of online banking access but not utilised for financial transactions;
- Noted that the Council maintains a Barclays Bank Credit Card with a £4,000 credit limit, which is authorised only for the Town Clerk/RFO's use, to ensure that the Town Council is able to procure items from internet products and services vendors;
- Checked and verified the Barclays Bank Credit Card Statements for April and September 2021, and March 2022 with no issues arising;
- Noted that the Council received an Unqualified External Auditor's report for the 2020-21 financial year;
- Noted that only ten journals have been processed in the financial year to the 31<sup>st</sup> March 2022 in relation to corrections and year-end accruals;
- Examined detail in the Council's combined cashbook for three months: April & September 2021, and March 2022 agreeing detail to the supporting bank statements;
- Verified the inter-account transactions between the current and deposit accounts for the same two months;
- Checked and agreed detail on the monthly bank reconciliations as of 30<sup>th</sup> April and September 2021, and the 31<sup>st</sup> March 2022; and,
- Ensured that the notice for the Exercise of Public Rights to examine the 2020-21 financial year Annual Return and Accounts was properly declared and advertised.

### Conclusions & Recommendation

***We have noted that there is no record in the Council's Published Minutes of any Bank Reconciliations being presented to Members for scrutiny and formal approval, as required in the NALC / One Voice Wales model Financial Regulations (Para 2.2 refers), as also adopted by the Council.***

***R1. The Town Clerk/RFO should ensure that reconciliations of the Council's Bank Accounts are undertaken on at least a quarterly basis and presented to Members for scrutiny and formal approval, as required in the council's own model Financial Regulations (Para 2.2 refers).***

## Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework in place, that Council and Committee meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we are reasonably able to ascertain as we do not attend meetings, no actions of a potentially unlawful nature have been or are being considered for implementation.

We note that Abergavenny Town Council has now employed a new Town Clerk/RFO who has been in post now for almost six months. The Town Clerk/RFO is in the process of registering to undertake the CiLCA qualification which will, when achieved, assist the Council in becoming eligible to adopt the General Power of Competence which will be introduced in Wales from the 5<sup>th</sup> May 2022.

We note that the Council's Standing Orders and Financial Regulations were both re-adopted at the Annual Meeting of the Full Town Council on the 12<sup>th</sup> May 2021 under Minute references 10 and 11 respectively. The formal Tender threshold remains consistent with the extant Public Contracts Regulations, 2015, at £25,000.

We have concluded the review of the Council and Standing Committee minutes for the financial year to the 31<sup>st</sup> March 2022, as posted on the Council's website to ensure that, as far as we are reasonably able to ascertain, the Council has neither considered nor is considering taking any actions that may result in ultra vires expenditure being incurred. We have noted however, that Best Practice Minute recording, particularly in relation to the reporting of the Council's Financial business is not being employed. We have made comment and recommendations for improvement in our summary below.

We are concerned to note that minutes approving grant payments fail to identify the powers relied on for each such payment to be made, in line with best practice. This issue had been raised and corrected accordingly by the former Town Clerk/RFO.

### **Conclusions & recommendations**

*We noted the Members response to our recommendations made as a result of the interim review, recording that 'cut and paste' recommendations had been made. We advise the Clerk/RFO and Members that all the recommendations made were in direct relation to our findings and were made on this basis only.*

### **Best Practice Minute Taking**

*We recognise that the Town Clerk/RFO is new in post and is also new to the peculiarities of Council business. We have therefore taken this opportunity to make a small number of recommendations which will assist both her and the Council in achieving Best Practice Standards. To this end we recommend that the Town Clerk/RFO undertakes the SLCC online course on Agenda setting and Minute taking. In the meantime, the Town Clerk/RFO may wish to view Chepstow Town Council's online Minutes as an example of Best Practice Agenda setting & Minute taking by a Welsh Council. The hyperlink is included below:*

[http://www.chepstow.co.uk/Meetings\\_Agendas\\_and\\_Minutes\\_30231.aspx](http://www.chepstow.co.uk/Meetings_Agendas_and_Minutes_30231.aspx)

*R2. To ensure Best Practice in the setting of Council and Committee meeting Agenda and Minute taking, the Town Clerk/RFO should, as soon as is practicably possible, enrol on an SLCC or OVW course for Agenda setting and Minute taking.*

*To ensure that the new Town Clerk/RFO has access to the most recent Statutory and Legislative information concerning all aspects of Council governance, she should ensure that she procures a copy of the “Yellow Book” (Charles) Arnold-Baker on Local Council Administration. The book is now in its twelfth edition and remains the key text for local councils. The publication offers a complete statement of the Law relating to Town, Parish and Community councils, through an extensive and succinct narrative accompanied by comprehensive statutory material.*

*R3. To ensure the Town Clerk/RFO is able to provide accurate advice and guidance to Council Members, she should procure a copy of the 12<sup>th</sup> edition of (Charles) Arnold-Baker on Local Council Administration, and ensure that the current version of the volume is maintained in the Town Clerk/RFO’s office at all times.*

### **Recording the Council’s Financial business: Agenda & Minutes**

*The Minutes of a Council form its permanent legal record of all business resolved and transacted by Members. It is critical that all Councils conduct their business, and particularly their Financial Operations not only properly and transparently, but that they are seen to conduct their business properly and transparently, in full compliance with their Standing Orders and Financial Regulations.*

*The Council’s Minutes for the year to the 31<sup>st</sup> December 2021 make reference only to the fact that budget, expenditure and reserves reports have been Approved by members, these reports are not identified, monthly schedules of payments are not identified and there is no reference to any bank reconciliation having been undertaken, bank statement examined or signed off by members during the financial year.*

*The Council’s own Financial Regulation requires that:*

- “2.1 All accounting procedures and financial records of the Council shall be determined by the RFO in accordance with the Accounts and Audit (Wales) Regulations, appropriate guidance and proper practices.*
- 2.2 On a regular basis, Chairman of Policy & Resources Committee shall verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations.”*

*It is deemed Best Practice that Council’s include a specific Finance section of the Agenda of every meeting of the Full Council, or its Finance & General Purposes Committee where one exists. This should include:*

- 1. Presentation of the uniquely identified Schedule of Payments with supporting Invoices for Scrutiny, Approval and Signature by Members : (Monthly).*
- 2. Presentation of the Income & Expenditure report (Omega generated) for the preceding month, for Scrutiny and Approval by Members : (Monthly).*
- 3. Presentation of original Bank Statements and corresponding (Omega generated) Bank Reconciliation Statements for Scrutiny, Approval and signature by Members : (Preferably Monthly but at least once quarterly).*
- 4. Presentation of the Budget Vs Actual report (Omega generated) for the year to the prior month end – (At least once quarterly).*
- 5. Presentation of the Council’s Reserve position as at the prior month end – (At least once quarterly).*
- 6. Presentation of Annual draft Budget and Precept for Scrutiny and Approval by Members : (Annually).*

7. ***Presentation of the Annual Return and Accounts information for Scrutiny and Approval by Members : (Annually).***
8. ***Presentation of proposed Virements of funds to and from Earmarked reserves : (Prior to a Virement being transacted).***

***Each item included on the Agenda should be Resolved separately and that Resolution recorded formally, in the corresponding Minutes. An example Best Practice recording of financial matters may be found under Minute reference 123 of the 24<sup>th</sup> November 2021 Minutes of Chepstow Town Council. The hyperlink is included below:***

***[http://www.chepstow.co.uk/ UserFiles/Files/ Minutes/127157-Minutes\\_OM 24th November 2021.pdf](http://www.chepstow.co.uk/UserFiles/Files/Minutes/127157-Minutes_OM_24th_November_2021.pdf)***

***R4. In line with best practice, the Scrutiny, and Resolution for Approval or Non-approval for Payment Schedules, Income & Expenditure Reports, Bank Statements, Bank Reconciliations, Budget Vs. Actual Reports, Reserves Statements, Budget & Precept, Annual Return & Accounts and Virements should be recorded as line items under a dedicated 'Finance' section in the corresponding Council or Committee Minutes.***

#### ***Recording of Powers to incur expenditure, awarding grants and donations***

***We have noted that, after this situation had been corrected, the Powers under which Members are Resolving to make the Award Grant Aid and Donations, are no longer being recorded in the Minuted Resolution. As the Council is not yet eligible to adopt the General Power of Competence it is a mandatory requirement that the Powers under which these awards are made are recorded alongside the Award of the Grant in the Minuted Resolution. For example:***

- ***Resolution to Award Grant Aid to a Bowling Club to assist with the restoration of the bowling green - (Local Government (Misc. Prov.) Act 1976, s.19).***
- ***Resolution to Award Grant Aid to local events, i.e., a fireworks display, community event, event promoting the local area - (Local Government Act 1972, s.145).***
- ***Resolution to Award Grant Aid to a Climate Change initiative/organisation which is a non-political body - (Climate Change and Sustainable Energy Act 2006, s.20).***
- ***Resolution to Approve the Award of Grant Aid to a Citizens Advice Bureau - (Local Government Act 1972 s.142 (2A)).***
- ***Resolution to Approve the Award of Grant Aid to a Search & Rescue organisation - (Public Health Act s.234).***
- ***Resolution to Approve the Award of Grant Aid to a Sports Club: Rugby/Football/Gymnastics etc., - (Local Government Act 1972 s.145).***

***We also remind the Town Clerk/RFO and Members that organisations which are in receipt of direct government funding, i.e., the NHS and associated medical services providers, Schools, Armed Services, Police Services, Fire Services, and individuals are not eligible to receive any funding whatsoever from Town, Community or Parish Councils under any circumstances whatsoever. Councils may Award Grant Funding and Donations to properly constituted charities and other not for profit organisations which are based and/or active locally within the Council's boundaries as established by the Local Governments Boundaries Commission (Wales).***

***R5. The Town Clerk/RFO and Members must ensure that when making the Award of Grant Aid the Power under which all Awards are made is properly considered and formally recorded in the Minutes of the Full Town Council and its Standing Committees with the Local Government Act 2000, s.2 (s.137) only being used as the 'Power of last resort', which may only be used when no other Power exists, and the applicant is not a prohibited organisation or individual.***

## Review of Expenditure & VAT

Our aim here is to ensure that: -

- Council and Trust resources are released in accordance with the approved procedures and budgets;
- Payments are appropriately supported, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and/or an acknowledgement of receipt, where no other form of invoice is available;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- An official order has been raised on each occasion when one would be expected;
- The correct expense codes have been applied to invoices when processed; and,
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We note that the Council now pays all traders and staff salaries online and have discussed the operative procedures for processing and approval of payments for release with the Town Clerk/RFO and consider them to be generally sound, with the Town Clerk/RFO setting up the payments and a nominated councillor then, following advice of the payments being set up, going online, reviewing the detail, and then releasing the payments. We encourage the new Town Clerk/RFO to formalise these processes in an official Financial Procedures document to ensure business continuity should a key member of staff be absent from work at any time.

During the Final Update audit of the year, we extended our Review of Payments testing sample to include 55 payments in total for the financial year to the 31<sup>st</sup> March 2022 (*28 payments interim*) including all payments in excess of £1,000 and every fifteenth payment irrespective of value to ensure compliance with the above criteria. Our test sample totals £358,134 (*£170,707 interim*) and equates to 92% by value of non-pay related payments in the year with the testing criteria appropriately met.

The high percentage arises due to the level of “match funding” and Grant Aid awarded in the year. We have noted that the Council’s published Approved Minutes;

- Extraordinary meeting of the Full Town Council of the 15/09/21, (recording to background to the request for additional funding), Minute ref. 86.
- Ordinary meeting of the Environment Committee of the 15/09/21, Minute refs. 85 & 86.
- Ordinary meeting of the Policies & Resources Committee of the 10/11/21, Minute ref. 16.

record the Members’ resolutions to provide further funding, via the Award of Grant Aid to the Borough Theatre project due to the projects original budget estimates circa £400,000 now exceeding £1 million.

As at the 30<sup>th</sup> September, the Grant Aid being considered is recorded in the amount of £20,000 per annum for a period of five years, with a predetermined Award under the minuted proposals being made in the total amount of £100,000. We are advised by the Clerk/RFO and have confirmed by reference to the Council’s Minutes that this commitment was reduced to £50,000 over the same period.

We note that VAT reclaims are prepared and submitted to HMRC for repayment at the end of each quarter and have checked and agreed detail of all four quarterly reclaims for the financial year to

31<sup>st</sup> March 2022 to the underlying control accounts, noting that the outstanding Q4 VAT reclaim was correctly disclosed in the year-end balance sheet in the amount of £16,763.

We note that there has been no further progress towards developing proper Financial Procedures, as recommended in our previous Internal Audit report.

### ***Conclusion & recommendation***

***We note that the Council has an extremely high level of pre-determined expenditure in relation to commitments to future year awards of Grant Aid and Community Grants. To ensure that the Clerk/RFO and Members have funds available to meet these pledges, we strongly suggest that the Council works towards creating a rolling five-year budget and business plan.***

R8. *The Town Clerk/RFO and Members should develop a five-year budget and business plan to ensure that the Council is able to fulfil its pre-determined expenditure pledges.*

***We suggest that the Town Clerk/RFO work together to document the Council's Financial Procedures from procurement to financial data recording in Rialtas Omega, authorisation and payment, thereby ensuring that Best Practice Financial Compliance and robust Financial Controls are maintained at the Council.***

R6. *The Town Clerk/RFO should work together to document the Council's Financial Procedures, to be scrutinised and formally Approved by Members.*

## **Review of Risk Management & Insurance provision**

In this area we aim to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks in order to minimise the opportunity for their coming to fruition.

We are again pleased to acknowledge the existence of a word based Register of Risks for the 2021-22 financial year, which was adopted at the Annual Meeting of the Full Town Council on the 12<sup>th</sup> May 2021 under Minute reference 9. We have examined the content and consider it adequate for the Council's current requirements.

We have also examined the content of the Council's insurance schedule with Zurich Municipal under a Select for Local Councils Policy: Policy number YLL-2720434523, Schedule number 85017825 which includes cover at the following levels:

- Public Liability £10 million
- Employers Liability £10 million
- Personal Accident £2 million (£500,000 per individual)
- Libel & Slander £250,000
- Fidelity Guarantee £250,000
- Legal Expenses £200,000

We consider that cover remains appropriate for the Council's ongoing requirements.

The Town Clerk/RFO has confirmed that the Council is not responsible for any play area or recreation ground.

### ***Conclusions***



*There are no issues arising in this area of our review warranting formal comment or recommendation.*

## **Review of Budgetary Control and Reserves**

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and level of precept to be drawn down from Monmouth CC: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

We note that, following a detailed budget setting and precept determination process at the Policy & Resources Committee, Members Resolved to establish the Council's budgetary and precept requirements for the 2022-23 financial year, under minute reference FC/05/22. However, we note that neither the full value of the budget or the precept is recorded in the Minutes as required.

We are also pleased to note that members continue to receive budget reports periodically throughout the year based on the Omega accounting software, with a supplementary commentary explaining any significant variances that might exist. We have reviewed detail of the final Omega budget outturn report for the financial year obtaining explanations for any significant variances arising by reference to the detailed nominal account transaction codes in the accounting software.

We note that the Town Council's Reserve position as at the 31<sup>st</sup> March 2022 stood at £362,664 including earmarked reserves of £133,924 leaving a residual General Reserve balance of £228,740 (£174,650 prior-year) which equates to approximately seven months' revenue spending at the 2021-22 level and sits only slightly above the generally accepted Chartered Institute of Public Finance and Accountancy (CIPFA) guidance to retain between 3 and 6 months prior year's revenue expenditure as a General Reserve.

Although we have not been provided with the Council's Variance report for the 2021-22 financial year, we have reviewed the year-end outturn and have identified no unexpected or significant variances.

### ***Conclusion and recommendation***

***The Town Council is required to record in full the amount of its budget and precept in the Council's Minutes.***

***R9 The Town Clerk/RFO must ensure that in future years the amount of the established budget and precept which Members have Resolved is recorded in full, in the Council's Minutes.***

***We ask the Town Clerk/RFO to provide a copy of the variance report for the 2021-22 financial year for our permanent record.***

## **Review of Income**

Our objective in this area is to ensure that the Council identifies and recovers all income to which it is entitled and has appropriate arrangements in place to ensure its prompt recovery. The Council has very limited income sources, primarily the annual precept, quarterly VAT reclaims and bank interest, together with occasional grants and donations.

We have examined the detailed nominal account transactions for the financial year ensuring that, as far as we are reasonably able to ascertain, no miscodings have occurred and all anticipated income has been received and banked in a timely manner.

### ***Conclusions***

*There are no matters arising in this area of review warranting formal comment or recommendation.*

## **Review of Petty Cash Account**

The Council does not operate a petty cash account, any ad hoc expenses incurred by officers being reimbursed through the normal payment processing system.

### ***Conclusions***

*There are no matters arising in this area of review warranting formal comment or recommendation.*

## **Review of Staff Salaries**

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HM Revenues and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions.

We note that payroll preparation is now outsourced to a local accountancy firm, E H Accountancy, with appropriate documentation provided to facilitate processing of monthly payments of net salaries to staff members, HMRC and the pension fund administrators.

We have:

- Noted that the new Town Clerk/RFO was appointed from the 1<sup>st</sup> September 2021 and has been issued with a One Voice Wales model contract which records all statutorily required detail, including Job Title, NJC SPC pay grade, probation period, and hours of work;
- Noted that the Administration Assistant's contract is based on an older SLCC model document, which the Town Clerk/RFO has advised is in the process of being updated to a new One Voice Wales Model document;
- Noted that the Town Council has not reviewed the pay grades of employees for the 2021-22 financial year due to the delay in the new NJC SCP award being agreed;
- Checked and verified the payroll from the 1<sup>st</sup> April to the 30<sup>th</sup> September 2021, due to the in year change of the Town Clerk/RFO with no issues arising;
- Agreed the gross salaries paid to both officers in September 2021 by reference to the Council's approved pay scales as set out in the staff employment contracts, which we examined last years;
- Ensured that tax and NI deductions for both months have been calculated accurately applying the appropriate tax code and NI Table by reference to the relevant HMRC calculators;
- Similarly, ensured that appropriate employee and employer contributions to the pension scheme have been determined and deducted for both months; and,

- Verified the net salary payments to both officers after deduction of tax, NI and pension contributions for September 2021.

### **Conclusions**

*There are no issues arising in this area of our review warranting formal comment or recommendation.*

## **Review of Fixed Asset Registers / Inventories**

The Governance and Accountability Manual requires all Councils to prepare and maintain registers of their stock of land, buildings, vehicles, furniture and equipment. We are pleased to note that the Council continues to meet this requirement with the Town Clerk completing a detailed review of the document in the year.

We note that the council continues to maintain a robust fixed asset register which is recorded in the Rialtas Asset Management module of the accounting software. We have reviewed the fixed asset register against the insurance schedule noting that all categories of assets are properly maintained and have agreed the in-year acquisitions and disposals.

Finally, in this area of our review, we have checked and verified the Fixed Asset Value recorded in the Register at £199,766, which has been correctly disclosed in the AGAR Section 2 – Accounting Statements for the 2021-22 financial year.

### **Conclusions**

*No matters arise currently warranting formal comment or recommendation. However, in line with best practice, we suggest that the register be developed as a photographic register of assets.*

## **Review of Investments & Loans**

Our objectives here are to ensure that the Council is “investing” surplus funds, be they held temporarily or on a longer term basis in appropriate banking and investment institutions, that an appropriate investment policy is in place, that the Council is obtaining the best rate of return on any such investments made, that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with appropriate loan agreements.

The Council holds its funds in a Barclays Current and Savings Account and a Gateway Credit Union Account. We have verified the appropriate receipt of that interest and the 31<sup>st</sup> March 2022 account balances with reference to electronic copies of the prime supporting documentation and cross-checking the disclosed balances in the corresponding Rialtas Omega account reconciliations.

As at the 31<sup>st</sup> March 2022, the Town Council held funds as follows:

<b>Account</b>	<b>Cashbook Number</b>	<b>Reconciled Value as at 31.03.22</b>
Barclays current account	1	£10,000.00
Barclays savings account	1	£315,901.06
Gateway Credit Union account	N/A	£20,000.00
		<b>Total £345,901.06</b>

We have noted that Members have been reviewing the Council's investment strategy, and formally reviewed and approved its Investment Policy at the Annual Meeting of the Full Town Council meeting on the 12<sup>th</sup> May 2021, under Minute reference 12. We have noted that the Council does not appear to be following the terms as set out in this policy document and take this opportunity to remind the Town Council that it is obliged to protect, as far as is reasonably possible to do so, the public funds under its management. Currently the Government's Financial Services Compensation Scheme (FSCS) :-

<https://www.bankofengland.co.uk/prudential-regulation/authorisations/financial-services-compensation-scheme>

provides protection for to £85,000 invested in one institution for organisations with a turnover of less than half-a-million pounds per annum. Consequently, as at the 31<sup>st</sup> March 2022, approximately £240,901 of funds (i.e., £345,901.06 less SFSCS compensation £85,000) under the Council's management were not fully protected by the FSCS.

The Council has no loans owed by it, or to it.

### **Conclusion & recommendations**

***Given the volatility in the market and future uncertainty due to the ongoing and dynamic global public health situation, we strongly recommend that the Town Council take steps to ensure that the public funds under its management are protected, with the objective of ensuring that each of the Town Council's deposits is covered by the Government's FSCS. To this end, we strongly recommend that the Council reviews its current investment holdings in line with its Adopted Investment Policy.***

***Whilst we cannot act as financial advisors, a number of our clients in Wales and England are placing a proportion of their surplus funds in the CCLA Public Sector Deposit Fund continues to provide an efficient investment solution, which spreads the risk of the council's investment amongst 'A' rated financial institutions. This is a robust and resilient management fund which provides Councils the ability to move funds to and from this account with 24 hours-notice. This is one of the investment opportunities which are available to Councils and other providers cater for this market. Members may wish to seek Independent Financial Advice in this area.***

**R7** *The Town Council should expediently consider the level of funds it has invested in its accounts with Barclays Bank and consider how the Council can best protect the public funds under its management, seeking independent financial advice in this matter, if Members deem such action appropriate.*

## **Statement of Accounts and Annual Return**

The Council's Rialtas accounting system automatically generates the Management Accounts, Balance Sheet, Trial Balance, Income & Expenditure Accounts and Reserves reports as part of the software's year-end closed down procedure.

We have checked and verified these reports, against prime documentation, and consider that the Council's Accounting reports accurately records the 2021-22 financial year's transactions. The software also generates the detail for inclusion in the year's Annual Return, which we have also verified as being consistent with the accounting and other relevant supporting records.

We have also reviewed the procedures in place for identifying year-end debtors, creditors and accruals and agreed the detailed values recorded in the year-end Balance Sheet to the underlying records with no long-standing unpaid accounts or other issues arising.

### ***Conclusion***

*We are pleased to record that there are no matters arising in this area of our review warranting formal comment or recommendation and, on the basis of the work undertaken during the course of our review for the year, we have “signed off” the Internal Audit Certificate in the Annual Return assigning positive assurances in all areas.*

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### **NOTE TO REPORT**

*We confirm that all confidential & sensitive information, supplied for the purposes of this audit including, Personnel Minutes, Payroll and Employment data have been permanently deleted from Auditing Solutions Ltd.’s servers and any printouts made for the purposes of this audit have been destroyed in accordance with the Company’s data and document retention policies and with the prevailing General Data Protection Legislation.*

# Action Plan

Rec. No.	Recommendation	Response
<b>Review of Accounting Records and Bank Reconciliations</b>		
R1	The Town Clerk/RFO should ensure that reconciliations of the Council's Bank Accounts are undertaken on at least a quarterly basis and presented to Members for scrutiny and formal approval, as required in the council's own model Financial Regulations (Para 2.2 refers).	<i>PR 12/22 A revised format is proposed from March 2022. More information will be presented each month, with implementation from Month 10.</i>
<b>Review of Corporate Governance</b>		
R2	To ensure Best Practice in the setting of Council and Committee meeting Agenda and Minute taking, the Town Clerk/RFO should, as soon as is practicably possible, enrol on an SLCC or OVW course for Agenda setting and Minute taking.	<i>PR12/22 All Councillors happy to have Clerk specify under what powers we make recommendations and proposals under going forward.</i>
R3	To ensure the Town Clerk/RFO is able to provide accurate advice and guidance to Council Members, she should procure a copy of the 12 <sup>th</sup> edition of (Charles) Arnold-Baker on Local Council Administration, and ensure that the current version of the volume is maintained in the Town Clerk/RFO's office at all times.	<i>PR12/22 Councillors reject the recommendation to purchase the book at this stage.</i>
R4	In line with best practice, the Scrutiny, and Resolution for Approval or Non-approval for Payment Schedules, Income & Expenditure Reports, Bank Statements, Bank Reconciliations, Budget Vs. Actual Reports, Reserves Statements, Budget & Precept, Annual Return & Accounts and Virements should be recorded as line items under a dedicated 'Finance' section in the corresponding Council or Committee Minutes.	<i>PR12/22 Councillors happy to accept recommendation to include a finance section on the agendas going forward.</i>
R5	The Town Clerk/RFO & Members must ensure that when making the Award of Grant Aid the Power under which all Awards are made is properly considered and formally recorded in the Minutes of the Full Town Council and its Standing Committees with the Local Government Act 2000, s.2 (s.137) only being used as the 'Power of last resort', which may only be used when no other Power exists, and the applicant is not a prohibited organisation or individual.	<i>PR12/22 Councillors understand the concerns of the Auditor but felt they were unfounded. Councillors rejected this recommendation.</i>
<b>Review of Expenditure &amp; VAT</b>		
R6	The Town Clerk/RFO should work together to document the Council's Financial Procedures, to be scrutinised and formally Approved by Members.	<i>PR12/22 Councillors feel that this was not a necessary recommendation as Town Clerk and RFO are one and the same person.</i>
R8	The Town Clerk/RFO and Members should develop a five-year budget and business plan to ensure that the Council is able to fulfil its pre-determined expenditure pledges.	
<b>Review of Income</b>		
R7	The Town Council should expediently consider the level of funds it has invested in its accounts with Barclays Bank and consider how the Council can best protect the public funds under its management, seeking independent financial advice in this matter, if Members deem such action appropriate.	<i>PR12/22 Councillors accepted the recommendation to investigate options further.</i>
<b>Review of Budgetary Control and Reserves</b>		
R9	The Town Clerk/RFO must ensure that in future years the amount of the established budget and precept which Members have Resolved is recorded in full, in the Council's Minutes	