

Audit Report

Filton Town Council – In Year Assurance Audit 2020/21

Audit Plan Year: Sept – Dec 2020

Audit Status: Audit Completed

Audit Review Date: 19th & 20th January 2021

Report Distribution:

Lesley Reuben – Clerk Lesley.Reuben@filtontowncouncil.gov.uk

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Due to the current COVID 19 pandemic and in line with Government and Council guidelines on reducing all non-essential travel, internal audit services have conducted audits remotely. Our aim has been to continue to deliver our audit service whilst maintaining the safety of staff and clients. In line with this, we have not undertaken any site visits. The Clerk has supplied all relevant documentation as evidence electronically via email.

Objective

The objective of the audit was to provide an independent opinion on the appropriateness of the financial control procedures operated in the Council. Audit Officer Rachel Massey examined these procedures.

Overview

The Town Council currently has 12 Councillors who sit across Full Council, Full Council (Finance and General Purposes) and a Staffing committee. There are currently 48 members of staff, many have been furloughed due to the pandemic.

The 2020/21 annual precept was increased from £710,184 in 2019/20 to £981,785.

The temporary closure of the Leisure Centre during the national lockdowns, has reduced the Town Council’s overheads and income, which they have reported to us has left them in a stronger position financially than last year. Current reserves are projected to be £114,966 at the end of the financial year. NALC guidelines recommend an authority with an NRE (Net Revenue Expenditure) in excess of £200,000 should plan on 3 months equivalent in General Reserve.

After consultation with the local community, In October 2020 the Town Council went out to tender for the outsourcing of the swimming pool function. This tender process is being conducted by a consultancy company.

No community grant funding has been awarded so far this year.

Out of five recommendations in 2020, two remain outstanding and are included in the action plan below, two have been implemented, and one is a work in progress.

Opinion

The highlighted wording in the table below provides the opinion for this internal audit review and its accompanying description.

High Standard	Systems and processes are excellent providing good assurance. Significant strengths have been identified and are to be commended, any recommendations made will serve to further strengthen existing arrangements.
Reliable Standard	There are very few significant matters arising from the audit, systems of control are good and provide reasonable assurance.
Improvements Required	Existing procedures need to be improved in order to ensure that they are fully reliable. Extensive recommendations have been made but the issues are not of such a significance to represent a major risk to the Council.
Significant Improvements Required	Existing procedures are weak and reasonable assurance could not be provided over a number of areas. Prompt action is necessary to improve the situation and avoid unnecessary risks.

- **Key Strengths**

- Council meetings were quorate and all meeting minutes were available to view on the Town Councils website;
- Supplementary Standing Orders for Covid-19 have been provided;
- The Council have reviewed their Risk Assessments during the pandemic;
- Precept for 20/21 has been set in accordance to the budget.

- **Key Risks**

- Reliance on reserves to fund expenditure;
- The Council have struggle to obtain competitive quotations in the past year due to many businesses being closed as a result of the lockdowns;
- Standing orders & Financial Regulations do not reflect present working practices;
- Petty cash level differs to the 'Float' amount stipulated within the Financial Regulations;
- Bank reconciliations and bank statements are not presently checked for accuracy by Councillors;
- The dates of display for the notice of public rights were included in the Full Council Minutes but not the actual display process, in line with ALCA guidelines;
- The Debt Policy provided was undated.

- **Key Actions**

- Where the Council are procuring goods and / or services over their thresholds for obtaining quotations the Council should keep a record of companies approached, therefore even if they decline / are unable to quote, the office staff can demonstrate that they have actively attempted to seek best value as per their own Regulations;
- With the easing of lockdown it is recommended that the practice prior to the pandemic is resumed; whereby the Chair of Finance reviews bank reconciliations in line with bank statements and then the reports from RBS are all presented to Full Council. The bank reconciliations should be signed and dated by the Chair;
- To ensure that the display process of the exercise of the public rights document is discussed at Full Council and recorded in the meeting minutes – that is, where the notice will be displayed and how to access it on the website. The Clerk has advised that in future she will take photos of the noticeboards also;
- The Debt Policy should be dated following Councillor approval;
- Pitch hire agreements for football clubs T's & C's require updating.

- **Advisory points**

- It is understood that the Town Council are exploring the possibility of online banking to help reduce the costs associated with producing and posting large amounts of cheques. South Gloucestershire Council Internal Audit would support this development.
- Income payments sample has not been fully checked as invoices, completed letting agreements, bank statements or paying in books were not available – the auditor will review further at Year End.
- During the national lockdowns due to COVID 19 the Clerk has been unable to access the accounting system remotely. It would be good practice for the Town Council to review the agreements with RBS so that the office staff can access the accounting system remotely.
- The 2019/20 Internal Audit report was presented in February 2020. Councillors asked for a more detailed action plan to be brought back to the next finance meeting, outlining exactly what the administration had done to rectify points raised. There was no evidence recorded within future meeting minutes that this was followed through. Please document more information within the minutes where applicable.

- **Follow Up**

As part of our assurance work we will also review audit findings from the in year audit by way of a follow up. We must advise you that as per External Audit requirements we are no longer able to provide a 'Partial' audit opinion on the AGAR (the Annual Governance and Accountability Return). Therefore any audit finding resulting in a 'Partial' or 'No' rated Control Objective at the in year audit, still remaining not implemented by the Year End audit, will now have to be submitted as a 'No' rating on the AGAR.

All of the matters arising from the audit are detailed in the Action Plan together with suitable recommendations.

- **The Control Environment**

Key Control Objectives		Achieved?
A.	Appropriate accounting records have been kept properly throughout the year.	Yes
B.	The council's Financial Regulations have been met, payments were supported by invoices, all expenditure was approved and VAT appropriately accounted for.	Partially
C.	The council assessed the significant risks to achieving objectives and reviewed the adequacy of arrangements to manage these.	Yes
D.	The annual precept requirement resulted from an adequate budgetary process; progress against budget was regularly monitored; and reserves were appropriate.	Yes
E.	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT appropriately accounted for.	To be checked further at year end
F.	Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	Yes
G.	Salaries to employees and allowances to members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.	Yes
H.	Asset and investment registers were complete and accurate and properly maintained.	Partially
I.	Periodic and year-end bank account reconciliations are properly carried out.	Test at Year End
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, were supported by an adequate audit trail from underlying records, and where appropriate debtors and creditors were properly recorded.	Test at Year End
K.	IF the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt. (<i>"Not Covered" should only be ticked where the authority had a limited assurance review of its 2019/20 AGAR</i>)	N/A

Audit Report: Filton Town Council – In Year Assurance Audit 2020/21

L	During summer 2020 this authority has correctly provided the proper opportunity for the exercise of public rights in accordance with the requirement of the Accounts and Regulations.	Yes
M	(For local councils only) Trusts funds (including charitable) – The council met its responsibilities as a trustees.	N/A

- **Auditors & Acknowledgements**

Audit Manager	Justine Lawson
Audit Officer	Rachel Massey
Senior Auditor Officer	Maria Bowes

No.	Matter Arising	Associated Risk	Recommendation	Responsible Officer; Proposed Timescale	Date Completed
1	<p>Standing Orders & Financial Regulations</p> <p>Financial Regulations are not being followed. Due to the change in committee / full council structure, payments over £500 are no longer approved at committee level. All payments under a limit of £5000 are approved by the Clerk, which is a threshold only provided for urgent purchasing, not standard. A Clerk's limit of £5000 for standard purchasing is high based on our experience of working with Town Councils of a similar size.</p> <p>Petty cash level is currently running at a £250 balance, but in the Financial Regulations it is recorded as a float of £200. Petty cash receipts were unavailable during the audit. There are also several petty cash systems but this is unclear in the Regulations</p>	<p>The reduction in oversight by the Councilors is placing increased financial responsibility on to the Clerk.</p> <p>Financial Regulations:</p> <p>4.1. Expenditure on revenue items may be authorised up to the amounts included for that class of expenditure in the approved budget. This authority is to be determined by:</p> <ul style="list-style-type: none"> • the council for all items over [£5,000]; • a duly delegated committee of the council for items over [£500]; <p>or</p> <ul style="list-style-type: none"> • the Clerk, in conjunction with Chairman of Council or Chairman of the appropriate committee, for any items below [£500]. <p>Such authority is to be evidenced by a minute or by an authorisation slip duly signed by the Clerk, and</p>	<p>Current working practices should either be reviewed, or Financial Regulations updated to reflect the current working practices, to ensure consistency between Regulations and application.</p> <p>The level of £5,000 could be reviewed depending upon the future of the sports centre.</p> <p>The petty cash level anomaly should be investigated, and all the petty cash systems and their balances should be listed in the Regulations.</p> <p>For transparency it is good practice to make the Town Council's Standing Orders & Financial Regulations documents available on the Town Council Website.</p>	<p>Responsible Officer</p> <p>Clerk & Full Council</p> <p>Target Implementation Date</p> <p>30/04/2021</p>	<p><i>Ongoing, to be reviewed at Annual Meeting.</i></p> <p><i>Petty Cash receipts are fully up to date and the Financial Regs have been updated to show correct petty cash system for both office petty cash and bar petty cash.</i></p> <p><i>Both Financial Regs and Standing Orders are now available to</i></p>

	<p>The Town Councils Standing Orders & Financial Regulations have not been reviewed since May 2019 due to the Annual Meeting where this would normally take place being cancelled due to the COVID 19 pandemic. Neither documents were available on the Town Council Website.</p>	<p>where necessary also by the appropriate Chairman.</p> <p>6.21. The Town Clerk/RFO may provide petty cash to officers for the purpose of defraying operational and other expenses. Vouchers for payments made shall be forwarded to the RFO with a claim for reimbursement. a) The RFO shall maintain a petty cash float of [£200] for the purpose of defraying operational and other expenses. Vouchers for payments made from petty cash shall be kept to substantiate the payment.</p>	<p>Re-schedule the review and re-approval of the Standing Orders and Financial Regulations following the above, and please provide a copy to the auditor at Year End.</p>		<p>view on Town Council Website.</p> <p>Both documents will be reviewed at the Annual Meeting in May.</p>
<p>2</p>	<p>Purchases</p> <p>Only one estimate was made available for a high value purchase between the value of £100 and £3000 during the audit.</p> <p>It is understood that the office staff have had difficulties in obtaining competitive quotations in the past year with some many companies being shut as a result of the lockdowns.</p> <p>While orders are used for standard items such as: First Aid, Health and</p>	<p>There is a risk of overspend.</p> <p>Financial Regulations:</p> <p>10. ORDERS FOR WORK, GOODS AND SERVICES 10.1. An official order or letter shall be issued for all work, goods and services unless a formal contract is to be prepared or an official order would be inappropriate. Copies of orders shall be retained.</p> <p>10.2. Order books shall be controlled by the RFO.</p>	<p>Ensure that three quotes / estimates are obtained for any goods and services within the limits set in the Financial Regulations.</p> <p>Where companies have either declined to or been unable to quote, a record should be kept of the companies approached to demonstrate that the Council has attempted to seek best value.</p>	<p>Responsible Officer</p> <p>Clerk & administrative team.</p> <p>Target Implementation Date</p> <p>30/04/2021</p>	<p>New Quote approved and implemented on 05th February 2021.</p>

	<p>Safety, Cleaning Material and Stationery, they are not used for larger procurement.</p> <p>This recommendation remains outstanding from last year's audit.</p>	<p>10.3. All members and officers are responsible for obtaining value for money at all times. An officer issuing an official order shall ensure as far as reasonable and practicable that the best available terms are obtained in respect of each transaction, usually by obtaining three or more quotations or estimates from appropriate suppliers, subject to any de minimis provisions in Regulation 11.1 below.</p> <p>a)h. When it is to enter into a contract of less than £60,000 in value for the supply of goods or materials or for the execution of works or specialist services other than such goods, materials, works or specialist services as are excepted as set out in paragraph (a) the Clerk or RFO shall obtain 3 quotations (priced descriptions of the proposed supply); where the value is below [£3,000] and above [£100] the Clerk or RFO shall strive to obtain 3 estimates. Otherwise, Regulation 10.3 above shall apply.</p>	<p>For ease of review, a high value proforma / schedule could be drawn up showing: nature of the project / works; companies approached, and; amounts; and then subsequently signed off by the Chair following Councillor approval.</p> <p>The Town Council should review their Regulations on purchase orders in line with what happens in practice to ensure consistency.</p>	
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3	<p>Bank Reconciliation / Bank Statements</p> <p>Prior to the pandemic the standard practice was for the Chair of Finance to visit the office and review bank reconciliations in line with bank statements and then the RBS reports were presented to Councillors. Since the pandemic this practice has not taken place due to the office being predominantly shut and even when open precautions have been in place.</p>	<p>No independent verification of bank balances.</p> <p>Lack of transparency and oversight.</p>	<p>With the easing of lockdown it is recommended that this practice is resumed. Only the one bank statement sheet at month end, relating to the reconciliation figure, then needs be copied and presented to Full Council to accompany the reconciliation as evidence for each bank account.</p> <p>It is acknowledged that the Council are giving consideration to internet banking. Councillor signatories then having read only access to statements should enable this task to be performed remotely in future if the office cannot be accessed for whatever reason.</p> <p>NALC Practitioners' Guide 2020: Reconciling the cash book to bank statements should be reported to members, and the full</p>	<p>Responsible Officer</p> <p>Clerk & Full Council</p> <p>Target Implementation Date</p> <p>30/04/2021</p>	<p>Bank Reconciliation/Bank Statements – The last page of the bank statements for the month will now be included with the reconciliation document.</p> <p>Internet banking is ongoing.</p>
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Priority: Medium					
4	<p>Notice of exercise of public rights for the inspection of the Annual Accounts.</p> <p>While the dates of the display have been detailed in the minutes the display process was not documented – ie which noticeboards the notice will be on and how to access via the Council's Website.</p> <p>The auditor had been unable to verify the dates of display of this document on the Town Council</p>	<p>Statutory / Legislative Risk:</p> <p>The minute record is non compliant with ALCA recommended guidelines.</p>	<p>To ensure that the full display process of the exercise of public rights document is discussed at Full Council and recorded in the meeting minutes.</p> <p>Locations of the notice boards and website publishing dates and how to find this on the Council Website should be clearly itemised.</p>	<p>Responsible Officer</p> <p>Clerk & Full Council</p> <p>Target Implementation Date</p> <p>22/07/2021</p>	

	<p>website or on noticeboards around the Council area.</p> <p>On the Website the dates are noted as display from July 24 2018 and Notice of Conclusion of Audit is November 29 2019 on website.</p> <p>The display dates aren't in the correct year.</p> <p>The correct link was subsequently provided and Internal Audit can now confirm the information has been displayed.</p>	<p>Correct dates are necessary on the website and any previous year's information should be archived to avoid any unnecessary confusion.</p> <p>Management Comment: The Clerk confirmed she will also take photos of the noticeboards from now on.</p>		
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5	<p>Debt Recovery Policy & Procedures</p> <p>The copy of the Debt Recovery Policy supplied is not dated.</p> <p>The Clerk advised it was due for review.</p>	<p>Confusion amongst Council staff – uncertainty as to whether they are working to the most recent version.</p> <p>Potential lack of Council overview / input into the Policy if there is no evidence it has been approved.</p>	<p>The Debt Policy should be reviewed by Councillors, approved and dated.</p> <p>To ensure reviews and dates are formally captured going forwards, the Council could draw up a policy review schedule, and a policy header sheet for each of their policies which states:</p> <ul style="list-style-type: none"> name of the policy; date of review; approval, at what level, and; date of next review. <p>It is understood that Council staff have deliberately not chased 9 allotment tenants for non-payment of rent in the past year due to the pandemic and lockdown situation. It is understood this is just one annual payment. With the ease of the lockdown, normal debt recovery procedures should start to be resumed in the ensuing months.</p>	<p>Responsible Officer</p> <p>Clerk & Full Council for Policy review</p> <p>Target Implementation Date</p> <p>30/04/2021</p>	<p><i>Policy review schedule has been completed and is also available on the website.</i></p> <p><i>Policy documents will be put on the agenda for review at the Annual Meeting in May.</i></p>
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Priority: Low				
6	<p>Asset Register</p> <p>The Town Council Asset Register is clearly presented, however, no dates are recorded on the document so it is unclear when this was last checked.</p>	<p>The assets may be out of date and incorrectly stated in the council's accounts / records.</p>	<p>To check the Town Councils assets are reviewed at least annually and record the date of the review on the document.</p>	<p>Responsible Officer</p> <p>Clerk Target Implementation Date 30/04/2021</p>
				<p><i>The Asset register will be sent round to the management team to review 6 monthly.</i></p>