

# **Pontyclun Community Council**

*Internal Audit Report 2019-20 (Final Update)*

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

## **Background**

All town, parish and community councils are required by statute to arrange for an independent internal audit examination of their accounting records and system of internal control and for the conclusions to be reported each year in the Annual Return. We at Auditing Solutions Ltd were re-appointed to provide the service to the Council in 2018-19 and this report sets out the work undertaken in relation to that financial year during our interim review of the Council, which took place on 26<sup>th</sup> November 2019, and supplemented by our final update review which took place on Friday the 8<sup>th</sup> May 2020.

## **Internal Audit Approach**

The 2019-20 Year End Internal audit has been undertaken remotely due to the Covid-19 virus situation and in accordance with Government advice. All files and supporting document required to complete the audit have been supplied, as requested, electronically.

In undertaking our review for the year, we have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts / Annual Return. Our programme of cover is designed to afford appropriate assurance that the Council has appropriate and robust financial systems in place that 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 'Internal Audit Report' as part of the Council's Annual Return (AR) process, which requires independent assurance over a number of internal control objectives.

## **Overall Conclusion**

Based on the satisfactory completion of our programme of work for the year, we have concluded that the Council has, again maintained adequate and effective internal control arrangements. We are pleased to report that there were only two issues arising during year warranting formal comment and recommendation.

We understand that the last few months of the 2019-20 financial year have been challenging for all councils, with their day to day operational and administrative functions. We take this opportunity to acknowledge the exemplary quality of records maintained by the Clerk. We thank him for his assistance, and that of his team, during this unprecedented remote Internal Audit which has ensured the smooth and successful progress of our review process.

We have completed and signed the 'Internal Audit Report', having concluded that the control objectives set out in that Report have been achieved within the financial year to a standard adequate to meet the needs of the Council.

## Detailed Report

### Maintenance of Accounting Records & Bank Reconciliations

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

- Agreed the opening trial balance detail with that in the 2018-19 Statement of Accounts;
- Ensured that the ledger remains “in balance” at the present date;
- Ensured that the cost and expenditure coding structure remain appropriate for purpose;
- Noted that the Council has obtained a Barclays Bank credit card under the Welsh Government Scheme;
- Checked detail in cashbook 1, which contains the transactions on the Business current account with Lloyds Bank, agreeing the detail for the year to 31<sup>st</sup> March 2020 to the underlying bank statements; and,
- Similarly reviewed the monthly bank reconciliations for the year to 31<sup>st</sup> March 2020 to ensure that there are no long-standing reconciling items or other anomalous entries.

#### *Conclusions*

*We note that the Council is now making payments via the Barclays Bank Credit card, under the Welsh Government scheme where we understand that the card is provided without an annual fee and a percentage of expenditure is returned to the Council. We also note that the Council continues to make payments by cheque and has decided to remain with Lloyds Bank as it continues to maintain a local presence in Pontyclun.*

*Once again, we suggest that the Council moves towards electronic banking, for reasons of security, control over its cashbook and cost. We are aware of the issues raised by members in relation to Lloyds Bank electronic banking in the previous year and therefore recommend that the Clerk and Members consider the services of the Unity Trust Bank in conjunction with its existing account with Lloyds.*

*R1. The Clerk and Members should consider utilising the services of the Unity Trust Bank, or a similar banking services provider, for its electronic banking requirements. Response: Members have noted and increased their use of electronic banking facilities with Lloyds Bank.*

### Review of Corporate Governance

Our objective here is to ensure that the Council has a robust series of corporate governance policies, procedures and documentation in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and that, as far as we may reasonably be expected to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation.

We noted that Standing Orders (SOs) and Financial Regulations (FRs) have been reviewed and adopted in May 2019, at the Annual meeting of the Community Council using the model documents supplied by One Voice Wales. We further note from the Council’s Minutes of January

the 8<sup>th</sup> 2020 under Minute reference 10 c) that the Financial Regulations are to be updated to reflect the Council's increasing use of electronic banking.

We have concluded our review of the minutes of the Full Council meetings for the year to date to establish, whether any issues exist that may have an adverse effect, through litigation or other causes, on the Council's current or future financial stability. We note that the Council awarded Grant Aid to St David's Church in the amount of £300 in the January 8<sup>th</sup> meeting of the Full Council under Minute reference 5 g).

We take this opportunity to remind the Clerk and Members that there are currently only two Powers under which a Council may award Grant Aid to an organisation designated as a 'Religious Organisation' such as a church. The use of these Powers is contingent on the Council acting in the capacity of a Burial Authority. The s.137 Power may never be used to award Grant Aid to any Religious Organisation or organisation arranging Religious Activities.

### ***Conclusions and recommendation.***

***The Award of Grant Aid to Religious Organisations, including churches, is currently contingent on the Council acting as a Burial Authority for the Religious Organisation that it intends to make the Award of Grant Aid to. Under that circumstance, the following two Powers may be used: Power s.214(6) of the Local Government Act 197 (amended) permits a parish council to contribute towards the expenses incurred in providing or maintaining an cemetery, and s.215 of the Local Government Act 1972 (amended) permits a parish council to maintain a closed churchyard.***

***Please note that the s.137 Power LGA 1972 (amended) may not be used to award Grant Aid to any Religious organisation including Churches.***

R2. *The Clerk and Members should ensure that it acts within its delegated Powers at all times and only makes the award of Grant Aid where it has the Power to do so.*

## **Review of Expenditure**

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Payments are supported by suitable documentation, 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;
- 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 have reviewed the procedures in place for processing payments and are pleased to note that there was clear evidence of all payment documents being subject to proper scrutiny by members with each invoice being properly coded and initialled.

We have tested a sample of payments processed in the financial year to 31<sup>st</sup> March 2020 on the basis of all payments in excess of £750 and every 20<sup>th</sup> payment irrespective of value. Thirty-two payments were examined, totalling £21,847 and representing 48% of all non-payroll related payments with no issues arising.

We note that VAT returns are prepared in Rialtas accounting software package and submitted to HMRC. We have checked and verified the reclaims that have prepared and submitted during the 2019-20, agreeing the Year End reclaim to the underlying Alpha accounting records.

### **Conclusions**

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

## **Assessment and Management of Risk**

Our aim here is 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 to minimise the opportunity for their coming to fruition. We have: -

- Examined the Council's current insurance policy covering 2019-20, to ensure that appropriate levels of cover are in place, noting that subsequent to a formal review that cover is provided by Hiscox under a fixed three-year discounted agreement which has provided significant savings to the Council: Employers, Products and Public Liability remain set at £10 million with Officials Indemnity cover at £500,000, Commercial Legal protection at £100,000, Crisis Containment at £25,000 and Business Interruption cover at £10,000, all of which we consider appropriate for the Council's current requirements;
- Noted that the Council continues to a strict Risk Management regime and has a full Risk Management Policy in place. We also note from the minutes that the Council's risk assessments have been reviewed and were adopted at the Annual meeting of the Community Council in May and were revised again in March 2020; and,
- Examined the Council's arrangements for the regular inspection of playgrounds and recreation areas.

### **Conclusions**

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

## **Budgetary Control & Reserves**

Our objective here is to ensure that the Council has a procedure in place for identifying and approving its future budgetary requirements and the level of precept to be drawn down from the Borough Council. We have ensured that:

- The Council undertook a robust Budget setting and Precept determination process;
- Members receive regular reports identifying the budget position throughout the year;
- The Council has formally approved the establishment of specific reserves; and

- The utilisation of reserves and the return of unused balances to the General Fund are reported to the Council at regular intervals.

The Council's minutes, together with the supporting papers provided to Council indicate that members undertook a robust Budget setting and Precept determination process, and considered and approved the 2020-21 Budget and Precept, setting the latter at £122,100 in the January 8<sup>th</sup> meeting of the Full Council under Minute reference 6 b). We are also pleased to note that Councillors continue to receive regular income and expenditure reports along with the bank balance detail at each meeting.

Overall reserves as at 31<sup>st</sup> March 2020 stood at £100,858 with Earmarked Reserves of £47,687 leaving a General Reserve fund of £53,170, which equates approximately 4.5 months' revenue spending at the 2019-20 level. This level of reserve is appropriate for the Council's ongoing requirements, sitting comfortably within the generally recognised CiPFA guideline of retaining between three and six months' revenue expenditure.

We have examined the latest budget performance detail, as set out in the Rialtas accounts with no unexplained or unanticipated variances existing warranting further enquiry.

### ***Conclusions***

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

## **Review of Income**

The Council receives income from a relatively limited range of sources in addition to the annual Precept, primarily by way of Caterer rent, Grass Cutting, VAT reclaims, A Footpath Grant, Café 50 hire for groups, donations and donations from groups and individuals.

Our aim here is to ensure that income due to the Council is identified and recovered within a reasonable timeframe, and that fees have been levied in accordance with the approved scales of fees and charges.

We have reviewed all invoices and credit notes raised by the Council during the period of the 1<sup>st</sup> January to the 31<sup>st</sup> March 2020 and cross-reference this with the Rialtas nominal ledger income transaction reports for the same period ensuring that, as far as we are reasonably able to ascertain, all income due to the Council has been received appropriately and that no significant miscodings have arisen.

### ***Conclusions***

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

## **Petty Cash Account**

***The Council does not operate a petty cash account, all incidental expenses being identified on reclaims submitted monthly by staff, which are subject to the normal expenditure approval controls.***

*We note that a Visa debit card remains in use for ad-hoc purchases and to take advantage of internet pricing, which is held securely for utilisation by the Clerk. Statements are settled in full each month, with the statements and supporting documents presented to members for the same level of scrutiny as other trade payment documents.*

*We have noted previously that a Barclays Credit card has been obtained and may also be used for ad-hoc purchases.*

## **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 HMRC legislation in accounting for the deduction and payment over of income tax and NI contributions, and meeting the requirements of the local government pension scheme as last revised in relation to employee contribution banding values from 1<sup>st</sup> April 2017. To meet that objective, we have:

- Checked to ensure that the Council has reviewed and approved appropriate pay scales for staff, with the 2019-20 national pay award agreement duly applied;
- Checked all staff salaries paid in April 2019, agreeing the gross amounts paid to the approved 2019-20 pay scale by reference to each employee's contract of employment;
- Ensured that PAYE, NIC and superannuation deductions have been made accurately by reference to the April 2019 payroll detail following central government's budget changes;
- Checked that any overtime or variable hours payable to casual employees is appropriately supported by authorised timesheets; and,
- Ensured that individual salaries and the total payments to HMRC and the Pension Fund Administrator are in accord with the April 2019 payroll detail.

### **Conclusions**

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

## **Fixed Asset Register**

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We note the Council's compliance with this requirement; the Clerk maintains and manages an appropriate register with values identified both at cost price, or where unknown, at the best approximation thereto, together with the annually uplifted insurance value to assist with budgetary planning for future replacements.

We note that the Asset Register has again been reviewed and revised during the 2019-20 financial year, with a revised value of £312,499 (£309,077 prior year) which has been correctly reported in the Annual Return at Box 12 of the Accounting statements.

## **Investments and Loans**

*The Council has no funds invested, other than by way of the Business Current Account with Lloyds Bank plc. Similarly, the Council has no loans either repayable by, or to it. Subsequently, there are no issues arising in this area of our review warranting formal comment or recommendation.*

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

The Council's accounts are managed in the Rialtas Accounting software package, the detail of which we have examined and consider reflects accurately the year's transactions as recorded therein. The software is also used to generate 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 no issues arise in this area 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 relevant areas.*



Rec. No.	Recommendations	Response
<b>Review of Accounting Arrangements and Bank Reconciliations.</b>		
R1	The Clerk and Members should consider utilising the services of the Unity Trust Bank, or a similar banking services provider, for its electronic banking requirements.	<i>Response: Members have noted and increased their use of electronic banking facilities with Lloyds Bank.</i>
<b>Review of Corporate Governance</b>		
R2	The Clerk and Members should ensure that it acts within its delegated Powers at all times and only makes the award of Grant Aid where it has the Power to do so.	