

Pontyclun Community Council

Internal Audit Report 2020-21 (Interim)

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For and on behalf of
Auditing Solutions Ltd

Background

Statute requires all town and parish councils 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.

This report sets out the work undertaken in relation to the Internal Audit for the 2020-21 financial year; the Interim review which took place on the 25th November 2020.

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 / Annual Return. Our programme of cover, which has been modified in light of the Covid-19 directives under which Councils are required to operate, 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 Governance and Accountability Return process, which requires independent assurance over a number of internal control objectives.

Overall Conclusions

We have followed up the suggestions and formal recommendations made in our FY2019-20 reports and acknowledge that the members have noted and considered these in their deliberations and have implemented these as appropriate. The Council has continued to make significant business processes and performance improvements, even in these challenging times. We have reviewed the Council's modified practices implemented to comply with Public Health Wales' Covid-19 directives, and report that, on the basis of the work undertaken to date in the current year, the Council continues to operate robust and effective internal controls in all areas examined to date. Resultantly, no recommendations for improvement have been made as a result of this review.

We have noted that the Council has complied, as far as it is possible to do so, with Public Health Wales Covid-19 directives amended from time to time, maintaining a consistently high standard of service provision. The Council has also taken all reasonable steps to ensure the health and safety of its Staff, Members, Clients and members of the public utilising the Council's facilities. All modified and exceptional working practices have been formally Reviewed, Resolved and Recorded in the Council's Minutes and the Council is complimented for its management processes in this regard.

We commend not only the Clerk/RFO for his continued professional management and administration of the Council's finance and governance functions, but also the Staff and Members who have worked tirelessly to maintain services for their constituents during these unprecedented and challenging times. Once again, the manner in which the requested electronic documents and backup files were presented by Clerk/RFO and his team for audit was exemplary, making this remote interim review process as straightforward as possible during these unprecedented times.

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

This report has been prepared for the sole use of Pontyclun Community Council. To the fullest extent permitted by law, no responsibility or liability is accepted by Auditing Solutions Ltd to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

Detailed Report

Review 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 2019-20 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 continues to maintain 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 months of April, May and June 2020 to the underlying bank statements; and,
- Similarly reviewed the monthly bank reconciliations for the months of April, May and June 2020 to ensure that there are no long-standing reconciling items or other anomalous entries.

Conclusions

There are no matters arising in this area of our of our review warranting formal comment or recommendation. We take this opportunity to commend the Clerk/RFO and his Assistant for the excellent standard of accounting records maintained during this period where access to the Council’s offices, and interactions between staff and members have been extremely restricted due to the Public Health Wales Covid-19 directives.

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) were last reviewed in May 2019 and Financial Regulations (FRs) have been reviewed in May 2020, at the Annual meeting of the Community Council using the model documents supplied by One Voice Wales. We have also commenced our review of the minutes of the Full Council and Working Group meetings for the year to the 31st October 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 have also noted that the External Auditor’s Report and Certificate was received shortly after this internal audit had been conducted.

Conclusions

There are no matters arriving in this area of our review warranting formal comment or recommendation. We shall continue to assess the Council’s approach to corporate governance during the year-end review.

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved and amended Covid-19 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.

Due to the remote nature of this Interim Audit, due to the Covid-19 directives, we have tested a sample of payments processed in the financial year to 30th September 2020 on the basis of all payments in excess of £750 and every 20th payment irrespective of value. Twelve payments were examined, totalling £5,298.04 and representing 26.2% of all non-pay payments and representing an approximately 43% reduction in expenditure over the previous financial year: (*prior year - £9,314.53 and representing 27% of all non-payroll related payments*) with no issues arising.

We note that VAT returns are prepared in Rialtas Alpha and submitted to HMRC. We have reviewed and agreed the first two reclaims prepared and submitted to date in 2020-21 to the underlying Alpha accounting records.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation: We shall extend our test sample to include transactions for the remainder of the year during our final review of the year to examine the content of the final two quarters' VAT reclaims and ensure the accurate disclosure of the year-end VAT debtor value.

Review of 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 2020-21, to ensure that appropriate levels of cover are in place, noting that subsequent to a formal review that the Council's cover is now been placed with BHiB: Employers, Products and Public Liability remain set at £10 million with Officials Indemnity cover at £500,000, Legal Expenses at £100,000, Fidelity Guarantee at £250,000, Liable & Slander at £250,000 and Business Interruption cover at £50,000, all of which we consider appropriate for the Council's current requirements;

- Noted that the Council continues to employ a strict Risk Management regime and has a full Risk Management Policy in place for the main Health & Safety and Business operations of the Council, and a separate policy for the Council's Play and Recreation area. We also note from the recorded Minutes that the Council's approach to Covid-19 Risk Management has been formally reviewed in each Council meeting with updates issued from RCT and Public Health Wales, which have been amended from time to time, reviewed in a timely manner; and,
- Examined the Council's arrangements for the regular inspection of playgrounds and recreation areas, noting that these have been closed for extended periods during the financial year to the 30th September due to Covid-19 directives issued by Public Health Wales and requests from RCT. These areas have only been reopened after due consideration to the Health & Safety of Council Staff, Members and Constituents, was given by the Clerk/RFO and Members and appropriate risk mitigation measures having been put in place in accordance with Public Health Wales directives.

Conclusions

There are no matters arising in this area of our review warranting formal comment or recommendation. We are pleased to note that the Clerk has advised the Annual Review and Re-adoption of the Council's Risk Registers is scheduled to take place in February 2021.

Review of Budgetary Control & 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 the level of precept to be drawn down from the Borough Council. We have noted / ensured that:

- At the time of the interim audit, a comprehensive budget setting and precept determination process was being undertaken by the Clerk and Members;
- The Clerk/RFO has produced a Budget setting and Review policy which ensures a transparent and consistent approach to the Budgetary 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.

We have examined the latest budget performance detail, as set out in the Alpha 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: We have reviewed the Clerk/RFO's Budget Setting and Review Policy document and regard this as an exemplary Corporate Governance and Financial Planning document, which ideally should be produced and employed by all Councils to ensure a consistent and transparent approach to the Budgetary and Precept determination process. We shall extend our review in this area, including testing the Council's General Reserve, the budgets assigned to each of its EMRs and the examination of any significant budget variances During the year-end audit.

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 visually examined the Alpha nominal ledger income transaction reports for the year to the 30th September 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.

We have noted that the Council's budgeted income for the 2020-21 financial year has been significantly impacted by Covid-19 in two key areas:

1. As Café 50 has not been able to open the Council has received reduced rent from the caterer and there have been no hire fees from groups whatsoever. This has reduced the Council's projected income for FY2020-21 by approximately £2,500. There will be an offset in reduced utility bills in due course, as less Gas/Electricity and water has been used, however the relevant bills will not be received till 2021.
2. The Council usually receives grants and donations from various bodies to help support Café 50. The Community shop was the main donor. The shop was forced to close, due to the Covid-19 directives, reducing their income. Any capacity the shop had to donate was channelled into what it perceived to be more urgent local requirement.

Resultantly, the Council's projected income has reduced by approximately £3,500-4,000 as at the date of the Interim Internal Audit.

Conclusions

There are no issues arising in this area of our review warranting formal comment and recommendation: We shall extend our review of income streams during the year-end review, to assess, with the Clerk/RFO, the financial impact of the Covid-19 directives on the Council's day to day operations.

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. To meet that objective, we have:

- Checked to ensure that the Council has reviewed and approved appropriate pay scales for staff by reference to scanned copies of original letters confirming salary/SCP levels;
- Noted that the National Pay Award for FY 2020-21 was approved with effect from the 1st April 2020, retrospectively, on the 9th September 2020;
- Noted that the difference between the FY2019-20 and FY2020-21 National Pay Award and increase in SCP grades (backpay), deductions and pension contributions will be applied in the next available payroll;
- Checked all staff salaries paid in June 2020, agreeing the gross amounts paid to the approved FY2019-20 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 June 2020 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 June 2020 payroll detail.

Conclusions

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

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.