

Pontyclun Community Council

Internal Audit Report 2021-22 (Final update)

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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 Interim Internal Audit for the 2021-22 financial year; the Interim review which took place on the 01st November 2021 and supplemented by the Final Update audit of the 23rd May 2022.

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 are pleased to confirm that as in the previous financial year there has been no requirement to make any recommendation for improvement as a result of internal audit reviews undertaken for the 2021-22 financial year. The Council has continued to make significant business processes and performance and effectiveness improvements throughout the 2021-22, including making the Council's financial records available to enable remote working and which have aided the internal audit process.

We have reviewed the Council's modified practices that have been implemented, and amended from time to time in order to comply with Central Government and Public Health Wales' Covid-19 directives, and report that, on the basis of the work undertaken to date in the current year, we have determined that the Council continues to operate robust, proportionate and effective internal controls in all areas examined.

We have also noted that the Council has continued to monitor the public health situation and has continuously reviewed risks, modifying working practices as required. In doing so, the Council has continued to take 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 exemplary management processes in this regard.

Once again, 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. The interim and final update audits have again been conducted remotely, and the manner in which the requested electronic documents and backup files were presented in a secure cloud drive by Clerk/RFO and his team for audit was extremely professional, making this review process as straightforward.

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

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 2020-21 Statement of Accounts;
- Ensured that the ledger remains “in balance” as at the 31st March 2022;
- 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, September and December 2021 and March 2022;
- Similarly reviewed the monthly bank reconciliations for the months of April, September and December 2021 and March 2022 to ensure that there are no long-standing reconciling items or other anomalous entries; and,
- Noted that the Council’s Invoices and other payment documents are now scanned and maintained on a secure ‘Cloud Drive; to ensure that the finance function of the Council is protected should further incidents of enforced remote working and council meetings via video-conferencing be required and also to assist with the audit process.

Conclusions

There are no matters arising in this area of our of our review warranting formal comment or recommendation. We have noted the new provision of maintaining scanned copies of invoices and other payment documents in a secure ‘Cloud Drive’, and view this as a wise and appropriate precaution which will protect the Council’s operation and financial management in the event of further public health measure disruptions.

We take this opportunity to commend the Clerk/RFO and his Assistant for the continued 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 Welsh Government’s public health directives. It is our opinion that the Pontyclun Community Council’s financial procedures and business processes are exemplary and worthy of commendation.

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) were last reviewed in May 2021, at the Annual meeting of the Community Council using the model documents supplied by One Voice Wales.

We have concluded our review of the minutes of the Full Council and Working Group meetings for the year to the 31st March 2022 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, with no issues arising.

With regard to the Council's provisions in relation to Central and Welsh Government directive regarding Covid, we have noted that the Council has continued to take all reasonable steps to fully comply with all directives in a professional and proportionate manner and with the good of the Pontyclun community kept in view at all times. At this time, the regulations having been relaxed, has allowed the Council to return its services back to a more normal footing, including the return of groups to Café 50 and normality to play area.

The Office staff continue to work in blended fashion, with a 'working from Office – Home' rotation system, maximising the use of digital technology to provide remote access for staff and Members. To facilitate this approach the Council has purchased an additional laptop to provide home working / remote access capability of staff members.

The Council has also introduced 'hybrid meetings' a blend of face-to-face and video conferencing, and following a test meeting to extend the democratic process to the widest audience possible. The council is making an appropriate investment in purchasing relevant equipment to facilitate this project.

We further note that the Council has started work on building the long planned Community History Trail, which is a leading edge project and the first of its kind in the region. It is our understanding that the project has gone live.

We understand that the External Auditor's Report and Certificate for the 2020-21 financial year audit has not yet been received from Audit Wales.

Conclusions

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

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.

We have electronically tested a sample of payments processed in the financial year to the 31st March 2022 with the criteria of every non-salary related payment in excess of £1,000 and every 20th payment irrespective of value. The payment selection was made by the Internal Auditor and electronic copies of the invoices and other payment documents were made available by the Clerk. The payment sample was extended from 11 payment documents during the interim audit to 30 payment documents during the final update. The sample totalled £31,630.97 and represented 47.6% of all non-pay payments which had been correctly entered into the cashbook, displayed appropriate Nominal and Cost Centre coding and had been accurately reconciled.

We note that VAT returns are prepared in Rialtas Alpha and submitted to HMRC. We have reviewed and agreed all four quarterly VAT returns prepared and submitted to the 31st March 2022 to the underlying Alpha accounting records and confirming the correct disclosure in the year end accounting statements.

Finally, in this area of our review we have noted that there have been no formal tenders or significant quotations have been undertaken in the period to the 31st March 2022.

Conclusions

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

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 2021-22, 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.

The Council's Risk Policy and Registers have been reviewed on a number of occasions during the 2021-22 financial year, with the formal review taking place at the Full Community Council meeting of the 09th February 2022 under Minute reference 9a and 9b.

The Council reviewed the updated Risk Registers again at the Full Community Council meeting of the 09th March 2022 under Minute reference 6; and,

- Examined the Council's arrangements for the regular inspection of playgrounds and recreation areas, noting that these have been fully reopened, following the relaxation of Welsh Government public health directives and with the appropriate risk assessments having been undertaken.

Conclusions

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

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 that:

- The Clerk/RFO produced a Budget setting and Review policy which continues to ensure a transparent and consistent approach to the annual Budgetary and Precept determination process;
- A comprehensive budget setting and precept determination process is being undertaken by the Clerk and Members in respect of the 2022-23 financial year;
- Subsequently, Members Approved and Adopted the 2022-23 financial year Budget and Precept, during the 12th January 2022 meeting of the Full Council under Minute reference 10 of that date as follows:
 - 10a) Members Resolved to Note the Admin Working Group report on the draft FY2022-23 budget, reserves position and recommended precept;
 - 10b) Resolved to Approve the Budget for 2022-23 and to establish the Precept at £132,585 (a 3.5% increase on 2020-21);
 - 10c) Resolved that the Budget deficit of £2,480 would be funded from the Council's general reserve.
- Members have received regular reports identifying the budget position throughout the year to the 31st March 2022;
- The Council has formally approved the establishment of specific earmarked reserves;
- The earmarked reserves continue to be correctly managed with all reserve movements being properly recorded in the Rialtas Accounting Software and referenced in the Council's Minutes; and,
- The utilisation of reserves and the return of unused balances to the General Fund are reported to the Council at regular intervals.

We note that the Council's reserves, as at the 31st March 2022 stood at £103,730 (£100,857 prior year) including EMRs of £56,461 (£63,459 prior year) leaving a General Reserve fund of £43,283 (£47,268 prior year) which equates to approximately 3.18 months net revenue expenditure based on current levels, sitting slightly above the lowest level of the generally recognised CiPFA guidelines to maintain between three and six months' revenue spending.

We note that the Council's level of Reserves had been carefully considered during the budget setting process, where the Council was mindful to keep the Precept increase to a minimum in light of the current economic environment. We deem this an appropriate level of Reserve for the Council's size and the budget established reasonable and proportionate, leaving the Council in a solid financial position as it moves into the 2022-23 financial year.

Finally in this area of our review, we have examined the budget performance detail for the full financial year, as set out in the Alpha accounts with no unexplained or unanticipated variances existing warranting further enquiry above the statements in the Clerk/RFO's detailed variance reports.

Conclusions

There are no matters 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 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 2021, 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 2021-22 financial year was again significantly impacted by the Welsh Government public health directives in two key areas:

1. As Café 50 has now reopened, with a new catering provider, however the income stream has been reduced due to the impact of the extended closure and uncertainty about the Welsh Government's future public health measures.
2. The Council previously received grants and donations from various bodies to help support Café 50. The Community shop was the main donor. The shop was forced to close during the 2020-21 financial year, due to the Welsh Government public health directives. This income has not, as yet, been replaced.

We have noted that various groups have started to rebook Café 50, including a Yoga and Taekwondo group and that donations to Café 50 are being received.

Conclusions

There are no matters arising in this area of our review warranting formal comment and recommendation. As with all Councils in Wales and England, income is still substantially reduced.

Pontyclun Community Council is to be complimented on its business continuity planning and implementation: Its approach to managing its service provision under extreme governmental prohibitions, and its progress into the economic recovery phase has been exemplary.

Review of 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.

There are no matters arising in this area of our review warranting formal comment and 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 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 the Establishment List supplied by the Clerk/RFO confirming salary/SCP levels;
- Checked all staff salaries paid in July 2021, agreeing the gross amounts paid to the approved FY2020-21 pay scale by reference to the Establishment List;
- Ensured that PAYE, NIC and superannuation deductions have been made accurately by reference to the July 2021 payroll detail;
- 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 July 2021 payroll detail.

Conclusions

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

Review of the 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 noted previously that the Council's Asset Register had been formally reviewed and Approved during the 2021-22 financial year, with a revised value of £322,711 (£316,019 prior year). We

have further noted that Members again Reviewed and Approved the Council's Fixed Asset Register at the Annual Meeting of the Community Council on the 12th May 2021 under Minute Reference 10 c).

Conclusions

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

Review of 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.

Conclusions

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

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 Annual internal audit report 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.