

Pontyclun Community Council

Internal Audit Report 2022-23 (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 process for the 2022-23 financial year. The Interim review was undertaken, onsite, on the 19th October 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 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 confirm that no recommendation for improvement were made as a result of internal audit reviews undertaken for the 2021-22 financial year. The Council has continued to demonstrate robust business processes and corporate governance during the financial year to the 30th September 2022. Resultantly, only one minor recommendation for improvement has been made. This is detailed in the main body of the report and in the appended Action Plan.

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 continue to work tirelessly to deliver a high level of service their constituents. We would like to thank the Clerk/RFO and the Finance Assistant for the exemplary manner in which the Council's finance and governance records were presented for audit.

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 2021-22 Statement of Accounts;
- Ensured that the ledger remains “in balance” as at the 30th September 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 and verified the detail in cashbook 1, which contains the transactions on the Business current account with Lloyds Bank, agreeing the detail for the period of the 1st April to the 30th September 2022 with no issues arising;
- Checked and verified the detail in cashbook 2, which contains the transactions on the Deposit account with Lloyds Bank, agreeing the detail for the period of the 1st April to the 30th September 2022 with no issues arising;
- Similarly reviewed the monthly bank reconciliations on both accounts, for the months of April, May, June, July, August, and September 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 continue to be 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.

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 note that the Councils Standing Orders (SOs) and Financial Regulations (FRs) were amended and subsequently adopted at the 11th May 2022 Annual Meeting of the Community Council under Minute references 7.a.i, and 7.a.ii respectively, using the model documents supplied by One Voice Wales.

We have commenced our review of the minutes of the Full Council and Working Group meetings for the year to the 30th September 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, noting that the statutory power under which Grant Aid has been awarded has not been recorded in the Minutes.

We note that the lease on Café 50 is in the process of reverting to Rhondda Cynon Taff and that the council was in the process of a restructuring programme as at the time of the Internal Audit.

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 and recommendation

We take this opportunity to remind the Clerk/RFO that when making Awards of Grant Aid and Donations, it is necessary to record the statutory Power under which the Award has been made in the corresponding Council Minute.

R1 The Clerk/RFO is reminded to record the statutory Power under which the Award of Grant Aid or Donations have been made in the corresponding Council Minute.

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 physically 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 sample included 16 payment documents during the interim audit, totalling £17,807.57 and representing 77.1% of all non-pay payments.

We take this opportunity to comment on the quality of data entry in the finance system which we consider exemplary. All detail for the period from the 1st April to the 30th September 2022 had been correctly entered into the cashbook, displayed appropriate Nominal and Cost Centre coding, appropriate descriptions and had been accurately reconciled in a timely manner.

We note that VAT returns are prepared in Rialtas Alpha and submitted to HMRC via the 'making tax digital' link. We have reviewed and agreed the first two quarterly VAT returns prepared and submitted to the 30th September 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 30th September 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 2022-23, to ensure that appropriate levels of cover are in place, noting that subsequent to a formal review that the Council's cover continues to be placed with BHIB on a Local Council's policy underwritten by Aviva: 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, Libel & 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 not been formally reviewed during the current financial year to the 30th September 2022. However, we note that Members received and Noted the new Health & Safety Risk Assessment re: Covid at the meeting of the Full Community Council on the 13th April 2022 under Minute Reference 7; and,

- Examined the Council's arrangements for the regular inspection of playgrounds and recreation areas.

Conclusions

There are no matters arising in this area of our review warranting formal comment or recommendation. We take this opportunity to remind the Clerk and Members of the necessity to formally review and readopt the Council's Risk Registers, recording this action in the Council's Approved and published Minutes, at least once annually.

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 continues to maintain a Budget setting and Review policy which ensures that a transparent and consistent approach to the annual Budgetary and Precept determination process in undertaken;
- The budget setting and precept determination process was in progress as at the date of the Interim audit;

- Members continue to receive regular reports identifying the budget position throughout the financial year;
- 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.

Conclusions

There are no matters arising in this area of our review warranting formal comment or recommendation. We will extend this area of review, during the year-end audit, to ensure that there are no significant or unexplained variances and that the earmarked and general reserves have been correctly managed and year-end position correctly disclosed in the Annual Return

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 2022, 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 post public health measures income has continued to return to pre-covid levels. However, as Rhondda Cynon Taff is now taking over the lease and operations of Café 50 this will impact the Council's non-precept derived income streams, and corresponding expenditure.

The Clerk/RFO and Members were in the process of restructuring the council, in light of the above, as at the date of the Interim Audit.

Conclusions

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

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 September 2022, agreeing the gross amounts paid to the Nationally approved SCP pay scale and hourly pay by reference to the Establishment List;
- Ensured that PAYE, NIC and superannuation deductions have been made accurately by reference to the September 2022 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 September 2022 payroll detail.

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.

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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.

Rec. No.	Recommendation	Response
Review of Corporate Governance		
R1	The Clerk/RFO is reminded to record the statutory Power under which the Award of Grant Aid or Donations have been made in the corresponding Council Minute.	