

Pontyclun Community Council

Internal Audit Report 2022-23 (Final Update)

Claire Lingard
Consultant Auditor

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 on the 19th October 2022 and supplemented by the Final Update review which was undertaken on the 20th April 2023. Both reviews took place onsite.

Internal Audit Approach

In concluding 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 2022-23 financial year. The Council has continued to demonstrate robust business processes and corporate governance during the financial year to the 31st March 2023. 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 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 31st March 2023;
- 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 2022 to the 31st March 2023 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 2022 to the 31st March 2023 with no issues arising;
- Similarly reviewed the monthly bank reconciliations on both accounts, for the months of April 2022 to March 2023 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 concluded our review of the minutes of the Full Council for the year to the 31st March 2023 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 has now reverted to Rhondda Cynon Taff and that the council restructuring programme had been completed.

We understand that the External Auditor's Report and Certificate for the 2020-21 financial year audit had not yet been received from Audit Wales as at the 20th April 2023.

Conclusion and recommendation

We take this opportunity to commend the Clerk/RFO on the generally high standard of Minute taking over the 2022-23 financial year. During the interim review we reminded 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. Noted and implemented.

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 2023 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 27 payment documents during the interim audit, totalling £49,086.70 and representing 64.1% of all non-pay payments.

We take this opportunity, once again, 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 31st March 2023 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 all four quarterly VAT returns prepared and submitted to the 31st March 2023 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 2023.

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 with 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. The Council undertook a robust and proportionate Health & Safety and Business Risk assessment which was Received, Noted and Adopted at the 09th February 2023 under Minute reference 6 (a-d);
- 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 with no matters arising.

Conclusion

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 / ensured:

- The comprehensive budget setting and precept determination process 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;

- That Members Approved and Adopted the Budget and Precept for the 2023-24 financial year at the 12th January 2022 meeting of the Full Council, in the amount of £205,255 equating to approximately £58.98 per Band D property, under Minute reference 10;
- That Members receive regular reports identifying the budget position throughout the year;
- That the Council has formally approved the establishment of specific earmarked reserves;
- The earmarked reserves have been correctly managed, noting movement upon the Reserves being properly recorded in the Rialtas Accounting Software and referenced in the Council's Minutes;
- 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 2023 stood at £91,775.83 (£103,729.88 prior year) including EMRs of £61,293 (£56,468 prior year) leaving a General Reserve fund of £30,483 (£47,262 prior year) which equates to approximately two months net revenue expenditure based on current levels, which is below of the generally recognised CiPFA guidelines of between three, and six months' revenue spending.

This deficit has been noted by the Clerk/RFO in the Budget report for the 2023-24 financial year, who has stated the earmarked reserves: 370, 375, 381 and 392, totalling £6,524.21, pertain to the Café 50 project which the Council has no further responsibility. These reserves were retained for possibility of any final unanticipated invoices received in the next 12 months, after which the residual balance will be returned to the General Reserve.

It should also be noted that during the 2022-23 financial year, the council had two items of exceptional expenditure: £9,000 replacing a 100 year old fence funded from EMRs and approximately £9,000 on setting up a shed which was grant funded. This £18,000 has caused the deviation from the general annual expenditure. The adopted budget for the 2023-24 financial year has a plan to bring the General Reserve back into line with CiPFA guidance.

Finally in this area of our review, we have examined the year end budget performance detail, as set out in the Alpha accounts with no unexplained or unanticipated variances existing warranting further enquiry.

Conclusion

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 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 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 note that the Asset Register has again been reviewed and revised during the 2022-23 financial year, with a revised value of £341,437 (322,710 prior year) which has been correctly reported in the Annual Return at Box 12 of the accounting statements.

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 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 matters arise in this area of review and, on the basis of the work undertaken during the course of the year, we have "signed off" the Internal Audit Certificate in the Annual Return assigning positive assurances in all relevant areas.

-o0o-

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.	<i>Noted and implemented.</i>