
Pontyclun Town Council

Internal Audit Report 2023-24 (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 2023-24 financial year. The Interim review was undertaken on the 12th October 2023 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 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 Governance and Accountability Return process, which requires independent assurance over a number of internal control objectives.

Overall Conclusions

We confirm that only one minor recommendation for improvement were made as a result of internal audit reviews undertaken for the 2022-23 financial year and that this has been implemented. Once again, the Council has continued to demonstrate robust business processes management and corporate governance during the financial year to the 30th September 2023. No recommendations for improvement have been made as a result of the Interim Internal Audit.

As in previous years, 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 also take this opportunity to congratulate all the Staff and Members of the Council for the elevation of the Pontyclun Council to Town Council status.

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 2022-23 Statement of Accounts;
- Ensured that the ledger remains “in balance” as at the 30th September 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 2023 to the 30th September 2023 with no issues arising;
- Similarly reviewed the monthly bank reconciliations on the current account, for the months of April to September 2023 to ensure that there are no long-standing unreconciled 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 2023 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 for the year to the 30th September 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 this financial year the Council sought guidance from the Welsh Government and Borough Council and then undertook a consultation with residents regarding obtaining town status.

Following this process, the Council Resolved, in its September meeting, to use its powers to make the Community a Town and has plans to use this as a catalyst to help drive improvements across the community ahead of commemorating Pontyclun's 175th anniversary in 2025.

We have reviewed the Unqualified External Auditor's Report and Certificate for the 2020-21 and 2021-22 financial year audits and note that the Report and Certificate for the 2022-23 financial year has not yet been received from Audit Wales as at the 20th April 2023.

Conclusion and recommendation

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

Once again, we take this opportunity to commend the Clerk/RFO on the generally high standard of Minute taking over the 2022-23 financial year.

We take this opportunity to congratulate the Clerk/RFO, Staff and Members on the elevation of the Council's status from Community to Town Council.

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 30th September 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 25 payment documents during the interim audit, totalling £38,898.95 and representing 52.3% of all non-pay payments. We note that the upturn in expenditure during the first half year of the 2023-24 financial year is largely due to the emergency tree works required in relation to risk mitigation vis a vis Ash Dieback Disease.

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 30th September 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 checked and verified the first two annual VAT returns prepared and submitted to the 30th September 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 30th September 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 the 2023-24 financial year, 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 2023. However, we are advised by the Clerk/RFO that the Council will once again undertake a formal review of its Risk Registers in January/February 2024 for onward scrutiny and adoption by Members at Full Council in its February 2024 meeting; 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 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; and,
- The utilisation of reserves and the return of unused balances to the General Fund are reported to the Council at regular intervals.

Finally in this area of our review, we have examined the half-year 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:

- Grass Cutting at the school (circa £300)
- Transport for Wales (circa £330) flowers
- RCT grants Elder Worker (circa £10,000)
- RCT grant footpaths (circa £500)
- Pitch hire for events (circa £1,700)
- Fundraising (circa £500)
- Grants and donations (circa £3,000)
- VAT reclaims (as recorded in the Alpha accounting records)

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 2023, 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 with no matters arising.

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 2023, agreeing the gross amounts paid to the Nationally approve 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 2023 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 2023 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.