

# **Pontyclun Community Council**

*Internal Audit Report 2018-19 (Final Update)*

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*For and on behalf of*  
*Auditing Solutions Ltd*

## **Background**

All town, parish and community councils are required by statute 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. We at Auditing Solutions Ltd were re-appointed to provide the service to the Council in 2018-19 and this report sets out the work undertaken in relation to the 2018-19 financial year Internal Audit. The Interim Internal Audit took place on the 6<sup>th</sup> November 2018 and the Final Update Audit took place on the 30<sup>th</sup> April 2019.

## **Internal Audit Approach**

In commencing our review for the year, we have as previously 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 has been designed to afford appropriate assurance that the Council's financial systems remain robust and 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' in the Council's Annual Return, which requires independent assurance over a number of internal control objectives.

## **Overall Conclusion**

We are pleased to report that, in the areas examined this year, the Councils' officers continue to operate effective financial control systems with no significant areas of concern identified. We noted a small number of issues during the course of our 2017-18 review visits, as reported in our final report for that year, have reviewed the current position and are pleased to acknowledge the positive actions that have been taken to address the issues raised.

On the basis of the overall satisfactory conclusion of our review process for the year, we have duly signed off the Internal Audit Report in the year's Annual Return assigning positive assurances in each relevant area.

We are pleased, once again, to acknowledge the continued high quality of records maintained by the Clerk/RFO which we categorise as exemplary. We would like to take this opportunity to thank the Clerk/RFO and his team for their assistance, which has ensured the smooth progress of our annual review process. We ask that the report be presented to the Council and that its receipt is acknowledged.

# Detailed Report

## Maintenance 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:

- Checked detail in cashbook 1, which contains the transactions on the Council's only bank account, a business current account with Lloyds Bank, agreeing the detail for the year to 31<sup>st</sup> March 2019 to the underlying bank statements;
- Similarly reviewed the monthly bank reconciliations for the year to 31<sup>st</sup> March 2019 to ensure that there are no long-standing reconciling items or other anomalous entries.
- Agreed the opening trial balance detail with that in the 2017-18 Statement of Accounts;
- Ensured that the ledger remains "in balance" at the present date; and,
- Ensured that the cost and expenditure coding structure remain appropriate for purpose.

### *Conclusions*

*There are no issues arising in this area 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 noted that the Financial Regulations (FRs) have been reviewed and adopted in May 2017 using the model documents supplied by One Voice Wales. Subsequently, the Standing Orders have been revised and were readopted during the Full Council meeting in February 2019.

We have also completed our review of the minutes of the Full Council and Working Group meetings for the year to date 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.

*There are no issues arising in this area of our review warranting formal comment or recommendation. As discussed with the Members who attended the Final Update review, many council's are electing to alter the Clerk's job title to 'Chief Officer' which the SLCC deems better reflects the role of the modern Clerk.*

## 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 tested all payments processed in the financial year to 31<sup>st</sup> March 2019 with no issues arising.

We note that VAT returns are prepared in Rialtas Alpha and submitted to HMRC. We have reviewed and agreed the all four reclaims prepared and submitted to date in 2018-19 to the underlying Alpha accounting records. The Q4 claim is pending settlement at this time.

### *Conclusions*

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

## 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 2018-19, to ensure that appropriate levels of cover are in place, noting that subsequent to a formal review that cover is provided by Hiscox under a fixed three-year discounted agreement which has provided significant savings to the Council: both Employers, Products and Public Liability remain set at £10 million with Officials Indemnity cover at £500,000 and Business Interruption cover at £10,000, all of which we consider appropriate for the Council's current requirements;
- Noted that the Council continues to a strict Risk Management regime and has a full Risk Management Policy in place. We also note from the minutes that the Council's risk assessments are due for further review during the municipal year, we shall undertake a further review of the Council's risk registers during the Year End Audit; and
- Examined the Council's arrangements for the regular inspection of playgrounds and recreation areas.

## ***Conclusions***

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

## **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:

- The Council has undertaken a robust Budget setting and Precept determination process resulting in a Precept for the 2019-20 Financial Year of £118,480, representing an increase of just under 4.5% on the 2018-19 precept and leading to an increase in the community council tax for Band D properties of 4%.
- 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.

Finally in this area of our review, we note that the Council's reserves, as at the 31<sup>st</sup> March 2019 stood at £97,229.06 including EMRs of £37,202 leaving a General Reserve fund of £60,097 which equates to approximately five-and-a-half months net revenue expenditure based on current levels, which is at the upper level of the generally recognised CiPFA guidelines of between three, and six months' revenue spending. We deem this an appropriate level of reserve for the Council's size and budgetary requirements or 2019-20.

## ***Conclusions***

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

## **Review of Income**

Our aim, in this area of our review, 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

The Council receives income from a relatively limited range of sources in addition to the annual precept, primarily by way of VAT reclaims, Community Council Grants, A Footpath Grant, rental income from Café 50, donations and income from ad hoc events.

Members reviewed the schedule of fees during FY 2018-19 and Resolved that they remain set as in the previous year.

We have visually examined the Alpha nominal ledger income transaction reports for the year to date 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 issues arising.

### **Conclusions**

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

## **Petty Cash Account**

*The Council does not operate a petty cash account, all incidental expenses being identified on reclaims submitted monthly by staff. Resultantly, there are no issues arising in this area of our review warranting formal comment or 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 as last revised in relation to employee contribution banding values from 1<sup>st</sup> April 2018. To meet that objective, we have:

- Checked to ensure that the Council has reviewed and approved appropriate pay scales for staff, with the 2018-19 national pay award agreement duly applied;
- Checked all staff salaries paid in April and August 2018, agreeing the gross amounts paid to the approved 2018-19 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 April and August 2018 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 April and August 2018 payroll detail.

### **Conclusions**

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

## **Asset Registers**

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We are pleased to note that a very comprehensive register is in existence incorporating detail of acquisition date (where known), asset and description, location, purchase cost and any further relevant notes. We are also pleased to acknowledge the Council's compliance this year with extant

Annual Return reporting requirements with the total asset value recorded at cost updated from the prior year to reflect new acquisitions and disposals.

The Clerk has undertaken extensive revision of the Council's Asset Register during FY 2017-18 to ensure that the correct value of the Council's Assets is recorded and maintained, and that any duplicate or erroneous entries are removed. In our Internal Audit report for 2016-17 we recommended that the Council should consider developing their register to include photographic details of their assets, which has proved of assistance in progressing any insurance claims where assets have either been stolen or vandalised. We note that the development of the register is an ongoing process and that the Clerk was still in the process of developing the Asset Register at the time of our Final Update Audit, for presentation to members in the May meeting of the Full Council.

We note that no capitalisation threshold has been agreed, however, we consider the register to be both robust and accurate and agree the value of fixed and long-term assets recorded as £304,832 as of the 31<sup>st</sup> March 2018 contained therein.

### **Conclusion**

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

## **Investments and Loans**

*The Council has no funds invested: Similarly, the Council has no loans either repayable by or to it. Consequently, there are no issues arising in this area of our review warranting formal comment or recommendation.*

## **Statement of Accounts and Annual Return**

The Council's accounting system generates automatically at the year-end a Balance Sheet and Income and Expenditure Account, detail of which we have examined and consider reflects accurately the year's transactions as recorded in the software. 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.

### **Conclusions**

*We are pleased to record that no issues arise in this area and, on the basis of the work undertaken during the course of our review for the year, we have "signed off" the Internal Audit Report in the year's Return assigning positive assurances in all areas.*