
Pontyclun Community Council

Internal Audit Report 2017-18

Claire Lingard

For and on behalf of

Auditing Solutions Ltd

Background and Scope

The Accounts and Audit Regulations introduced from 1st April 2001 require all Town, Parish and Community Councils to implement an independent internal audit examination of their Accounts and accounting processes annually. The Council complied with the requirements to appoint an auditor, independent of the Council's decision making process, by appointing a local contractor from the outset. Auditing Solutions Ltd., was approached and appointed to provide the function to the Council for 2016-17 and beyond. This report sets out those areas examined during the course of our two audit visits to the Council for 2016-17 which took place on 6th November 2017 and the 11th April 2018.

Internal Audit Approach

In conducting our review for 2017-18, we have paid due regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts.

As the Council's Internal Auditor and under the revised audit arrangements, we have a duty to complete the internal audit report in the Council's Annual Return, which covers the basic financial systems and requires assurances in ten separate areas.

Overall Conclusion

During the Final Update Audit visit we identified only one area where we considered that further improvements could be made to the existing controls thereby ensuring that councillors continue to effectively meet and demonstrate compliance with their governance responsibilities: detail of which is set out in the body of the report with the resultant recommendation further summarised in the appended Action Plan.

Notwithstanding the above, we have determined, on the basis of the satisfactory conclusion of our annual programme of work, and the adoption by members of the recommendations made in our Interim Audit report, that the Council has established adequate and effective internal control arrangements which have been demonstrably maintained throughout the Financial year. Resultantly, we have completed and signed the 'Internal Audit Report' in the year's Annual Return assigning positive assurances in each relevant area.

We wish to commend the Clerk on the new and improved business process that he has developed and which he and his team have successfully implemented during FY 2017-18. These business process improvements have contributed to a more efficient working environment, freeing up time previously spent on administration to focus on community issues. We also express our appreciation to the Clerk, once again, for the excellent manner in which he has presented the Council's records for our examination this year.

Please note that, due to the late release of the 2018 Annual Return documents by the External Auditors, due to circumstances beyond their control, the 2018 Annual Return was signed off upon receipt on the 27th of April 2018, rather than at the time of the Final Update Audit visit on the 11th April 2018.

Maintenance of Accounting Records & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. We are pleased to note that the Council continues to use the Rialtas Alpha accounting software, noting that one bank account with Lloyds bank remains in operation. We have: -

- Ensured that the opening trial balance detail for 2017-18 agrees with that in the 2016-17 Statement of Accounts and certified Annual Return;
- Verified that the financial ledger remains “in balance” at the financial year-end;
- Ensured that the cost and expenditure coding structure is appropriate for purpose;
- Checked detail in cashbook 1, which contains the transactions on the Business current account with Lloyds Bank, agreeing the detail for the year to 31st March 2018 to the underlying bank statements;
- Checked and agreed detail on the bank reconciliations on the Business current account with Lloyds Bank as at 31st March 2018 to ensure that there are no long-standing reconciling items or other anomalous entries;
- Reviewed the procedures in place for security of electronic data noting that it is backed-up on-site onto the network, onto two USB drives which are kept in a locked cabinet onsite and also to a secure ‘cloud’ backup facility; and
- Considered the controls over the raising and validation of journals, noting that they are raised by both the Clerk and Assistant.

We note that the Council has now closed the Wages account. This will streamline the accounting process, strengthen security and reduce cost.

Conclusion

We are pleased to record that no issues exist in this area currently that warrant 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. Consequently, we have:

- Noted that the Council’s Standing Orders (SOs) and Financial Regulations (FRs) have been reviewed and adopted in May 2017 using the model documents supplied by One Voice Wales;
- Noted that the Council has adopted new Financial Procedures policy, developed by the Clerk, to ensure that all staff are aware of the correct processes for managing financial transactions;

- Completed our review of the minutes of the Full Council meetings for the year to the 31st March 2018 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 one issue arising; and,
- Examined the Council's website at www.pontyclun.net and noted that it contains the a list of Council contacts, the Council's location details an archive of Council and Standing Committee meeting Agenda and Minutes, a diary of planned council meetings for the forthcoming Council year, information on planning applications and a variety of other useful information ensuring ease of public access to the Council's democratic processes and access to Council resources, governance documents and records.

Conclusion and recommendation

We note from our examination of the Council's minutes throughout 2017-18 that items of business on the Council's Agenda are sometimes deferred to be discussed by working groups outside the Full Council meeting and then returning for full council discussion and approval. Sometimes items will have been discussed by working groups prior to being considered by Council.

It is essential that all council business continues to be conducted transparently, that it is open to public scrutiny and that a full record of all discussions by members, pertaining to an item of business which appears on the Agenda of Full Council meetings, is maintained.

Whilst this auditor accepts that items may need to be discussed outside the Council meeting before presentation and items may be deferred for further investigations, it is not acceptable for this practice to be less transparent than if discussed purely at Council meeting' as this could lead to unwarranted allegations of impropriety being made against members.

R5. Council business must be conducted transparently so that it is always subject to full public scrutiny. It is essential therefore, that items of business, that are discussed by working groups have been published in a similar manner to full council meetings. The working groups should therefore produce and publish Agendas at least 3 days prior to meetings and report back to council on their discussions and recommendations so that they form part of the formal Council records.

Review of Expenditure and VAT

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and approved budgets;
- Payments are supported by appropriate 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;
- The correct expense codes have been applied to invoices when processed; and
- VAT has otherwise been appropriately identified and coded to the control account for periodic recovery.

We are pleased to note that our recommendations made in the Internal Audit report for FY 2016-17 have been fully implemented and we have examined the Council's new Financial Procedures for incurring expenditure, authenticating invoices and processing payments by reviewing all 2017-18 trader invoices, their subsequent approval for payment and the payment process itself.

We note that the Finance Assistant now receives all invoices, checks them for accuracy, affixes the new certification stamp and codes them prior to passing them to the Clerk/RFO for authentication. Once this has been done all payment documents are entered onto Rialtas Alpha and a schedule of payments is produced which is in turn checked and agreed by the Clerk/RFO who then prepares all cheque payments.

The Payment Schedule, containing all cheque, DD and electronic payments is circulated each month, with the finance pack which contains a budget report, bank reconciliation and a copy of the Bank Statement. At the Full Council meeting, members are presented with the cheques for signature and the Payment Schedule is also checked, verified and initialled. Different, authorised, members are required to act as signatories each month. A separate and comprehensive process has been put in place for emergency payments to be made.

We consider the Council's new Financial Procedures and improved payments authorisation process to be robust, secure and highly appropriate for the Council's current and ongoing requirements.

We note that the VAT reclaims are prepared in Rialtas Alpha and submitted: the first three quarter returns have been settled accordingly and we have verified the value of each to the underlying Alpha control account detail, together with that for the year ended 31st March 2018 which was in the process of being submitted during our Final Update audit visit.

Conclusion

We are pleased to record that no issues exist in this area currently that warrant 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 in order to minimise the opportunity for their coming to fruition.

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- 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 Employer's, 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 has adopted a new Risk Management Policy and commend the members increased attention to the assessment and management of risk. We also note from the minutes that the Council's risk assessments are due for further review during the municipal year. In discussion with the Clerk we note that although the Council's risk register is still spreadsheet based, the members approved our previous recommendation and are in the process of procuring the LCRS software: the Council's future Risk Registers will be produced in this software in future; and
- Examined the Council's arrangements for the regular inspection of playgrounds and recreation areas.

Conclusions and recommendations

During our Interim Audit visit we noted that the Council has playground facilities at Maes y Felin, which opened to the public on 24th March 2016, but that the Council did not have a playground inspection / risk management policy in place currently. Resultantly, we made a number of recommendations concerning the management of risk in the playground as it is incumbent for all organisations that are responsible for managing playgrounds to have a reasonable and proportionate playground management policy in place.

- R1. *A Playground Management Policy should be developed by the Council which identifies the Legal requirements associated with running a playground; gives a statement balancing the Risks and Benefits of the playground; defines the Playground Inspection Methodology and inspection routines; defines the Council's approach to assessing the Level of Risk and establishes the Risk Rating; associated actions and a statement about how this feeds into the Council's overarching Health & Safety Risk assessment. **Response: Pontyclun CC's new Playground Policy was approved by members in the meeting of the Full Council on the 28 Feb 2018.***
- R2. *All personnel conducting playground inspections must attend a RoSPA Playground Inspector (RPI) certificated course or equivalent, which is certificated to national standards, also attending update / CPD courses, which are usually held every two years or so. **Response: Quarterly and Annual inspections are carried out by qualified inspectors and on a weekly by Council staff. The Council's Insurers have confirmed that this is a reasonable and proportionate regime.***
- R3. *Weekly inspection forms and annual inspection reports must be kept for a minimum period of 21 years as the Statute of Limitations allows a person sustaining an injury in a playground to make a claim for compensation up to 21 years of age. (Records may be stored electronically). **Response: The Clerk has confirmed that all reports are being stored as recommended.***
- R4. *Signage on Playgrounds and Recreation Areas should be updated, as soon as it is reasonably possible to do so, with a statement that: "All accidents must be reported to the Clerk at (telephone), (e-mail)". It is also a good idea to place a notice on Council Notice Boards encouraging people to report any damage or other issues with Playgrounds and Recreation Areas. **Response: A Budget approved has been approved for 2018-19 to update playground signs.***

Precept Determination and Budgetary Control

Our aim here is to ensure that: -

- The Council has undertaken a budget determination exercise, which forms the basis of the annual precept request from the parent Council.
- The Council has received regular reports identifying the budget position throughout the year.
- The Council has formally approved the establishment of specific reserves.
- The utilisation of reserves and the return of unused balances to the General Fund are reported to the Council at regular intervals.
- Year-end reserves and General Fund balances are reviewed to ensure that they are both appropriate and are likely to be utilised.

We are pleased to note that an appropriate and robust Budget setting and Precept determination exercise has been undertaken for FY 2018-19, with the Council formally approving and adopting that year's Budget and Precept, the latter being set at £113,410 at the January 2018 meeting of the Full Council with the resolution formally minuted.

We are also pleased to note that members are provided with monthly budget performance reports generated by the Alpha accounting software during the year. We have reviewed the year-end budget performance report with no significant or unanticipated variances existing requiring further examination.

Finally in this area, we have examined the level of retained reserves at the financial year-end noting that they total £82,611 including £20,502 in funds earmarked for specific purposes and projects. The residual General Fund balance of £62,100 equates to approximately 5.5 months' revenue spending at the 2017-18 level and is in line with the CiPFA guideline of 3 to 6 months such spending. We are pleased to note that the Clerk has introduced a new Reserves policy which sets a baseline for a consistent approach towards setting the Council's Reserves position.

There were no significant variances which required further explanation or investigation.

Conclusion

We are pleased to record that no issues exist in this area currently that warrant formal comment or recommendation.

Review of Income

In this area of our review, we aim to ensure that all income due to the Council is identified, invoiced where applicable, that fees have been levied in accordance with the approved scales of fees and charges, recovered within a reasonable timeframe, and banked promptly in accordance with the Council's Financial Regulations.

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.

We have visually examined the Alpha nominal ledger income transaction reports for the year to 31st March 2018 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.

Finally, in this area, we noted £20,000 of extraordinary income which was generated by the sale of a toilet block and creating a variance requiring explanation in the Annual Return. We note that these funds have been reinvested by the council; improving council facilities and the toilets at Pontyclun Community Centre where the council is located.

Conclusion

We are pleased to record that no issues exist in this area currently that warrant formal comment or recommendation.

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 has been acquired during the current financial year, 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.

Review of Salaries

In examining the Council's payroll function, we aim to confirm that extant legislation is being properly observed ensuring, as far as it is reasonably possible, adherence to the Employee Rights Act 1998, the requirements of HMRC legislation in accounting for the deduction and payment of Income Tax & National Insurance contributions and meeting the requirements of the local government pension scheme as last revised in relation to employee contribution banding values from 1st April 2017.

To meet that objective, we have: -

- Checked to ensure that the Council has reviewed and approved appropriate pay scales for staff, with the 2017-18 national pay award agreement duly applied;
- Checked all staff salaries paid in August 2017, agreeing the gross amounts paid to the approved 2017-18 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 August 2017 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 August 2017 payroll detail.

Conclusion

We are pleased to record that no issues exist in this area currently that warrant 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 31st March 2018 contained therein.

Conclusion

We are pleased to record that no issues exist in this area currently that warrant 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.

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.

Please note that the Internal Audit Certificate has been signed off on the 27th April 2018, rather than the date of the Final Update Audit on the 11th April 2018, as the Council had not received the Annual Return documents at that time, as a result the late receipt of those documents by BDO, due to circumstances beyond their control.

Rec. No.	Recommendations made in the November 6 th 2017 Interim Audit report	Response
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Review of Assessment and Management of Risk

R1	A Playground Management Policy should be developed by the Council which identifies the Legal requirements associated with running a playground; gives a statement balancing the Risks and Benefits of the playground; defines the Playground Inspection Methodology and inspection routines; defines the Council's approach to assessing the Level of Risk and establishes the Risk Rating; associated actions and a statement about how this feeds into the Council's overarching Health & Safety Risk assessment.	<i>Pontyclun CC's new Playground Policy was approved by members in the meeting of the Full Council on the 28 Feb 2018.</i>
R2	All personnel conducting playground inspections must attend a RoSPA Playground Inspector (RPI) certificated course or equivalent, which is certificated to national standards, also attending update/CPD courses, which are usually held every two years or so.	<i>Quarterly and Annual inspections are carried out by qualified inspectors and on a weekly by Council staff. The Council's Insurers have confirmed that this is a reasonable and proportionate regime.</i>
R3	Weekly inspection forms and annual inspection reports must be kept for a minimum period of 21 years as the Statute of Limitations allows a person sustaining an injury in a playground to make a claim for compensation up to 21 years of age. Records can be stored electronically.	<i>The Clerk has confirmed that all reports are being stored as recommended.</i>
R4	Signage on Playgrounds and Recreation Areas should be updated, as soon as it is reasonably possible to do so, with a statement that: "All accidents must be reported to the Clerk at (telephone), (e-mail)". It is also a good idea to place a notice on Council Notice Boards encouraging people to report any damage or other issues with Playgrounds and Recreation Areas.	<i>A Budget approved has been approved for 2018-19 to update playground signs.</i>

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