

# **Pontyclun Community Council**

*Internal Audit Report 2019-20 (Interim)*

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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 that financial year during our interim visit to the Council, which took place on 26<sup>th</sup> November 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**

During the Interim 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, again, for the continued exemplary management of the Council's Governance, Finance and Administrative processes. 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.

# 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:

- Agreed the opening trial balance detail with that in the 2018-19 Statement of Accounts;
- Ensured that the ledger remains “in balance” at the present date;
- Ensured that the cost and expenditure coding structure remain appropriate for purpose;
- Noted that the Council has obtained a Barclays Bank credit card under the Welsh Government Scheme;
- Checked detail in cashbook 1, which contains the transactions on the Business current account with Lloyds Bank, agreeing the detail for the year to 31<sup>st</sup> October 2019 to the underlying bank statements; and,
- Similarly reviewed the monthly bank reconciliations for the year to 31<sup>st</sup> October 2019 to ensure that there are no long-standing reconciling items or other anomalous entries.

### Conclusions

*We note that the Council is now making payments via the Barclays Bank Credit card, under the Welsh Government scheme where we understand that the card is provided without an annual fee and a percentage of expenditure is returned to the Council. We also note that the Council continues to make payments by cheque and has decided to remain with Lloyds Bank as it continues to maintain a local presence in Pontyclun.*

*Once again, we suggest that the Council moves towards electronic banking, for reasons of security, control over its cashbook and cost. We are aware of the issues raised by members in relation to Lloyds Bank electronic banking in the previous year and therefore recommend that the Clerk and Members consider the services of the Unity Trust Bank in conjunction with its existing account with Lloyds.*

*R1. The Clerk and Members should consider utilising the services of the Unity Trust Bank, or a similar banking services provider, for its electronic banking requirements.*

## 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 Standing Orders (SOs) and Financial Regulations (FRs) have been reviewed and adopted in May 2019, at the Annual meeting of the Community Council using the model documents supplied by One Voice Wales. We have also commenced 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.

### **Conclusions**

*No matters arise in this area of our review warranting formal comment or recommendation. We shall continue to assess the Council's approach to governance during future reviews.*

## **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 a sample of payments processed in the financial year to 31<sup>st</sup> October 2019 on the basis of all payments in excess of £750 and every 20<sup>th</sup> payment irrespective of value. Nineteen payments were examined, totalling £9,314.53 and representing 27% of all non-payroll related payments with no issues arising.

We note that VAT returns are prepared in Rialtas Alpha and submitted to HMRC. We have reviewed and agreed the first two reclaims prepared and submitted to date in 2019-20 to the underlying Alpha accounting records.

### **Conclusions**

*There are no issues arising in this area of our review warranting formal comment or recommendation: We shall extend our test sample to include transactions for the remainder of the year during our final review of the year, also examining the content of the final two quarters' VAT reclaims and ensuring the accurate disclosure of the year-end VAT debtor.*

## **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 2019-20, 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: Employers, Products and Public Liability remain set at £10 million with Officials Indemnity cover at £500,000, Commercial Legal protection at £100,000, Crisis Containment at £25,000 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 have been reviewed and were adopted at the Annual meeting of the Community Council in May; and,
- Examined the Council's arrangements for the regular inspection of playgrounds and recreation areas.

### **Conclusions**

*There no matters arising in this area of our review warranting formal comment or concern. We shall continue to monitor the Council's approach to risk management during future reviews.*

## **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:

- At the time of the interim audit, a comprehensive budget setting and precept determination process was being undertaken by the Clerk and Members;
- 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.

### **Conclusions**

*There are no issues arising in this area of our review warranting formal comment or recommendation: we shall extend our testing at our final visit, including testing the Council's General Reserve, the budgets assigned to each of its EMRs and the examination of any significant budget variances.*

## **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 and 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 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.

### **Conclusions**

*There are no issues arising in this area of our review warranting formal comment and recommendation: We shall extend our review of income streams during the year-end review.*

## **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.*

*We have noted previously that a Barclays Credit card has been obtained and may also be used for ad-hoc purchases.*

## **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 2017. To meet that objective, we have:

- Checked to ensure that the Council has reviewed and approved appropriate pay scales for staff, with the 2019-20 national pay award agreement duly applied;
- Checked all staff salaries paid in April 2019, agreeing the gross amounts paid to the approved 2019-20 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 2019 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 2019 payroll detail.

### **Conclusions**

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

## **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. Subsequently, there are no issues arising in this area of our review warranting formal comment or recommendation.*

Rec. No.	Recommendations	Response
<b>Review of Accounting Arrangements and Bank Reconciliations.</b>		
R1	The Clerk and Members should consider utilising the services of the Unity Trust Bank, or a similar banking services provider, for its electronic banking requirements.	