

## **Caldicot Town Council (Cil-y-Coed)**

*Internal Audit Report 2023-24: Interim Review*

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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 Review for the 2023-24 financial year; the Interim review took place, onsite, on the 10<sup>th</sup> October 2023.

## **Internal Audit Approach**

In completing our review of the financial 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 assurances 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 Return process, which requires independent assurance over a number of internal control objectives.

## **Overall Conclusions**

We have followed up the recommendations made in our 2022-23 reports and acknowledge that the members have noted and considered these in their deliberations. We note that the Council has continued to make business processes and performance improvements throughout the financial year to date. We report that, on the basis of the work undertaken to date, the Council continues to operate generally adequate and effective internal controls in all areas examined.

No remarkable issues have been identified during the Interim audit, and resultantly no recommendations for improvement have been made.

We have noted that the Council continues to take all possible measures to assist the community as it works towards economic recovery, with the Clerk/RFO, Deputy Clerk and Members have, once again, working tirelessly to ensure that the Council's service provision remains at a consistently high standard.

We commend the Clerk/RFO and the Deputy Clerk for their efforts and, once again, the exemplary manner in which the documents were presented for this review process. We have noted that the current Clerk/RFO has resigned and is due to leave the Council to pursue a new career shortly. We thank the Clerk for her sterling efforts for and on behalf of the Council and wish her well in her new post.

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, Banking & Reconciliations

Caldicot Town Council currently operates two bank accounts with the Co-op Bank: The Current Account, and a Business Select Instant Access account. The Council also has a CCLA Public Sector Deposit Fund. The Town Council continues to utilise Edge accounting software to maintain the Council's financial records and assist in the preparation of the year-end Statement of Accounts.

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 have: -

- Noted that the Council was not in receipt of the External Auditor's report and certificate for the 2022-23 financial year as of the 10<sup>th</sup> October 2023;
- Ensured that an appropriate chart of accounts has been established and is being applied on the Edge accounting system;
- Considered the security of the Edge software, as regards back-up and restore capabilities;
- Verified that the closing balances, as reported in the 2022-23 Statement of Accounts and certified Annual Return, have been correctly rolled forward as the opening balances for 2023-24 by reference to the Council's Opening Trial Balance report from Edge;
- Examined transactions on all the Council's financial accounts for two months: April and September 2023, together with the corresponding month-end bank reconciliations produced by the accounting software, agreeing detail to the supporting bank statements, noting that there were no long-standing unpresented cheques or anomalous entries; and,
- Checked and verified the bank reconciliations for all the Council's financial accounts for the period from the 1<sup>st</sup> April 2023 to the 30<sup>th</sup> September 2023 with no issues arising.

### Conclusions

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

## Review of Corporate Governance

Our objective is to ensure that the Council has robust corporate governance documentation and processes in place, and that, as far as we may reasonably be expected to ascertain (as we do not attend Council or Committee meetings) all meetings are conducted in accordance with the adopted Standing Orders and no actions of a potentially unlawful nature have been or are being considered for implementation. We have: -

- Noted that the Council has actioned all recommendations made in the two Internal Audits conducted during the 2022-23 financial year;
- Noted that amended Standing Orders were reviewed and formally readopted, at the 24<sup>th</sup> May Meeting of the Full Council under Minute Reference 10776;
- Noted that the Financial Regulations were last formally reviewed and readopted, unamended, at the 25<sup>th</sup> May 2022 Estimates Committee meeting under Minute Reference 10608 ii;
- Noted that the Council correctly published the Notice for the exercise of Elector's Rights in accordance with the requirements of the Accounts and Audit Regulations.

- Concluded the examination of the Council's and its standing committee's minutes for the financial year to 30<sup>th</sup> September 2023, ensuring that no issues exist or may be being considered by the Council that may have an adverse effect, through litigation or other causes, on the Council's future financial stability; and,
- Noted that the Clerk/RFO has undertaken all reasonable steps to ensure the Council's continued compliance with the General Data Protection Regulation (GDPR). This includes, but is not limited to, arranging secure off-site backup facilities hosted by Microshade for the Council's accounting records and General data backup hosted by Apex.

### **Conclusion**

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

## **Review of Expenditure & 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 been appropriately identified and coded to the control account for periodic recovery.

During the Interim review for the 2023-24 financial year, we concluded testing in this area for compliance with the above criteria examining a total sample of twenty-six (26) payment documents, including all those individually in excess of £2,000 plus every 25<sup>th</sup> payment, ensuring that all payments in the above sample were supported by an appropriate invoice, receipt or minute approving payment of a grant.

The total value of the sample reviewed was £85,782 equating to 64% of non-pay related payments to 30<sup>th</sup> September 2023 with no issues arising. We record that all payments in the above sample were supported by an appropriate invoice, receipt or minute approving payment of a grant and have been subject of formal review and authorisation process as defined in the Council's Standing Orders and Financial Regulations.

We have checked and verified the formal Tender process which has been undertaken in relation to the Town Council Offices and Public Toilet development. Noting that the Tender was formally advertised on the Senedd's formal contracts portal: 'Sell2Wales' under reference number ocds-kuma6s-132750.

We have noted that the first two quarterly VAT reclaims, which are submitted annually, have been completed automatically from the Edge accounting software and submitted to HMRC. The detail has been checked and verified against the underlying control account with no issues arising.

### **Conclusions**

*There are no matters arising in this area of our review requiring 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 in order to minimise the opportunity for their coming to fruition.

We note that the Council operates a continuous risk assessment process, using a specialist Risk Management Consultancy: 'Citation Ltd' to undertake all Risk Assessments for the Council, and to maintain the Council's Risk Registers. Additionally, there is a fully constituted Health & Safety Committee which meets on a bi-monthly basis to review and approve all Risk Matters. The Current Risk Registers were last reviewed at the 07<sup>th</sup> September 2023 meeting of the Health & Safety Committee, under Minute Reference HS-3.

We have examined the Council's insurance policy, which due to increases in proposed insurance fees, was placed by James Hallam Ltd and underwritten by Aviva, under Policy No: 100760285CCI which is active from the 1<sup>st</sup> June 2023 to the 31<sup>st</sup> May 2024.

We note the headline details of the new cover as:

- Employers' Liability £10M
- Public & Products Liability £10M
- Commercial Legal Protection £250K
- Directors & Officials Liability £250K
- Corporate Legal Liability £250
- Business Interruption £50K
- Business all risks cover £50K

This level of cover is considered appropriate for the Council's current requirements.

We note that the Council's play areas are inspected monthly by Monmouthshire Council, which subsequently supplies inspection reports that are forwarded to and maintained by the Clerk/RFO. Additionally, daily visual inspections of the play areas are conducted by the contract groundsman with written reports again forwarded to and maintained by the Clerk/RFO.

RoSPA now undertake an annual inspection of the play areas and open spaces, the resultant report is forward to the Health and Safety Committee for their review.

### **Conclusions**

***There are no matters arising in this area of our review warranting formal comment or recommendation. We take this opportunity to remind the Clerk/RFO of the mandatory requirement to formally review and readopt the Council's Risk Registers at least once, annually, during the financial year.***

## 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 District Council, also, that an effective reporting and monitoring process is in place. We also aim to ensure that

the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

In this area of our review, we have noted that there is clear evidence in the Minutes of the Full Town Council that Members are provided with proper budgetary reports and other financial information at each meeting. This information is sufficient to ensure that there should be no confusion as to the Council's budgetary position, that robust financial management and internal controls remain in place, and that Council Members are fully informed of the Council's approved and projected expenditure.

We have noted that once again, the Clerk/RFO and Members are in the process of a detailed and robust Budget Setting and Precept determination process for the 2024-25 financial year requirements. As in previous years, this process is taking place under the auspices of the Estimates Committee. Subsequently the draft Budget and Precept are scheduled to be presented to the Full Town Council in November for Approval, Adoption and onward communication to the Principal Authority in December 2023.

We note that the budget includes funds retained in nine formally Resolved and active Earmarked reserves which, as at the 30<sup>th</sup> September 2023 were recorded as follows:

#### **Active Earmarked reserves**

CCTV	£10,000
Repair & Works	£75,000
Bus shelters	£ 625
Play Equipment	£30,000
Compound	£85,000
Cemetery Land	£34,580
Com Bench Proj.	£ 0
50 years Caldicot	£10,000
KC3 Coronation	£ 2,500

Total EMRs	£247,705
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#### ***Conclusion***

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

#### **Review of Income**

Our objective in this area is to ensure that the Council has robust arrangements in place to identify all income due, to ensure that it is both invoiced (where appropriate) and recovered within a reasonable time frame. The Council's major income sources, apart from the Annual Precept, are burial and memorial fees, allotment rents and hall hire income.

We are pleased to note that Members regularly review the level of fees and charges during the prior year Budget setting and Precept determination process, in accordance with the requirements of its adopted Financial Regulations. As in previous years, the Council will formally review its fees and charges at the November meeting of the Estimates Committee.

Due to the minimal level of hall hire income during the financial year, we have again examined the income streams from Allotment related fees and charges.

### **Allotment revenue**

We have examined the standard Allotment Contract which remains unamended from the prior review. Additionally, we have examined this income stream for the financial year to the 30<sup>th</sup> September 2023, cross referencing this to the Allotment Contract via the Allotment Plot control spreadsheet, noting the receipt of the rents from the current year's financial records and confirming the subsequent banking of the payments noting that all supporting documentation for bookings is filed appropriately and transactions recorded in the Edge Cashbooks with no issues arising.

### **Conclusions**

*There are no matters arising in this area of our review warranting formal comment or recommendation. We will extend this area of review, during the year-end audit to include a full review of the cemetery income for the financial year.*

## **Review of Petty Cash Account(s), Credit & Debit Card facilities**

The Council does not operate a petty cash account and does not current hold a credit or debit card.

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

## **Review of salaries and payroll**

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 HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme. To meet that objective, we have: -

- Checked and verified the Council's Establishment List for the 2023-24 financial year with no matters arising;
- Checked and verified the One Voice Wales model employment contract issued to the new Communications and Administration officer with no issues arising;
- Noted that the Council continues to outsource its payroll function to 'Playworks one' (originally outsourced in November 2014). However, we are advised that due to staff changes the quality of the outsourced service has declined somewhat during the 2023-24 financial year and that the Clerk/RFO is now researching other outsourced payroll providers;
- Noted that the Council continues to employ four persons: The Clerk/RFO, Deputy Clerk/RFO, Communications & Administration Officer and the Cleaner;
- Checked & Verified the complete payroll for the period from April to September 2023 inclusive, noting that there were several errors pertaining to pensions deductions which have been made by the outsourced payroll service provider. The Clerk/RFO has rectified these and resultantly no further comment has been made in this regard;
- Checked & Verified the employees' payslips for September 2023 and agreed each employee's basic pay to their terms and conditions of employment;

- Checked and verified that tax and NI deductions for September 2023 to ensure these have been made accurately applying the appropriate tax code and NI Table; and,
- Ensured that the appropriate employee contributions to the pension scheme have been determined and paid over to the Pension Fund Administrators: Torfaen County Borough Council.

### **Conclusion**

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

## **Review of Investments and Loans**

Our aim in this area of review is to ensure that the Council has appropriate investment and borrowing strategies in place and that the most advantageous interest rates are being obtained.

We note that Members formally readopted its Investment Strategy in line with the guidance issued by the National Assembly for Wales, at the 9<sup>th</sup> November 2021 meeting of the Estimates Committee under Minute reference 5, also reconfirming the Council's investments in the CCLA Public Sector Deposit Fund.

The Council holds its funds in a Co-op Current and Reserve Account, and the CCLA Public Sector Deposit Fund on which monthly interest is received. As indicated earlier in this report, we have verified the appropriate receipt of that interest and the 30<sup>th</sup> September 2023 account balances with reference to electronic copies of the prime supporting documentation and cross-checking the disclosed balances in the corresponding Edge account reconciliations.

We note that as at the 31<sup>st</sup> March 2023 the Town Council has, as far as it is able to do so, met its obligation to protect, the public funds under its management with no funds in the Co-op bank at risk. However, as of the 30<sup>th</sup> September 2023 there was a total of £96,636 at risk, which was not covered by the Governments Financial Services Compensation Scheme (FSCS). The Clerk/RFO has advised me that the Council is currently in the process of investigating / opening a new investment account therefore no further recommendations have been made in this regard.

As at the 30<sup>th</sup> September 2023, the Town Council held its funds as follows:

<b>Account</b>	<b>Cashbook Number</b>	<b>Reconciled Value as at 30.09.23</b>
Co-op current account		£30,938.38
Co-op (14 day) deposit account		£150,697.86
<b><i>Total invested in the Co-op bank</i></b>		<b><i>£181,636.24</i></b>
<b><i>FSCS Guarantee</i></b>		<b><i>£85,000.00</i></b>
<b><i>Funds at risk as at 30<sup>th</sup> September 2023</i></b>		<b><i>£96,636.00</i></b>
CCLA PSDF		£463,003.49
<b><i>Total funds invested by Caldicot TC</i></b>		<b><i>£532,639.73</i></b>

Currently, the [FSCS](#) provides protection for to £85,000 invested in one institution, where that institution has an annual turnover of less than €500,000.



We note that the Town Council continues to invest in the Churches, Councils and Local Authorities Public Sector Deposit Fund (CCLA PSDF) that provides a highly efficient investment solution, used by many councils in Wales & England which spreads the risk of the council's investment amongst 'A' rated financial institutions.

Finally, in this area of review we have confirmed that the Council has no loans repayable by it, or to it.

### **Conclusion**

***There are no matters arising in this area of review warranting formal comment or recommendation. I would like to impress upon the Council Members however, as stated in my previous reports, the urgency of ensuring that all the Council's Funds remain protected at all times, to the extent that the Council is able to do so. Especially now in this unprecedented period of geopolitical instability.***

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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 and with the prevailing General Data Protection Legislation.***

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