

Caldicot Town Council (Cil-y-Coed)

Internal Audit Report 2020-21: Final Update Report

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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 Reviews for the 2020-21 financial year; the Interim review which took place on the 09th November 2020, supplemented by the Final Update review which took place on the 29th April 2021.

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, which has been modified in light of the Covid-19 directives under which Councils are required to operate, 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 have followed up the recommendations made in our 2019-20 reports and acknowledge that the members have noted and considered these in their deliberations but have not yet Resolved to implement these. The Council has continued to make business processes and performance improvements, even in these challenging times and we have reviewed the Council's modified practices implemented to comply with the Government's Covid-19 directives, and report that, on the basis of the work undertaken to date in the current year, the Council continues to operate adequate and effective internal controls in all areas examined to date. Resultantly, only one recommendation for improvement was made, during the year, in the Review of Salaries

We note that the Clerk/RFO is currently on long-term leave and that the Deputy Clerk/RFO is now acting in the capacity as Clerk/RFO, and has prepared all the required documentation for the Final Update review for the 2020-21 financial year. We commend the Acting Clerk/RFO for her efforts and the exemplary manner in which the documents were presented for this review process. We also compliment the Council's Members and Staff who have worked strenuously to maintain services for their constituents during challenging, unsettling and unprecedented times.

We have noted that the Council has taken all reasonable steps both to comply with both Central and Devolved government and public health directives re: Covid-19, which have been amended from time to time, whilst ensuring that the Council's service provision remains at a consistently high standard. The Council has taken all reasonable and proportionate steps to ensure that both the health and safety of its Employees, Members, Tenants and the public availing themselves of the Council's and facilities. All modified practices being formally Reviewed, Resolved and Recorded in the Council's Minutes.

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

The Council currently operates two bank accounts with the Co-op Bank: The Current Account, and a Business Select Instant Access account. The Co-operative Bank Bond account and the Instant Access account in use previously have both been closed. The Council has deposited £100,000 with the Monmouthshire Building Society and also holds deposits with the CCLA Public Sector Deposit Fund. Caldicot 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 received the External Auditor's report and certificate, with one matter raised on the 11th November 2020 (submitted post internal audit and report amended);
- 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 2019-20 Statement of Accounts and certified Annual Return, have been correctly rolled forward as the opening balances for 2020-21 by reference to the Council's April bank reconciliations, the Month Zero report being unavailable due to a software issue; and,
- Examined transactions on the Council's Current account for three months' transactions, April and June 2020, and March 2021, together with the resultant month-end bank reconciliations produced by the accounting software for those same months, agreeing detail to the supporting bank statements, noting that there were no long-standing unrepresented cheques or anomalous entries.

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 not actioned all recommendations made in the two Internal Audits conducted during 2019-20, in particular the recommendations made in the prior year Interim Audit;

- Noted that Standing Orders were reviewed and formally readopted, unamended, in the November 2020 Estimates Committee meeting under Minute Reference 9.
- Noted that the Financial Regulations were formally reviewed and readopted, amended, in the November 2020 Estimates Committee meeting under Minute Reference 8;
- Noted that the Council correctly published the Notice for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations.
- Examined the Council and standing committee's minutes for the financial year to the 31st March 2021, including the Council's Confidential Minutes pertaining to personnel matters, 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 and the Deputy, now Acting Clerk/RFO have undertaken all reasonable steps to ensure the Council's continuing 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.

Exceptional Statements concerning modified working practices under Central and Devolved Government's directives concerning Covid-19

Caldicot Town Council modified its working practices to comply with Central and Devolved Government public health directives concerning Covid-19. The implication of the directives required that the Council take swift action to ensure that all directives, that were amended from time to time, were complied with by the Council and its Staff as far as it was reasonably possible to do so.

- The Town Council approved policies which enabled staff to home-work. Staff were provided with relevant equipment, to facilitate this and to ensure that attendance at the Town Council's offices was strictly limited. Staff workloads changed significantly to adapt to public health measures as amended from time to time;
- The Council moved to remote meetings; to protect staff, public and members. The meetings are open and transparent, with agendas and minutes publicised in the normal way;
- There were significant implications for the Town Council, pertaining to asset management and closure of certain facilities (e.g. public toilets and play area);
- Dewstow Cemetery remained open for visitation and graveside services with limited attendance. The Town Council staff worked closely with funeral directors, to ensure that regulations were adhered to;
- The play area and public toilets were closed: This decision was taken due to Central government directives and advice from the unitary authority and One Voice Wales. Subsequently facilities were safely reopened, with relevant signage displayed, and in accordance with Central and Devolved government directives;
- The Town Council building was closed. Groups were unable to meet due to Central and Devolved government directives. However, support services (i.e. Caldicot Foodbank) continued to operate from the building, ensuring that people in need could obtain food parcels and support.

During the unprecedented public health directives, the Deputy, now Acting Clerk/RFO and Members have implemented modified working practices to ensure that Caldicot Town Council continued to provide high quality services to its Constituents. The Deputy, now Acting Clerk/RFO and Members kept the Council's Standing Orders and Financial Regulations in mind at all times.

Conclusions

There are no matters arising in this area of our 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 we commenced testing in this area for compliance with the above criteria examining a sample of 14 payments, and that all payments in the above sample were supported by an appropriate invoice, receipt or minute approving payment of a grant.

During the Final Update review of the 2020-21 financial year, we extended testing in this area for compliance with the above criteria examining a further sample of 16 payments (30 payment transaction in total), including all those individually in excess of £2,000 plus every 25th payment:

The completed annual sample examined totals £116,205.90, equating to 54% of non-pay related payments in the year to the 31st March 2021. 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 noted that all tenders and quotations completed during the 2020-21 financial year were undertaken according to the processes defined in the Council's Standing Orders and Financial Regulations.

We note that the four quarterly VAT reclaims 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.

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's Risk Registers are in the process of being reviewed and updated at the time of this Interim Internal Audit.

We have examined the Council's insurance policy, which continues to be placed with Royal Sun Alliance (RSA), arranged by WPS in the final year of a three-year arrangement, noting that appropriate cover remains in place with Employer's Liability standing at £10 million, Public Liability standing at £15 million, Terrorism at £5 million, Fidelity Guarantee at £300,000, Business Interruption at £50K and Loss of Money at £2K. 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 Acting 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 Acting 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.

The Council's Minutes confirm that it took all reasonable actions to comply with Public Health Wales directives concerning Covid-19 and play area management.

Conclusions

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 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.

A well-defined and implemented budgetary reporting protocol is in place at the Council, with Members receiving regular budget monitoring reports with over/under-spends and the level of earmarked reserves the subject of regular review.

We note that the Deputy, now Acting Clerk/RFO and Council members have undertaken a robust Budget setting and Precept determination process in respect of the 2021-22 financial year. This resulted in the draft Budget and Precept in the amount of £384,605, being recommended to Full Council in the November 2020 meeting of the Estimates Committee under Minute Reference 4. Subsequently, Members Adopted the Budget and Established the 2021-22 financial year Precept

at the November 2020 meeting of the full Town Council, in the amount of £385,930, under Minute Reference 10348.

A number of the projects which had been budgeted for and which were scheduled to take place during the 2020-21 financial year were delayed as a result of the Central and Devolved governments' public-health directives re: Covid-19 and the corresponding lockdowns which brought the Country's economy to a near close. The Council has properly rolled forward the unused budgeted funds to the 2021-22 financial year which has resulted in a somewhat higher than usual General Reserve.

We note that the Council maintains specific funds, set aside in formally Resolved and active Earmarked reserves and that these reserves have increased at the 2020-21 financial year-end as unspent budgetary amounts have been rolled forward. The Council's Earmarked reserves as at the 31st of March 2021 are recorded as follows:

Active Earmarked reserves

Contingency	£20,000
CCTV	£10,000
Repair & Works	£40,000
Play Equipment	£20,000
Compound	£80,000
Play Equipment	£10,000
Cemetery Land	£75,000
Bench Project	£12,000

Total Earmarked reserves =£267,000

The Council's overall reserves as at 31st March 2021 stood at £542,397 (£449,018 prior year), with Earmarked reserves of £267,000 (£220,000 prior year) leaving a General Reserve fund of £275,397 (£229,018 prior year), which equates approximately 11 months' revenue spending at the average monthly level of FY2020-21.

Although this level of General Reserve is somewhat higher than the current CiPFA guidance of between 3-6 months spending held as reserve based on the monthly average FY2020-21 expenditure, it must be remembered that the current economic situation is unprecedented.

The negative effect of the Central and Devolved government lock-down directives was the near economic closure of the parts of the country for almost 8 out of 12 months. This has not only had a significant impact on the Council's income, but also on its planned expenditure which is reflected in the higher than usual General and Earmarked Reserve balance.

Having considered the year-end outturn for FY2021, the Council's budgetary response to the economic downturn in the year, this auditor considers Caldicot Town Council's level of retained reserve appropriate to secure the delivery of the Councils primary services and planned projects during the 2021-22 financial year.

Conclusions

There are no matters arising in this area of our review warranting formal comment or recommendation. We commend the Clerk/RFO, Deputy, now Acting Clerk/RFO and the Members for their prudent financial management during this period.

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 Budget setting and Precept determination process, in accordance with the requirements of its adopted Financial Regulations. As in previous year, the Council formally review its fees and charges in the November 2020 of the Estimates Committee under Minute reference 4.i., and Resolved to roll-forward the FY2020-21 Fees and Charges without increase to the 2021-22 financial year in order to assist local community organisations and other regular business clients to re-establish themselves.

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

Cemetery related income including interment and memorial fees.

We have examined this income stream for the financial year to the 31st March 2021, including all statutory certification pertaining to burials and interments. We have noted the receipt of payments from Invoice/Receipt to the receipt of income, subsequent banking and the recording of these transactions in the Edge cashbooks with no issues arising.

Allotment fees.

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 31st March 2021, 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.

Review of Petty Cash Account(s)

The Council does not operate a petty cash account. Accordingly, there are no issues arising in this area of our review warranting formal comment or recommendation.

Review of 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 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: -

- Noted that the Council continues to outsource its payroll function to ‘Playworks one’ (originally outsourced in November 2014);
- Noted that National Pay Awards for the 2020-21 financial year were not Approved and Adopted until the 30th September 2020 meeting of the Town Council, under Minute reference 10318 iii), with the award to be made retrospectively, effective of 1st April 2020. The Clerk/RFO advised me that the calculations have now been made and will be applied in the November 2020 payroll;
- Noted that the Minutes of the single Personnel Committee meeting of the year to date detail an exceptional Covid-19 related staff payment made to two members of staff. Subsequently, the Recommendation of the Personnel Committee was formally approved at Full Council;
- Examined the complete payroll for the period from April to September inclusive due to anomalies in the processing of the Pension contributions and the major payroll variance in July 2020;
- Examined employees’ payslips for July 2020 and agreed each employee’s basic pay to their terms and conditions, excluding the exceptional Covid-19 related staff payments, noting that all payments made during that period were based on the 2019-20 National Pay Award;
- For the same month, verified that tax and NI deductions 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. We have noted that the Employer Pension contribution reduced in April 2020 from 20.8% to 17.9%, this was reduced in August 2020. Torfaen CBC documentation confirms that the initial overpayment has now been rectified.

Conclusions and recommendation

We have noted that the Employer Pension contributions were not correctly administered during the period from April to September 2020 inclusive.

*R1. Close attention should be paid to the correct processing of the Council’s Pension contributions with prompt remedial action taken when an error is identified. **Response: Recommendation implemented.***

Review of Fixed Asset Register

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. The Council maintains a simple Fixed Asset Register which contains all the detail required by the Practitioners Guide.

The Acting Clerk/RFO has undertaken a formal review of all the Council’s assets during the year; checking each asset appearing on the Council’s register and verifying its correct value. Acquisitions and disposals are properly recorded making the Asset Register easy to use, understand, audit and validate.

We have checked and verified the information recorded in the Fixed Asset Register, checking the total asset value recorded in the 2020-21 Annual Return against the value of all assets recorded in the register, less disposals, plus additions and have agreed the declared Fixed Asset Register value of £422,134 as at the 31st March 2021 accordingly (£419,639) in the prior year.

Conclusions

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

Review of Investments and Loans

We aim here 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 had resolved to adopt an Investment Strategy for 2020-21 in line with the guidance issued by the National Assembly for Wales. Surplus funds are now held in the Co-op Business Select Instant Access account, the CCLA Public Sector Deposit Fund and in the Monmouthshire Building Society. We further note that at the 10th November 2020 meeting of the Estimates Committee, Members approved the reinvestment of the original capital and interest paid in the Monmouthshire Building Society 90 day Fund and the CCLA Public Sector Deposit Fund respectively, under Minute reference 4i:

- We have agreed the balance as at the 31st March 2021, on the Co-op Business Select Instant Account in the amount of £210,337.80;
- We have noted that the investment placed with the Monmouthshire Building Society has been reinvested, with interest, as Resolved in the meeting of the Estimates Committee and have agreed the balance as at the 31st March 2021, in the amount of £101,100.60 with the Monmouthshire Building Society to prime documentation; and,
- We further noted that the investment placed with the CCLA Public Sector Deposit Fund has been reinvested, with interest, as Resolved in the meeting of the Estimates Committee, and have agreed the balance as at the 31st March 2021, in the amount of £201,514.12 with the CCLA Public Sector Deposit Fund to prime documentation.

The Council has no loans repayable by or to it currently.

Conclusions

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

Statement of Accounts and Annual Return

The Council continues to maintain its Income and Expenditure accounts within the Edge Accounting Software Package. We have examined the Final Accounts for the 2020-21 financial year, which we consider reflects accurately the year's transactions as recorded in Edge. The underlying data is relied upon to generate 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 matters arise in this area of our review and, on the basis of the work undertaken during the course of our internal audit for the 2020-21 financial year, we have duly signed off the Internal Audit Report in the year's return assigning positive assurances in all areas.

Finally, we take this opportunity to remind the Acting Clerk/RFO of the requirement to display the Internal Audit documentation on the Council's website, together with the need to ensure compliance with the timing requirements for publication of the Notice of Public Rights to examine the Council's documentation for the financial year.

Rec. No.	Recommendation	Response
Review of Accounting Records, Banking and Bank Reconciliations		
R1	Close attention should be paid to the correct processing of the Council's Pension contributions with prompt remedial action taken when an error is identified.	<i>Response: Recommendation implemented.</i>