

Caldicot Town Council (Cil-y-Coed)

Internal Audit Report 2021-22: Interim

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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 first of the Internal Audit Reviews for the 2021-22 financial year; the Interim review which took place on the 10th December 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 2020-21 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 and recognise the Council's modified practices implemented to comply with the Government's Covid-19 directives. We report that, on the basis of the work undertaken to date, the Council continues to operate adequate and effective internal controls in all areas examined to date. Resultantly, only two recommendations for improvement have been made. This is detailed in the main body of the report and the appended action plan.

We note that the Clerk/RFO is currently undergoing a phased return to work after returning from long-term sick leave and that the Deputy Clerk/RFO continues to act in the capacity as Acting Clerk/RFO, and has prepared all the required documentation for the Interim Review for the 2021-22 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, once again, 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

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 fund on deposit with the Monmouthshire Building Society and the 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 is not yet in receipt of the External Auditor's report and certificate for the 2020-21 financial year;
- 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 2020-21 Statement of Accounts and certified Annual Return, have been correctly rolled forward as the opening balances for 2021-22 by reference to the Council's Opening Trial Balance report from Edge;
- Examined transactions on all the Council's financial accounts for two months' transactions, April and September 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; and,
- Checked and verified the bank reconciliations for all the Council's financial accounts for the period from the 1st April to the 30th September 2021 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 2020-21;
- Noted that Standing Orders were reviewed and formally readopted, unamended, at the 9th November 2021 Estimates Committee meeting under Minute Reference 8.
- Noted that the Financial Regulations were formally reviewed and readopted, amended, at the 9th November 2021 Estimates Committee meeting under Minute Reference 7;

- 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 30th September 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 Deputy Clerk/RFO, (currently Acting 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.

Exceptional Statements concerning modified Covid-19 working practices

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 have enabled staff to home-work. Staff have been provided with relevant equipment, to facilitate home-working and to ensure that attendance at the Town Council's offices remained flexible, in order to comply with the devolved government's public health directives which have changed from time to time;
- The Council developed the capability to host remote and hybrid Council meetings, using Starleaf technology; both to protect staff, members, and members of the public and to ensure that the democratic process continued to be as widely available as possible;
- Whilst adapting to challenges of the Covid-19 pandemic, Caldicot Town Council has continued to provide facilities and maintain services for the community and ensured that ordinary Council business was fulfilled.
- Dewstow Cemetery has remained open for visitation and graveside services with limited attendance. The Town Council staff worked closely with funeral directors, to ensure that regulations, which have been amended from time to time, were adhered to;
- The play area and public toilets were reopened during the financial year, in accordance with public health directives issued by central and devolved governments;
- The Town Council building has remained closed to the public, with staff members returning to work in a phased approach in accordance with central and devolved government public health directives which have been amended from time to time.
- Groups have been able to resume hall bookings during the period from the 1st April to the 30th September 2021 in accordance with central and devolved government public health directives which have been amended from time to time.
- The Council has demonstrated its commitment to supporting residents in setting the budget for 2022/23 has retained the level of precept same as 2021/22. This decision was made to assist the community as the Covid recovery continues.

The Acting Clerk/RFO and Members has continued to implement modified working practices, in consultation with the Members, to ensure that Caldicot Town Council continued to provide high quality services to its Constituents. The Council's Standing Orders and Financial Regulations in mind at all times.

Conclusion and recommendation

There is one matter arising in our review of Corporate Governance concerning the Minutes. We have noted that the Grants Committee have considered multiple requests for Grant Aid during the financial year to date and have undertaken the Award process in accordance with the Council's Standing Orders and Financial Regulations. However, there is clear evidence that the Grants Committee and the Full Council have not properly considered under what Power these awards should be made. All Awards of Grant Aid, as recorded in the relevant minutes, having been made under the Local Government Act 2000, s.2 (s.137).

We take this opportunity to remind the Acting Clerk/RFO and Members that the Local Government Act 2000, s.2 (s.137) is the 'Power of last resort' and may only be used where no other Power exists to make the Award of Grant funding.

For example:

- ***Resolution to Award Grant Aid to a Bowling Club to assist with the restoration of the bowling green - (Local Government (Misc. Prov.) Act 1976, s.19).***
- ***Resolution to Award Grant Aid to local events, i.e., a fireworks display, community event, event promoting the local area - (Local Government Act 1972, s.145).***
- ***Resolution to Award Grant Aid to a Climate Change initiative/organisation which is a non-political body - (Climate Change and Sustainable Energy Act 2006, s.20).***
- ***Resolution to Approve the Award of Grant Aid to a Citizens Advice Bureau - (Local Government Act 1972 s.142 (2A)).***
- ***Resolution to Approve the Award of Grant Aid to a Search & Rescue organisation - (Public Health Act s.234).***
- ***Resolution to Approve the Award of Grant Aid to a Sports Club: Rugby/Football/Gymnastics etc., - (Local Government Act 1972 s.145).***

We also remind the Acting Clerk/RFO and Members that organisations that are in receipt of direct government funding, i.e., the NHS and associated medical services providers, Schools, Armed Services, Police Services, Fire Services and individuals are not eligible to receive any funding whatsoever from Town, Community or Parish Councils under any circumstances whatsoever.

R1. The Responsible Officer and Members must ensure that when making the Award of Grant Aid the Power under which all Awards are made is properly considered and formally recorded in the Minutes of the Full Town Council and its Standing Committees with the Local Government Act 2000, s.2 (s.137) only being used as the 'Power of last resort.'

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 19 payments, including all those individually in excess of £2,000 plus every 25th 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 £60,215.02 equating to 52.7% of non-pay related payments to 30th September 2021 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 single tender for the MUGA facility and quotations completed during the period of the 1st April to the 30th September 2021 and verified that these were undertaken according to the processes defined in the Council's Standing Orders and Financial Regulations and with the tender being correctly entered onto the Government's Contracts Finder tender portal.

We have noted that the first two of the four quarterly VAT reclaims 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.

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, in accordance with statutory requirements, the Council's Risk Registers have again been reviewed in conjunction with Monmouthshire County Council's Health & Safety Officer, Laurence Dawkins and were formally Reviewed and Approved at the meeting of the Estimates Committee of the 9th November 2021 under Minute Reference 6.

We have examined the Council's insurance policy, which has been placed by WPS Hallam placed underwritten by The Military Mutual, under a 'Council Guard Policy', No CAL001263CCP which is active from the 1st June 2021 to the 31st May 2021 (a three-year arrangement).

We note the headline details of the new cover as:

- Employers' Liability £10M
- Public & Products Liability £15M
- Hirers Indemnity £2M

- Fidelity Guarantee £300K
- Libel & Slander £250K
- Officials Liability £250K
- Legal Defence £250
- Business Interruption £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 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 pay 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 Acting Clerk/RFO and Council members have again undertaken a robust Budget setting and Precept determination process in respect of the 2022 financial year. This resulted in the draft Budget and Precept in the amount of £385,930, being Endorsed and Recommended to the Full Council at the 9th November 2021 meeting of the Estimates Committee under Minute Reference 4.

It should be noted that the Council has elected to retain its Budget and Precept at the 2021-22 financial year level with no increase, in order to assist the community during the hardships being caused by the continued public-health directives associated with Covid.

A number of the projects which had been budgeted for and which were scheduled to take place during the 2020-21 are now moving forward, including the long-planned MUGA project, and the Council's Earmarked reserves are being properly utilised in this regard.

We note that the Council maintains specific funds, set aside in formally Resolved and active Earmarked reserves which, as at the 30th September 2021 stood at:

Active Earmarked reserves

Contingency	£20,000
CCTV	£00,000
Repair & Works	£40,000
Bus shelters	£00,000
Play Equipment	£20,000
Compound	£65,000
Cemetery Land	£75,000
Com Bench Proj.	£12,000

Total Earmarked reserves =£231,991

Finally, in this area of our review we have noted that there is clear evidence in the Minutes of the Full Town Council that Members give proper scrutiny to budgetary reports and other financial information at each meeting, thereby ensuring robust financial management and controls are in place.

Conclusions

There are no matters arising in this area of our review warranting formal comment or recommendation. Once again, we commend the Acting Clerk/RFO and the Members for their continued prudent financial management.

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 reviewed its fees and charges at the November meeting of the Estimates Committee. Members Resolved to roll-forward the FY2021-22 Fees and Charges to the 2022-23 financial year, without increase, in order to assist local community organisations and other regular business clients to re-establish themselves, under Minute reference 3 i) of that meeting.

Due to the minimal level of hall hire income during the financial year, we have again 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 30th September 2021, including all statutory certification pertaining to burials and interments. The Acting Clerk/RFO provided all supporting evidence including burial/cremation certificates electronically for the purposes of review.

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 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 30th September 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 the Deputy Clerk/RFO continues to operate as the Acting Clerk/RFO and the Communications & Administration Officer continues to operate as the Acting Deputy/Clerk/RFO with pay grades confirmed in the Minutes of the Personnel Committee of the 9th March 2021, subsequently approved at Full Council;
- Examined the complete payroll for the period from April to September 2021 inclusive;
- Examined employees' payslips for July 2021 and agreed each employee's basic pay to their terms and conditions of employment and the 'Acting-up' agreement;
- 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: 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 have reviewed and formally readopted its Investment Strategy in line with the guidance issued by the National Assembly for Wales, at the 9th November 2021 meeting of the Estimates Committee under Minute reference 5, also reconfirming the Council's investments in the Monmouthshire Building Society and the CCLA Public Sector Deposit Fund.

The Council holds its funds in a Co-op Current and Reserve Account, a Monmouthshire Building Society 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 30th September 2021 account balances with reference to electronic copies of the prime supporting documentation and cross-checking the disclosed balances in the corresponding Edge account reconciliations.

As at the 30th September, the Town Council held funds, totalling circa £338,720 in its Co-op bank accounts, £101,464 in its Monmouthshire Building Society Account and £201,545 in its CCLA Public Sector Deposit Fund (PSDF), as follows:

Account	Cashbook Number	Reconciled Value as at 30-09-21
Co-op current account		£128,349.67
Co-op (14 day) deposit account		£210,370.63
Monmouthshire Building Society		£101,464.87
CCLA PSDF		£201,545.15
		Total £641,730.32

The detail of each account has been checked and verified against the prime documentation, i.e. bank statements as at the 30th September 2021, cashbook entries and corresponding bank reconciliations.

We take this opportunity to remind the Town Council that it is obliged to protect, as far as is reasonably possible, the public funds under its management. Currently the Government's Financial Services Compensation Scheme (FSCS)

<https://www.bankofengland.co.uk/prudential-regulation/authorisations/financial-services-compensation-scheme>

provides protection for to £85,000 invested in one institution. Resultantly, as of the 30th September 2021, approximately £277,184.17 of funds under the Council's management were not fully protected by the FSCS.

Co-Op 14 day deposit account	£210,370.63
Co-Op current account	<u>£128,349.67</u>
Total	£338,720.30
FSCS guarantee	<u>-£ 85,000.00</u>
Exposure	£253,720.30

Mon'shire BS account	<u>£101,464.87</u>
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Total	£101,464.87
FSCS guarantee	<u>-£ 85,000.00</u>
Exposure	£ 16,464.87
Total exposure Co-op	£253,720.30
Total exposure Mon'shire BS	<u>£ 16,464.87</u>
Total exposure	£270,184.17
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We note that the CCLA PSDF continues to provide 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.

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

Conclusion & recommendation

Given the volatility in the market and future uncertainty due to the ongoing and dynamic global public health situation, we strongly recommend that the Town Council take steps to ensure that the public funds under its management are protected to the extent that it is possible to do so, with the objective of ensuring that each of the Town Council's deposits is covered by the Government's FSCS. To this end, we strongly recommend that the Council reviews its current investment holdings in line with its Adopted Annual Investment Strategy.

R2 The Town Council should expediently consider the level of funds it has invested in its accounts with the Co-op Bank and Monmouthshire Building Society and consider how the Council can best protect the public funds under its management, seeking independent financial advice in this matter, if Members deem such action appropriate.

Note to report

We confirm that all confidential & sensitive information, supplied for the purposes of this audit including Personnel Minutes and Employment data have been permanently deleted from Auditing Solutions Ltd's servers and any printouts made have been destroyed in accordance with the Company's data and document retention policies and with the General Data Protection Legislation.

Rec. No.	Recommendation	Response
Review of Corporate Governance		
R1	The Responsible Officer and Members must ensure that when making the Award of Grant Aid the Power under which all Awards are made is properly considered and formally recorded in the Minutes of the Full Town Council and its Standing Committees with the Local Government Act 2000, s.2 (s.137) only being used as the 'Power of last resort.'	
Review of Investments and Loans		
R2	The Town Council should expediently consider the level of funds it has invested in its accounts with the Co-op Bank and Monmouthshire Building Society and consider how the Council can best protect the public funds under its management, seeking independent financial advice in this matter, if Members deem such action appropriate.	