
Caldicot Town Council (Cil-y-Coed)

Internal Audit Report 2018-19: Interim 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 interim Internal Audit for the 2018-19 financial year, which took place on the 18th September 2018.

Internal Audit Approach

In undertaking our review for the year, we have again 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 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 (AGAR) process, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We have followed up the recommendations made in our 2017-18 reports and acknowledge that the members have noted and considered these in their deliberations and enacted the recommendations where it has been deemed appropriate. We also 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 of our review to date. Accordingly, we have made only one recommendation, in the form of a process improvement for consideration by the Clerk/RFO and members.

Once again, we commend the Clerk/RFO for her continued professional management and administration of the Council's finance and governance functions and commend her, and her team, for the very clear and effective documentation being retained in support of the Council's operations. The logical manner in which this information is stored and presented both for the purposes of the day to day running of the council, and for external scrutiny has made the interim Internal Audit review process very straightforward.

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

Maintenance of Accounting Records & Bank Reconciliations

The Council currently operates two bank accounts with the Co-op Bank: The Current Account, and a fourteen-day interest 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 CCLA Public Sector Deposit Fund for a trial period of 6 months. 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: -

- We note that the council has received an Unqualified External Audit certificate from BDO;
- 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 2017-18 Statement of Accounts and certified Annual Return, have been correctly rolled forward as the opening balances for 2018-19; and
- Examined transactions on the Council's Current account for two months' transactions, May and August 2018, 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 issues arising in this area of our review warranting formal comment or recommendation. We shall undertake further work a tour final visit including checking at least one further month's transactions and verifying the accuracy of the year-end bank reconciliations and ensuring the accurate disclosure of the year-end combined cash and bank balances in the year's Annual Return.

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 2017-18;
- Noted that Standing Orders were reviewed in line with the new model from One Voice Wales and were re-approved at the Full Town Council meeting in May 2018;

- Almost noted that the Financial Regulations were reviewed in line with the new model from One Voice Wales, and were re-approved at the Full Town Council meeting in May 2018;
- Examined the Council and standing committee's minutes for the financial year to the 31st August 2018, 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 immediate and ongoing 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. The Clerk/RFO and Deputy Clerk have also been responsible for the development and of new Information & Data Protection and Privacy policies, subsequently adopted by members, the provision of dedicated Council e-mail addresses for all council members and administration staff, and the amendment of customer-facing forms and e-mails to ensure users of the council's services are aware of what data will be retained and the Council's Privacy Policy.

Conclusions

There are no matters arising in this area of our review warranting formal comment or concern: We take this opportunity to remind the Clerk/RFO that it is good practice to record the powers under which expenditure, including Grants and Community Contributions are made in the minutes in which these expenditures are recorded. We shall continue to monitor the Council's approach to governance at future visits, also extending our review of minutes for the remainder of the financial year at our final visit.

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.

We have completed testing in this area for compliance with the above criteria examining a sample of 14 payments, including all those individually in excess of £2,000 plus every 25th payment: the sample totals £51,612 and equates to 53% of non-pay related payments in the year to the 31st August 2018. We record that all payments in the above sample were supported by an appropriate invoice, receipt or minute approving payment of a grant.

We note that the first quarterly VAT reclaim has 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

No issues arise in this area of our review requiring formal comment or recommendation. We shall extend our test sample for the remainder of the year at our final visit, also ensuring the accuracy of the remaining three quarters' VAT reclaims.

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 have examined the Council's insurance policy with Royal Sun Alliance (RSA), arranged by WPS, 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 Clerk. 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. 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 areas arising in this area of our review warranting formal comment or recommendation. We take this opportunity to remind the Clerk and members of the mandatory requirement for the Council's risk registers to be the subject of at least annual review and formal adoption by the Full Council (minuted) in line with the criteria set out in the Governance & Accountability Manual.

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.

We are pleased to note that members continue to receive regular budget monitoring reports with over/under-spends and the level of earmarked reserves the subject of regular review.

Conclusions

This interim visit occurred too early for the Council to have formally considered its budget and precept requirements for 2019-20: consequently, we shall ensure that a proper and appropriate exercise has been undertaken and that the levels of closing reserves for the year remain appropriate at our final visit. We shall also review the year-end outturn following up any significant variances in existence and seeking appropriate explanations.

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 in accordance with the requirements of the adopted Financial Regulations. The Council is due to formally review its fees and charges in November 2018.

We have examined a sample of hall bookings and allotment rents from the current year's financial records including the receipt of income and the subsequent banking of the payments noting that all supporting documentation for bookings is filed appropriately with a bookings voucher. No issues were identified.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation: We shall review a sample of burial and memorial fees at our final visit ensuring that the appropriate records are being maintained and that income is recovered and banked in a timely manner.

Petty Cash Account

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' (originally outsourced in November 2014);
- Noted that pay awards were properly approved in the meetings of the Personnel Committee and the full Town Council and the resolutions accurately recorded in the minutes of the respective meetings;
- Examined employees' timesheets and payslips for August 2018 and agreed each employee's basic pay to their terms and conditions;

- For the same month, checked 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.

Conclusions & Recommendation

There are no issues arising in this area of our review warranting formal comment, however, we have made one minor recommendation in relation to the structure of the Timesheet which can be somewhat confusing as, although the current Timesheet records the correct working hours, it does not reflect how the hours are being worked.

R1. Consideration should be given to developing an excel based spreadsheet which records the hours as worked: i.e. AM start & end time, PM start & end time and evening start & end time. Each sheet is totalled on a weekly basis, then printed off at the end of each month for authorisation and retention by the Clerk/RFO.

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 2018-19 in line with the guidance issued by the National Assembly for Wales. Surplus funds are now held in the Co-op 14-day notice account and the CCLA Public Sector Deposit Fund. We have noted the an investment of £100,000, has been invested for a trial period of 6-months in the CCLA Public Sector Deposit Fund and agreed the transfer of funds and current balance on the CCLA fund to prime documentation.

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

Conclusions and recommendation

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

Rec. No.	Recommendation	Response
R1	<i>Consideration should be given to developing an excel based spreadsheet which records the hours as worked: i.e. AM start & end time, PM start & end time and evening start & end time. Each sheet is totalled on a weekly basis, then printed off at the end of each month for authorisation and retention by the Clerk/RFO.</i>	