

Caldicot Town Council (Cil-y-Coed)

Internal Audit Report 2019-20: Interim Report

Claire Lingard

Consultant Auditor

*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 2019-20 financial year, which took place on the 28th November 2019.

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 2018-19 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 two recommendations, 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, 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 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 2018-19 Statement of Accounts and certified Annual Return, have been correctly rolled forward as the opening balances for 2019-20; and
- Examined transactions on the Council's Current account for two months' transactions, July and September 2019, 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. However, we take this opportunity to make two recommendations: We have noticed that there is an increasing number of unprocessed cheques at the end of each month, recorded in the Council's bank reconciliations. This is largely due to the closure of local Banks making the paying-in process more challenging for suppliers. This has a detrimental effect on cashbook control. Accordingly, we once again recommend the introduction of secure internet banking with a supplier such as Unity Trust Bank. This would provide a secure authorisation process at the Council's office premises, reduce the cost of processing and issuing cheques and ensure that the Council is in total control of its accounts cashbooks.

As discussed with the Clerk/RFO we have been made aware of a special Council's Barclay Card scheme which has been negotiated by the Welsh Government. This allows a Council to obtain a Barclaycard with no Annual charges or processing fees and which the Council receives cash rebates for payments made using the card. We suggest that the Council avails itself of this service, which would gain better value for money when making internet or ad-hoc purchases. Details of the scheme can be obtained from Janet Reed, Barclaycard Commercial Payments, Senior Account Development Manager Telephone 07468 714862, Email: Janet.Reed@barclaycard.co.uk

We shall undertake further work in this area during our final review of the year. 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.

- R1. *The Clerk/RFO and Members should consider moving to secure internet banking with a secure banking services supplier such as the Unity Trust Bank.*
- R2. *The Clerk/RFO and Members should consider availing the Council of a Barclaycard Credit card under the Welsh Government scheme to achieve cost savings in relation to its internet and ad-hoc purchases.*

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 2018-19;
- 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 July 2019;
- 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 April 2019;
- Noted that the Council correct 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 30th November 2019, 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 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.

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.

We have completed testing in this area for compliance with the above criteria examining a sample of 30 payments, including all those individually in excess of £2,000 plus every 25th payment: the sample totals £89,575 and equates to 57% of non-pay related payments in the year to the 28th November 2019. 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 two 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

No matters arise in this area of our review requiring formal comment or recommendation. We take this opportunity to remind Members that the correct tender process must be undertaken in relation to the forthcoming MUGA project as the total project will exceed the EU Regulations tender threshold of £25,000. This requires that the tender for the complete project be properly defined and advertised on the governments contracts finder website: <https://www.gov.uk/contracts-finder>.

The Clerk/RFO and Members are further reminded that Financial Regulations stipulate that no monies may be spent on any project whatsoever, until the total funding for the project is in place.

We shall extend our test sample for the remainder of the year at our final visit, also ensuing 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 note that the Council's Risk Registers have been reviewed and were Adopted at the Full Town Council meeting in November 2019.

We have examined the Council's insurance policy, which continues to be placed with Royal Sun Alliance (RSA), arranged by WPS in year 2 of a 3 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 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.

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 note that the Clerk/RFO and the Council have undertaken robust Budget setting and Precept determination process in respect of the 2020-21 financial year. This resulted in Members Resolving to set the Precept in the amount of £384,605 in the November 2019 meeting of the Full Town Council.

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

There are no matters arising in this area of our review warranting formal comment or recommendation. We shall extend this area of our review to examine the year-end outturn, the level of the Council's Reserves and to follow up any significant variances, seeking appropriate explanations should such variances exist.

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. The Council formally review its fees and charges in the November 2019 meeting of the Full Council as confirmed in its Minutes.

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 matters arising in this area of our review warranting formal comment or recommendation: We shall extend this area of our review during the Year End Audit to examine the Council's burial records from the 1st April – 30th September 2019, 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 one' (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 May 2019 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

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

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

Business Select Instant Access account, the CCLA Public Sector Deposit Fund and in the Monmouthshire Building Society.

We have noted the an investment of £100,000, has been placed with the Monmouthshire Building Society, and have agreed the transfer of funds and current balance on the Monmouthshire Building Society 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.

Rec. No.	Recommendation	Response
Review of Accounting Records, Banking and Bank Reconciliations		
R1	The Clerk/RFO and Members should consider moving to secure internet banking with a secure banking services supplier such as the Unity Trust Bank.	
R2	The Clerk/RFO and Members should consider availing the Council of a Barclaycard Credit card under the Welsh Government scheme to achieve cost savings in relation to its internet and ad-hoc purchases.	