

Llanharry Community Council

Internal Audit Report (Interim) FY2023-24

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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 process for the 2023-24 financial year; the Interim audit took place which took place on the 11th October 2023, with further work being undertaken at our offices on the 29th & 30th October 2023.

Internal Audit Approach

In concluding 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 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 acknowledge that the Members have formally Noted and Accepted both the prior year's Internal Audit reports, and has continued to make business process and performance improvements.

We commend the Clerk/RFO for her continued professional management and administration of the Council's finance and governance functions. We thank the Clerk/RFO for the professional manner in which the Council's finance and governance records were presented for audit, making the onsite interim review a relatively straightforward process.

We have noted that the Council continues to maintain and deliver a consistently high standard of service provision to its electorate. Further that the Council's financial and governance records continue to be maintained to an exemplary standard. Resultantly, we have made no recommendations for improvement as a result of the interim audit.

We ask that members consider the content of this report and acknowledge that the report has been formally reviewed and adopted by Council.

Review of Accounting Records & Bank Reconciliations

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 note that the Council uses Microsoft Excel software to maintain the accounting records, also noting the existence of three bank accounts with Lloyds Bank plc (Treasury and Business), a Unity Trust Bank Account and a Churches, Charities and Local Authorities (CCLA) Public Sector Deposit Fund investment account. A debit card used to take advantage of internet procurements. We have:

- Noted that as at the 29th October 2023, the Council has not yet received either its 2021-22 or the 2022-23 financial year Audit report and Audit Certificate from the External Auditors – *(this does not represent any deficiency on behalf of the council, rather the backlog of work with the External Auditor)*;
- Noted that the Council correctly published the Notice for the Exercise of Electors Rights subsequent to the approval of the Annual Statement of Accounts and the Annual Governance Statement;
- Noted that the Council has taken reasonable steps to ensure that it continues to comply with the General Data Protection Legislation;
- Noted that the Council hosts an easy to use and content rich website which is published on a secure server at: <https://www.llanharrycc.org.uk>;
- Ensured that the opening trial balance detail for 2023-24 agrees with that in the 2022-23 Statement of Accounts and certified Annual Return;
- Verified that the spreadsheet cashbooks remain “in balance” as at the 30th September 2023;
- Ensured that the spreadsheet analysis structure remains appropriate for purpose;
- Checked detail of all transactions in the Lloyds current and treasury account cashbooks to the supporting bank statements for the financial year from the 1st April 2023 to the 30th September 2023;
- Checked detail of all transactions in the Unity Trust cashbook to the supporting bank statements for the financial year from the 1st April 2023 to the 30th September 2023;
- Checked detail of all transactions in the CCLA cashbook to the supporting statements for the financial year from the 1st April 2023 to the 30th September 2023;
- Checked and agreed detail on all bank reconciliations on the Lloyds current and treasury accounts, the Unity Trust Bank Account and the CCLA PSDF account for the financial year from the 1st April 2023 to the 30th September 2023; and,
- Considered the appropriateness and security of the controls over software systems back-up with no issues arising.

Conclusions

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

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework in place, that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are able to reasonably ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. Consequently, we have:

- Noted that during the financial year to 30th September 2023, the Council has continued to undertake hybrid Council Meetings (attendance available via Zoom and in person), in compliance with devolved government directives;
- Noted that the Council has taken all reasonable steps to ensure ongoing compliance with the General Data Protection Regulation (GDPR);
- Noted that the Council's Standing Orders (SOs) and Financial Regulations (FRs) are based on the model documents published by One Voice Wales, and were most recently re-adopted, unamended at the Annual Meeting of the Full Council of the 17th May 2023 under Minute reference 10; and,
- Commenced our review of Council and Standing Committee minutes for the year to the 30th September 2023, in order to determine whether any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability with no issues arising.

Conclusion

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

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Payments are supported by suitable 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;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- All goods and services procured by the Council have been done so following the procurement processes defined in the currently adopted Standing Orders and Financial Regulations;
- The correct heading 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 reviewed the procedures in place for processing payments. We have noted that all payment documents are being subjected to robust scrutiny, with a coding and authorisation stamp being affixed to each payment document and being properly completed, ensuring continued compliance with its Financial Regulations.

We have examined, checked and verified all non-pay related payment documents from the 1st April to the 30th September 2023, for compliance with the above criteria with no issues arising.

Finally, in this area of review, we note that VAT returns continue to be prepared and submitted to HMRC quarterly. We have checked and verified the first two of the quarterly annual VAT reclaims prepared and submitted during the 2023-24 financial year to the 30th September 2023 to the underlying spreadsheet cashbook accounting records with no issues arising.

Conclusion

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

We confirm the appropriateness of the financial risk assessment, which is reviewed bi-annually, in March and September each year, updated where necessary and re-adopted annually. The Council's Risk Registers were last formally reviewed again on the 27th March 2023. The Registers were presented to Members for full scrutiny at the 17th May 2023 Annual Meeting of the Community Council which Resolved to Adopt these under Minute reference 15 of that date.

The Council continues to place its Insurance requirements with Hiscox Insurance, Policy Number: 8187980 from the 1st April 2022 under a 'run until cancelled' policy. The new policy schedule identifies Employers', Public and Products Liability cover at £10 million, Officers & Trustees Indemnity at £500,000, Commercial & Legal Protection at £100,000; Personal Accident at £100,000 and Crisis containment at £25,000. We consider these levels appropriate for the Council's present requirements.

We also have examined the Council's arrangements for the regular inspection of playgrounds and play areas noting that the Council has a single play area: 'Ty Isaf' at Llanharry, which contains a playground, team shelter and Multi Use Games Area (MUGA). A weekly visual inspection of the playground continues to be undertaken by the Clerk. Urban Recreation Ltd conducts comprehensive monthly inspections, and RoSPA conducts the Independent Annual inspections of the playground and recreation area.

Conclusions

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

Review of Precept Determination & Budgetary Control

Our aim here is to ensure that: -

- The Council has undertaken a budget determination exercise, which forms the basis of the annual precept request from the parent Council;
- The Council has received monthly reports identifying the budget position throughout the year, the accuracy of these are also reviewed during the Audit Committee meeting;
- The Council has formally approved the establishment of specific reserves; and,

- The utilisation of reserves and the return of unused balances to the General Fund are reported to the Council on a monthly basis.

We note that Council Members continue to be provided with regular budget performance reports generated from the account's spreadsheet detail at each meeting where the Clerk & RFO gives a verbal explanation of the budget to date and any variances that may have arisen.

The Council has, as in previous years, is in the process of undertaking a detailed and robust Budget setting and Precept determination process, in respect of the 2024-25 financial year. We are advised that this process is scheduled to conclude in December with the Budget & Precept being scrutinised by Members during the January 2024 meeting of the Full Community Council.

We note the council has continued to make appropriate use of its Earmarked Reserves (EMR), with surplus funds being returned to the General Reserve when an EMR is no longer required. The level of the Council's General and Earmarked Reserves has been given full consideration during the Council's Budget setting process, ensuring the Council financial stability and its ability to deliver against medium and longer term project plans.

Conclusions

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

Review of Income

In this area of our review, we aim to ensure that income due to the Council is identified, invoiced (where applicable) and recovered at the appropriate rate and within a reasonable time scale, also that it is banked promptly in accordance with the Council's Financial Regulations.

We are pleased to note that the Council will review its fees and charges for the 2024-25 financial year during the Budget setting and Precept determination process. We note that the fees and charges for the 2023-24 financial year were confirmed at the Annual Meeting of the Full Council in May 2023.

We have examined the procedures in place in relation to the collection and banking of fees received from non-Precept income, noting that this remains unchanged from the prior year, checking the detail for the financial year from the 1st April to the 30 September 2023 from the cashbook with no issues arising.

Finally, in this area, we have examined the detailed income reports for the year to the 30th September 2023, including receipts in relation to interments and memorials, ensuring that, as far as we are able to reasonably ascertain, all income due to the Council has been received and recorded appropriately.

We note and appreciate that banking does not always take place on the day on which funds are received due to the relatively low value of transactions which does not make it financially viable to travel daily to the nearest bank to make a deposit.

Consequently, we consider that banking is undertaken within a reasonable time-frame, when sufficient funds have been accumulated to warrant the expense of travelling to the bank.

Conclusion

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

Review of Petty Cash Account

Llanharry Community Council closed its Petty Cash account during the 2021-22 financial year.

Conclusion

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

Review of Staff 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 HMRC legislation as regards the deduction and payment over of income tax and NI contributions. To meet that objective, we have:

- Noted that the Clerk's last pay award to NJC SCP 24, backdated to the 1st April 2023, was confirmed and Resolved at the Annual Meeting of the Community Council of the 17th May 2023, under Minute reference 13;
- Noted that the Clerk continues to work 20 hours per week;
- Checked the amounts paid to the Clerk, being the sole employee, in September 2023 by reference to the Council's approved pay scale on the NJC annual schedule of rates payable;
- Ensured that tax and NI deductions have been made applying the appropriate tax code and NI Table by reference to the HMRC website Basic PAYE Tools tables; and,
- Ensured that the Clerk's net pay and payments to HMRC have been processed accurately and in a timely manner.

Conclusion

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

Review of Investments & Loans

Our objectives here are to ensure that the Council is "investing" surplus funds, be they held temporarily or on a longer term basis in appropriate banking and investment institutions, that an appropriate investment policy is in place, that the Council is obtaining the best rate of return on any such investments made, that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with appropriate loan agreements.

We noted that the Council now has a formal Investment Policy in place.

The Council holds its funds in a Lloyds Bank Treasury (current) Account and a Lloyds Bank Business (reserve) 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 2023 account balances with

reference to electronic copies of the prime supporting documentation and cross-checking the disclosed balances in the corresponding account reconciliations.

Additionally, the Council opened a Unity Trust Bank current Account on the 15th March 2023, and a CCLA PSDF investment account on the 31st March 2023.

As at the 30th September 2023, the Community Council held public funds on deposit as follows:

Account	Cashbook Number	Reconciled Value as at 30-09-23
Lloyds Bank Business account		£526.65
Lloyds Bank 30 Day Treasury account		£62,167.47
CCLA Public Sector Deposit Fund		£40,701.12
Unity Trust Bank current account		£59,958.80
		Total £163,354.04

Currently the Government's Financial Services Compensation Scheme (FSCS) provides protection for to £85,000 invested in one institution. As at the 30th September 2023, all the banked funds under the Council's management are fully protected by the Government's FSCS.

Finally in this area of review we are informed by the Clerk/RFO that the Council has no loans, either owed, or let by it.

Conclusion

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

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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.