



**Cyngor Tref Llanelli**

**Llanelli Town Council**

*Internal Audit Report 2021-22 (Final up-date)*

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*Chris Hackett*

*Consultant Auditor*

*For and on behalf of Auditing Solutions Ltd*

## **Background**

Statute requires all town and community 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 (AR) which is sent to the external auditor.

This report sets out the audit work undertaken at the Council during our review for 2021-22 which took place on the 19<sup>th</sup> November 2021, 8<sup>th</sup> February and 8<sup>th</sup> June 2022 together with our preparatory work. We wish to thank the Clerk for providing all the records to enable us to undertake our work.

## **Internal Audit Approach**

In undertaking our review for the year, we have again had due regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts/AR. We employ a combination of selective sampling techniques (where appropriate) and 100% detailed checks in a number of key areas to gain sufficient assurance that the Council's financial and regulatory systems and controls are appropriate and fit for the purposes intended.

Our programme of cover has been designed 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 'Annual Internal Audit Report' in the Council's Annual Return, which requires independent assurance over specified internal control objectives.

## **Overall Conclusion**

We are pleased to conclude that, in the areas examined, the Council continues to operate effective control systems that help ensure transactions are free from material misstatement. We have duly signed the Internal Audit Report included in the Annual Return assigning positive assurance.

We request that this report is presented to Members.

# Detailed Report

## Maintenance of Accounting Records & Bank Reconciliations

The Council uses the Rialtas software to maintain its accounting records, with annual Statement of Accounts support being provided by third party contract accountants (DCK Accounting Ltd). One consolidated cashbook is operated incorporating transactions on three HSBC accounts, the current account, money master account and Money Market account. (Separate cash books are further set up on Rialtas to record transactions on the Mayor's account).

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 consequently:

- Checked and agreed the opening trial balance detail in the Rialtas software for 2021-22 to the closing Statement of Accounts and Annual Return for 2020-21 to ensure that all detailed balances have been accurately rolled forward;
- Ensured that the cost centre and nominal ledger income and expenditure coding structure is appropriate for purpose;
- Run a data check on Rialtas at each of our three reviews during the year to ensure the Rialtas Ledger was in balance at the time of the review;
- Discussed arrangements, with the Clerk, for backing up the Rialtas system. We understand this is done daily for all systems through Office 365 to a Cloud, with the Clerk also taking manual back-ups of Rialtas as required;
- Confirmed arrangements for posting journals (manual adjustments) to the accounts, which during the year we understand were done by the Clerk who retains copies to provide an audit trail. Year-end journals are done by DCK as part of preparing the accounts;
- Checked and agreed detail in the main consolidated cashbook, examining four sample month's transactions (May and September 2021 and January and March 2022) agreeing detail to the supporting bank statements, together with verifying the regular inter-account transfers between the bank accounts. We then checked and agreed detail on the month-end bank reconciliations at the 30<sup>th</sup> April, 31<sup>st</sup> May, 31<sup>st</sup> August, 30<sup>th</sup> September 2021 and 31<sup>st</sup> December, 31<sup>st</sup> January, 28<sup>th</sup> February and 31<sup>st</sup> March 2022 to ensure that no long standing, uncleared or other anomalous entries were in existence; and
- Similarly, for the Mayor's account cash book, we agreed the reconciliation at the end of November and December 2021 and March 2022 and agreed transactions in December March between the bank statements and cashbook.

### Conclusions

***The Rialtas Ledger was in balance during the year. Regular bank reconciliations were completed and signed. There were no long standing or anomalous adjusting entries on the reconciliations.***

***We have agreed the cash balances from the cash books to the year-end Statement of Accounts and Annual Return.***

## **Review of Corporate Governance**

Our objective here is to ensure that the Council has a robust series of corporate governance documentation in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and that, as far as we may reasonably be expected to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation.

We have completed our review of the Council's minutes, examining those for the Full Council and its Standing Committee meetings as posted on the Council website (with the exception of Planning Licencing & Consultation Committee) for the financial year, with no issues arising.

We confirmed the Council advertised the availability of its prior financial year's accounts for public inspection by posting the notice of elector's rights on its website.

### ***Conclusions***

***The Council continues to maintain its suite of governance policies, although we take this opportunity to remind the Council that it is good practice to review financial regulations and standing orders annually so as to take account of best practice which is up-dated regularly.***

## **Review of Expenditure**

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;
- That an official order is raised for all relevant goods and / or services: we acknowledge that this will not be necessary for all items of expenditure, which are regularly the subject of contracts (e.g. grounds maintenance) or legal requirements (e.g. non domestic rates);
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- 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 confirmed with the Clerk the controls in place over the processing and approval of trade invoices. In summary these comprise; regular payment lists which are produced for

retrospective approval by Members, with the Clerk processing the payment on-line, a formal ordering process, Rialtas schedules being signed off by Members, a stamp which is put on the bills and signed by cheque signatories / BACS approvers; and copies of remittance advices which are retained on paid bills files.

We have completed our substantive testing of transactions. Our sample included all payments over £4,000 and randomly every 45<sup>th</sup> payment in the cash book regardless of value covering the period April to March 2022. Our sample comprised 69 payments in the cash book made up of 151 invoices plus the annual payments to Carmarthenshire for non-domestic rates. The value of our sample was £807,198 and equated to 67% of non-payroll costs in the year. Invoices were provided for all the payments in our sample.

The Council has two HSBC bank cards, one held by the Clerk and one by the Mayor. As a sample we tested the payment made in September 2021 to clear the credit card balance. The payment was for £303.97. We agreed this to the supporting invoices and till receipts.

We test checked payments in the Mayoral Account cash book selecting a random sample of payments in December 2021 agreeing the amounts to supporting paperwork.

We note that when undertaking building work the Council employs consultant architects and has an approved list of contractors. As a sample, we reviewed the tender report for the alterations to three community centres reported in November 2021, confirming the Architect's analysed the bids and confirmed the suitability of the tenderers.

We confirmed that the VAT due for reclaim at the end of 2020/21 was recovered from HMRC (Her Majesty's Revenue and Customs). We then reviewed the first three quarterly VAT returns for 2021/22 agreeing the amount claimed to supporting printouts and confirming receipt of the funds into the Council's accounts.

### ***Conclusions***

***No matters have been identified in this area from our work. Payments are supported by invoices.***

## **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 have consequently noted that:

- The Building and Finance Committee reviewed and approved the Council's risk assessment at their meeting in May 2021. The risk assessment describes the risk, the impact, likelihood, controls and required actions. It identifies a range of risks including those with a financial impact; and
- The 2021/22 insurance policy, held with Zurich, provides cover for:
  - Buildings;

- Business interruption insurance, loss of income up to £196,000;
- Public liability £15m;
- Hirer's liability £2m;
- Employer's liability £10m;
- Fidelity guarantee £1m.

We confirmed with the Clerk the Council's arrangements for completing safety checks on play areas. This is done daily by Council staff with an annual external inspection by Carmarthenshire County Council.

### ***Conclusion***

***No matters have been identified in this area from our work.***

## **Budgetary Control & Reserves**

We aim in this area of our work to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the amount of the precept and that effective arrangements are in place to monitor budgetary performance throughout the financial year.

We note that Members continue to be provided with financial monitoring information including income and expenditure reports and detail of accounts for payment.

The Joint Standing Committee on Estimates met on the 14<sup>th</sup> February 2022 and approved the 2022/23 budget and precept. Members were provided with a detailed report prepared by the Clerk which included an analysis of the outturn predicted for 2021/22, detail of actual income and expenditure against budget for prior years and the current year and a summary for the coming year of revenue expenditure and income and capital spending, analysis of the council tax and reserves.

At the year-end, 31st March 2022, reserves were £742,512 including earmarked reserves of £463,268 and a general reserve of 279,244. Spending in the year was £1,640,466 or some £136,706 a month. The general reserve is some 2 months spending, which is slightly below the average for town and community councils of 3 to 8 months, but we note the substantial earmarked reserves.

We reviewed income and expenditure for the whole year comparing to trends over previous years.

### ***Conclusion***

***No issues arise in this area warranting formal comment or recommendation.***

## Review of Income

The Council receives income from a variety of sources including the precept, the letting of Council facilities, allotments, ad hoc grants and small amounts of interest.

Our objective here is to ensure that robust procedures are in place to ensure that income due to the Council in each area is identified and invoiced (where applicable) appropriately with recovery effected within a reasonable time span. We reviewed the Council's budget reports from Rialtas to identify areas to test. We have:

- Confirmed receipt of the first, second and third instalments of the 2021/22 precept to the amount set and approved per the Council minutes. We further agreed it to the list of 2021/22 precept demands published by the Welsh Government;
- Tested a sample of hall income, (Glenalla CC) from the booking diary confirming an invoice was raised, the rate charged agreed to the schedule of rates and the income was recorded in Rialtas;
- Enquired of the rental income on the Selwyn Samuel Centre of £9,000 a month arising from its use as a field hospital by the Health Board. We agreed the monthly rental income to the minutes, although we understood that at the time of our interim reviews the lease was still in draft, due to a delay with the solicitors, despite the agreement being in effect since September 2020;
- Tested the income arising in respect of lettings at Stebonheath. Specifically, we obtained a copy of the booking diary and tested bookings in December 2021 and January 2022, confirming the amount charged agreed to the schedule of fees set out in the minutes and that an invoice had been raised and accounted for in the Rialtas Ledger;
- Tested grant income received in respect of the Penyfan MUGA to the funding agreement with the Cruyff Foundation;
- Tested grant income received in respect of Crown Park; specifically grants of £10,000 received in the year from the National Heritage Fund and £13,804 from Carmarthenshire CC, to supporting documentation; and
- Reviewed the level and age of unpaid invoices recorded in the Rialtas sales ledger at each of our three reviews.

As noted earlier in this report we confirmed receipt of VAT reclaims in the year and test checked a sample of four month's income to the bank statements.

### ***Conclusion and recommendation***

***No significant issues have been identified in this area from our work, although we made one recommendation at the interim stage.***

***R1 The Lease for the use of the Selwyn Samuel Centre as a field hospital should be finalised. Response: The Selwyn Samuel Centre lease has been completed and signed in March 2022.***

## Petty Cash Accounts

We are required, as part of the Annual Return Certification process, to assess and comment accordingly on the controls in place over any funds operated by the Council in petty cash or similar “imprest” type accounts. We understand currently no such funds are held other than a front office till float of £40.

## 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) in relation to the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the Local Government Pension Scheme.

We note that the Council’s payroll is processed using bespoke software called QTAC. We discussed with the Clerk the controls over the operation and approval of pay. We have sample tested payroll as follows:

At our first interim visit we:

- Reviewed payroll reports for September 2021 and sample checked the pay-point for five salaried staff as recorded on the payroll system record to the national pay-scale for accuracy;
- For five salaried staff on the September payroll, test checked the calculation of tax and national insurance and checked the total shown in the payroll records was consistent with the payment to HMRC recorded in the Rialtas cash book;
- Test checked the calculation of pension contributions by confirming national banded contributions were applied for employee contributions to the Local Government Scheme and confirmed payments to pension administrators in October 2021 were consistent with the September total in the payroll record, amounts being paid one month in arrears; and
- Confirmed that expenses recorded in the payroll summary records were supported by invoices.

At our second interim visit we similarly tested by sample checking the November 2021 payroll.

At our final review we completed our monthly trend analysis of pay to confirm no material anomalies arose.

## Conclusion

*No issues arise from this area of our work.*



## **Asset Registers**

The Accounts and Audit Regulations 1996 (as amended from time to time) require all Councils to maintain a Register of Assets and we are pleased to note that officers, working with the contract accountants DCK, continue to prepare suitable documentation to meet this requirement. The Council's Asset Register analyses assets by type, eg freehold land and buildings, vehicles and plant etc. The cost is recorded and used for the Annual Return and details of depreciation calculated for management purposes.

We have checked and agreed the Asset Register to the amounts disclosed in the Statement of Accounts and Annual Return. We cross checked new acquisitions recorded in the Asset Register and Statement of Accounts for consistency with other information reviewed during the audit.

### ***Conclusion***

*There are no matters arising to warrant formal recommendation in this area.*

## **Investments and Loans**

We note that the Council holds no formal "investment" funds in periodic Term deposits or similar CCLA products: all monies are currently readily accessible in the HSBC Money Manager and Market Call accounts.

Similarly, the Council does not have any loans either repayable by, or to, it.

### ***Conclusion***

*There are no matters arising from our review in this area.*

## **Statement of Accounts and Annual Return**

The Council's annual Statements of Account have, as in previous years, been prepared by the accounting contractor (DCK Accounting Solutions Ltd) and we have been provided with the detailed schedules and supporting documentation. We have test checked the statement of accounts to the detailed records specifically agreeing the reported income to Rialtas and the expenditure split between payroll and other costs. We reviewed debtors and creditors and as previously noted we agreed the cash and bank balances and fixed assets to underlying records. We then checked the transposition of data onto the Annual Return with no issues identified.

We note the Council are trustees of the Llanelli Town Estate Charity. We note that the required return was made last year to the Charity Commission. Where the income received by a Charity is more than £25,000 a year the Charity is required to have an independent audit examination, (a limited form of audit review), this would be a different appointment to our role as internal auditors to the Council. The Clerk has confirmed that DCK perform this function.

### ***Conclusions***

***There are no further matters arising from this area of our work. We have provided a copy of the Internal Audit Section of the Annual Return to the Clerk.***

Rec. No.	Recommendations made during the Interim Audit	Response
<b>Review of Income</b>		
R1	The Lease agreed from September 2020 for the use of the Selwyn Samuel Centre as a field hospital should be finalised.	<i>The Selwyn Samuel Centre lease has been completed.</i>