



**Cyngor Tref Llanelli**

**Llanelli Town Council**

*Internal Audit Report 2023-24 (First Interim up-date)*

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*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 first interim review for 2023-24 which took place on the 27<sup>th</sup> November 2023 together with our preparatory work. We wish to thank the officers for providing all the records to enable us to undertake our work. A further interim visit is planned early in 2023 which will be followed by our final visit/review in the summer. A consolidated report will be issued at the conclusion of our 2023-24 work.

## Internal Audit Approach

In commencing 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 to date, the Council continues to operate effective control systems that help ensure transactions are free from material misstatement.

We wish to thank the Town Clerk and staff for the quality of records being maintained and for their assistance during our review. We request that this report is presented to Members.

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# 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 2023-24 to the closing Statement of Account and Annual Return for 2022-23 to ensure that the cash balances and reserves 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 to ensure the Rialtas Ledger was in balance at the time of our review;
- Discussed arrangements, with the officers, for backing up the Rialtas system. We understand this is done daily for all systems through Office 365 to a Cloud along with regular additional backups for the Rialtas Ledger; and
- As a sample we checked and agreed detail in the consolidated cashbook, examining one month's transactions (October 2023) 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> September and 31<sup>st</sup> October 2023 to ensure that no long standing, uncleared or other anomalous entries were in existence.

### *Conclusions*

***The Rialtas Ledger is in balance. Regular bank reconciliations are being completed. There were no long standing or anomalous adjusting entries on the reconciliation at the time of our review.***

***We will undertake further testing during later visits confirming the reconciliations and the inclusion of year end balances in the 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:

- Commenced 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;
- Noted that Members reviewed and approved standing orders at the Council meeting on 7th June 23;
- Noted the Council assessed itself as meeting the requirements of the General Power of Competence at the meeting held on 11<sup>th</sup> May 2023; and
- Confirmed the Council advertised the audit of its 2022-23 accounts for public inspection by posting the notice of elector's rights on its website.

### ***Conclusion***

***The Council continues to maintain its suite of governance policies. We will extend our review of minutes at our later visits/reviews.***

## **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 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;
- 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, from review of documentation, the controls in place over the processing and approval of trade invoices. To gain assurance in this area we have commenced our substantive testing of transactions. Our initial sample includes all payments over £4,000, the payments for non-domestic rates and randomly every 45<sup>th</sup> payment in the cash book regardless of value covering the period April to October 2023. Our sample to date comprises 31 payments in the cash book made up of 78 invoices. The value of our sample so far is £455,234 and equates to 69% of non-payroll costs in the year to date. Invoices or suitable documentation was 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 2023 to clear the credit card balance. The payment was for £309. We agreed this to the supporting invoices and till receipts.

We note the Council tendered a contract for a new wall at the Coronation Road allotments. We reviewed the report of the independent architects detailing the bids received.

We confirmed that the VAT due for reclaim at the end of 2022-23 was recovered from HMRC (His Majesty's Revenue and Customs). We then reviewed the first two quarterly VAT returns for 2023-24 agreeing the amount claimed to supporting printouts and confirming receipt of the funds into the Council's accounts.

### ***Conclusion***

***No matters have been identified in this area from our work to date. At later visits we will extend our sample of payments 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.

At this stage we have reviewed the Council's 2023-24 insurance policy provided by Zurich noting that cover includes:

- Buildings insurance;
- Equipment;
- Business interruption insurance;
- Public liability cover up to £15m;
- Hirer's liability up to £2m;
- Employer's liability £10m; and
- Fidelity guarantee £1m.

### ***Conclusion***

***No matters have been identified in this area from our work to date. We will review the Council's overall risk assessment at our later visit/reviews.***

## **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.

We will test income in detail at our next visit. At this review stage we have:

- Confirmed receipt of the first and second instalments of 2023-24 precept to the amount set and approved per the Council minutes;
- Checked the system for recording income at Paddock Street Community Centre selecting one invoice covering 12 hirings from one person and agreeing the invoice to the booking diary and confirming the hourly rate charged to the records held by the Administration team; and
- Reviewed the level and age of unpaid invoices recorded in the Rialtas sales ledger.

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

### ***Conclusion***

*No issues have been identified in this area from our work to date.*

## **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.

Expenses are paid with normal trade creditors or as part of payroll, our testing on this is covered in the sections headed review of expenditure and review of salaries.

## **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 HMRC in relation to the deduction and payment over of income tax and National Insurance 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 have sample tested payroll as follows, specifically we:

- Reviewed payroll reports for September 2023 and agreed the totals to the payments recorded in the Rialtas Cash Book;
- Test checked the calculation of tax and national insurance for four staff on the September payroll;

- Test checked the calculation of pension contributions by confirming national banded contributions were applied for employee contributions to the Local Government Scheme and the employer rate as notified by the Pension Fund administrator was being applied correctly;
- Confirmed that expenses recorded in the payroll summary records were supported by invoices;
- Test checked the pay for one officer to their signed contract of employment; and
- Commenced our monthly trend analysis of pay to confirm no material anomalies arise.

### ***Conclusion***

***No issues arise from this area of our work to date. We will extend our monthly trend analysis to the financial year end at future visits/reviews.***