



**Cyngor Tref Llanelli**

**Llanelli Town Council**

*Internal Audit Report 2022-23 (Final 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 review for 2022-23 which took place on 28<sup>th</sup> November 2022, 13<sup>th</sup> March and 13<sup>th</sup> June 2023 together with our preparatory work. We wish to thank the officers 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 signed the Internal Audit Report in the Annual Return assigning positive assurance against the control objectives.

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 2022/23 to the closing Statement of Account and Annual Return for 2021/22 to ensure that all detailed balances have been accurately rolled forward;
- Reviewed the external auditor's report on the 2021/22 accounts;
- 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 reviews;
- Discussed with the Clerk the arrangements 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;
- Checked and agreed detail in the consolidated cashbook, examining three sample month's transactions (September 2022 and February and March 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 31<sup>st</sup> August and 30<sup>th</sup> September 2022 and 31<sup>st</sup> January, 28<sup>th</sup> February and 31<sup>st</sup> March 2023 to ensure that no long standing, uncleared or other anomalous entries were in existence:
- Similarly, for the Mayor's account cash book, we agreed the reconciliation at the end of February and March 2023 and agreed transactions in February and March between the bank statements and cashbook; and
- Confirmed arrangements for posting journals (manual adjustments) to the accounts, which during the year are, we understand 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.

### Conclusions

***The Rialtas Ledger was being maintained in balance at the time of our reviews. Regular bank reconciliations were being completed. There were no long standing or anomalous adjusting entries on the reconciliations at the time of our reviews.***

***We have confirmed the inclusion of year-end bank 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:

- 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;
- Noted that Members considered the Council's handbook along with Standing Orders and Financial Regulations at the Annual Meeting held in May 2022;
- Noted the Council assessed itself as meeting the requirements of the General Power of Competence and resolved itself as eligible under the act; and
- Confirmed the Council advertised the audit of its 2021/22 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.*

## 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 undertaken 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 2023. Our sample comprised 69 payments in the cash book plus the regular non-domestic rate payments on Council buildings. The value of our sample was £1,257,619 equating to 77% of non-payroll costs in the year. 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 August 2022 to clear the credit card balance. The payment was for £1,047. We agreed this to the supporting invoices and till receipts.

We note the Council tendered a contract for steel works at the Steboneath Park Grandstand. We reviewed the report of the independent architects detailing the bids received. We further note a contract was tendered for work at Penygaer in respect of work at the changing rooms, we understand three tenders were received.

We confirmed that the VAT due for reclaim at the end of 2021/22 was recovered from HMRC (His Majesty's Revenue and Customs). We then reviewed the quarterly VAT returns for 2022/23 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.***

## **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 review the Council's 2022/23 insurance policy provided by Zurich noting that cover included:

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

We confirmed with Officers the arrangements for completing safety inspections of Council play equipment. Play equipment is inspected daily by Council staff, with a formal recorded

inspection done monthly. Staff doing these inspections have been given relevant training. Annually an external inspection is done by the Play Inspection Company.

At our final review we confirmed the Council had updated its Risk Assessment Register, (which was dated May 2023). We understand this went to the Building and Finance Committee, although due to the timing of our work the minutes were not yet on the website. The Register identifies the risks analysing them between those which are Corporate, financial and other categories such as those pertaining to properties. In respect of each risk the Register assesses the impact, identifies controls and any necessary actions.

### ***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 16<sup>th</sup> February 2023 and approved the 2023/24 budget and precept. Members received a report setting out income and expenditure details for 2022/23 with projections for 2023/24. The report commented on key issues such as the financial position of the Llanelli Town Estate and the projected reserves of the Town Council. The detailed report to Members analysed the Council tax and commented on capital spending as well as revenue costs.

At the year end we reviewed income and expenditure for the full year as reported in the Annual Return and made comparisons to previous years.

At 31st March 2023 the Council's total reserves and balances were £588,444 including earmarked reserves of £365,044 and a general fund of £223,400. Spending in 2022/23 per the annual return was £1,766,885 or £147,240 a month. The general fund is some 1.5 months spending.

### ***Conclusion***

***No issues arise in this area requiring formal comment or recommendation. The general fund balance is relatively low, balances equating to 3 months spending being more commonly held by the Council's we audit.***

## 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 confirm that procedures are in place to ensure 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 Town Council's budget report from Rialtas to identify areas to test. We have:

- Confirmed receipt of the three instalments of 2022/23 precept to the amount set and approved per the Council minutes and to the list of community council 2022/23 precepts published by the Welsh Government;
- Confirmed from our review of minutes that fees and charges are kept under consideration;
- Reviewed Investment Income: The Council received £120,000 from the Llanelli Town Estate during the year. We confirmed that detail of the financial position of the Estate including the £120,000 transfer in 2022/23 was provided to Members. We reviewed the HSBC report on the Charity, (as at 5th January 2023 assets were £2,534,737). We then agreed the transfer on February 8<sup>th</sup> from the Town Estate bank account to the Town Council bank account. (We note the Charity is subject to an Independent Examination by DCK Accounting);
- Tested income arising from the Selwyn Samuel Centre: The largest single element of this income was for £37,380 relating to the cost of relaying the bowling surface at the Centre after its use for health purposes had finished, the cost being recharged to the Health Board. We confirmed the invoice to the Health Board was recorded on the Rialtas Accounting system and reflected the cost to the Town Council's as recorded in the original supplier invoice. We further tested income arising in February agreeing it to an invoice in Rialtas and ensured it was supported by an activity report from the Bowls Club;
- Tested the income arising from the Lakefield Community Centre. Specifically, we obtained the booking diary for January, confirmed the usage was invoiced, then confirmed the income was recorded in Rialtas and was charged in line with the scale of fees;
- Tested income arising on Stebonheath: We reviewed income arising from the Football Club in January ensuring it was charged at the correct rate and the invoice recorded in Rialtas; 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 and test checked three sample month's income to the bank statements.

### *Conclusion*

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

## 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 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 have sample tested payroll as follows, specifically we:

- Reviewed payroll reports for September 2022 and agreed the totals to the payments recorded in the Rialtas Ledger;
- For five salaried staff on the September payroll, we test checked the calculation of tax and national insurance;
- Test checked the calculation of pension contributions by confirming national banded contributions were applied for employee contributions to the Local Government Scheme;
- Confirmed that expenses recorded in the payroll summary records were supported by invoices; and
- Completed our monthly trend analysis (to March 2023) 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, infrastructure 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 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 reviewing 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 draft Annual Return prepared by DCK with no issues identified.

We note the Council are trustees of the Llanelli Town Estate Charity. 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.***