



Cyngor Tref Llanelli

Llanelli Town Council

Internal Audit Report 2023/24 (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 three reviews for 2023/24 which took place on the 27th November 2023, 21st March and 10th June 2024 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 wish to thank the Town Clerk and staff for the quality of records being maintained and for their assistance during our reviews. 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 each of our three reviews;
- 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;
- As a sample we checked and agreed detail in the consolidated cashbook, examining three month's transactions (October 2023, January and March 2024) 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 30th September, 31st October, 31st December 2023, 31st January, 29th February and 31st March 2024 to ensure that no long standing, uncleared or other anomalous entries were in existence; and
- Confirmed arrangements for posting journals, (manual adjustments) to the accounts, which during the year are done by the Administration and Finance Officer in consultation with the former Clerk, the latter who provides continuing support. The Rialtas system provides an audit trail. Year-end journals are done by DCK as part of preparing the accounts.

Conclusions

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

We have confirmed 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:

- 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 reviewed and approved standing orders at the Council meeting on 7th June 2023;
- Noted the Council assessed itself as meeting the requirements of the General Power of Competence at the meeting held on 11th 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.

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 completed our substantive testing of transactions. Our sample includes all payments over £4,000, the payments for non-domestic rates and randomly every 45th payment in the cash book regardless of value covering the period April 2023 to March 2024. Our sample comprises 67 payments in the cash

book plus the regular non-domestic rate payments. The value of our sample is £1,152,472 and equates to 76% 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 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. As a sample check 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 three 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. Invoices were provided to support our sampled payments.

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 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.

The Building and Finance Committee considered the Council's annual risk register in May 2024. The risk assessment identifies the risks, assesses them, then details the controls to manage them. It includes a range of financial risks.

We note that periodic safety inspections of play areas are completed.

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 the Joint Standing Committee on Estimates met on the 19th February 2024 to review the proposed 2024/25 estimates. The Committee resolved to agree the estimates and set the precept at £1,500,000. The Building and Finance Committee was then tasked with agreeing a budget based on the estimates. To support their deliberations Members were provided with an analysis of income and expenditure by service area for the current year, prior year and forthcoming year 2024/25. Information was provided also on capital as well as revenue activities, key areas of income, reserves and the impact on the council tax.

We note the Building and Finance Committee receive regular reports during the year detailing income and expenditure by cost centre, showing the prior year, current year, variance to budget and available funds. Further they receive details of the hiring of community facilities and detail of accounts for payment.

At the year-end, 31st March 2024, total reserves and balances were £659,949 including a general fund of £254,267. Spending in 2023/24 totalled £1,997,321 per the annual return. This equates to £166,000 a month. The general fund balance is low representing some 1.5 months spending, although we note the Council has earmarked reserves of £405,682.

We reviewed income and expenditure for the full year noting any material variances year on year. We note the main variance year on year relates to the new modular building.

Conclusion

No issues arise in this area requiring formal recommendations. We note the Council's general fund balance is low relative to spend.

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.

During the year we have:

- Confirmed receipt of the first, second and third instalments of 2023/24 precept to the amount set and approved per the Council minutes. Further we agreed it to information published independently by Carmarthenshire County Council;

- 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;
- Reviewed Investment Income: The Council received £75,000 in support from the Town Estate. The investment fund is outside the scope of our audit which is subject to a separate Independent Examination by the Council's accountants DCK. We agreed the income received into the Council's accounts to the payment in the Town Estate Rialtas record for consistency;
- Tested income arising on the letting of the Glenalla Community Centre. We selected five hirings in November from the booking diary and confirmed the fee charged agreed with the schedule of rates and was invoiced in a timely manner with the invoice recorded in Rialtas for recovery. We were only able to locate two booking agreements in respect of the five hirings we tested, although we note that two we were unable to find related to long term hirers;
- Grant income in respect of Coronation Road: The Council received a grant from the County Council for £17,500 we agreed the amount to a remittance advice; 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 three sample month's income to the bank statements.

Conclusion and recommendation

The Council has arrangements for monitoring and recovering income. Control would be strengthened if a review was done of bookings forms held and annual forms were obtained for regular hirers and one-off hirings were placed on a separate file in date order.

R1 The Council should ensure booking forms are obtained and retained on file.

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.

Conclusion

There are no matters arising in this area.

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 that 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;
- Test checked the calculation of the application of the national pay award processed in November 2023, but back dated to April 2023, by reference to the national published pay scales; and
- Completed our monthly trend analysis of pay to confirm no material anomalies arise.

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 total value recorded in 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, noting the main addition related to the modular building.

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.

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.

Rec. No.	Recommendations made during the Interim Audit	Response
Review of Income		
R1	The Council should ensure booking forms are obtained and retained on file.	<i>From the 1st April the Council will be sending conditions of hire agreements to all regular hirers annually to keep on top of them.</i>