AUDITING SOLUTIONS LTD

Cyngor Tref Llanelli

Llanelli Town Council

Internal Audit Report 2024-25 (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 2024-25 which took place on the 25th November 2024, 10th March and 10th June 2025 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 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 Section of the Annual Return assigning positive assurance.

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 the HSBC accounts, the current account and money master 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:

- Confirmed the External Auditor raised no issues on the 2023-24 accounts;
- Checked and agreed the opening trial balance detail in the Rialtas software for 2024-25 to the closing Statement of Account and Annual Return for 2023-24 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 at each of our visits, based on the system files provided, to ensure the Rialtas Ledger was in balance at the time of our 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 and the Payroll system; and
- As a sample, at our first visit we checked and agreed detail in the consolidated cashbook, examining transactions between 1st October and 18th November 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 weekly bank reconciliations between these dates to ensure that no long standing, uncleared or other anomalous entries were in existence. At our second visit we agreed the bank reconciliations at 31st January and 28th February and agreed the movements in February between the bank and the cash book. At our final visit we agreed the bank reconciliation at 31st March, test checked movements in March and confirmed the year-end balance was reported accurately in the Annual Return.

Conclusions

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

We note the bank reconciliations are signed by an officer and a Councillor, the current Mayor.

Review of Corporate Governance

Our objective here is to ensure that the Council has suitable corporate governance documentation in place. 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 the Council assessed itself as meeting the requirements of the General Power of Competence at the meeting held on 11th May 2023;
- Noted that the Town Council approved updated Financial Regulations at their meeting in December 2024;
- Confirmed the Council submitted a return to the Charity Commission in respect of the Llanelli Town Estate accounts for 2023-24 and that DCK have done the Independent Examination for 2024-25; and
- Confirmed the Council advertised the audit of its 2023-24 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; 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 tested a sample of transactions. Our sample includes all payments over £4,000 and randomly every 45th payment in the cash book regardless of value covering the period April 2024 to March 2025. Our sample comprised 75 payments in the cash book made up of 140 invoices. The value of our sample

was £925,890 equating to 66% of non-payroll costs in the year. Invoices or suitable documentation was provided for the payments in our sample.

We note the Council is required to seek quotes for larger contracts and as a sample reviewed the quotes received for the installation of play equipment at Council parks, linked to funding from the Shared Prosperity Fund, as reported to the Building and Finance Committee.

We confirmed that the VAT due for reclaim at the end of 2023-24 was recovered from HMRC (His Majesty's Revenue and Customs). We then reviewed the quarterly VAT returns for 2024-25 agreeing the amount claimed to supporting printouts and confirming receipt of the funds into the Council's accounts, or in the case of quarter four inclusion in the year end debtors.

Conclusions

No matters have been identified in this area from our work. Based on our sample 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 reviewed the Council's 2024-25 insurance policy provided by Zurich noting that cover included:

- 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.

We note the policy included motor vehicle cover.

We discussed arrangements for monitoring the safety of the Council's play equipment noting that regular inspections are completed and recorded by officers who have been trained to carry out the work. These are supplemented by an annual external inspection.

The Council reviews its Risk Assessment Register each May. We note the latest Risk Assessment Register was reviewed by the Building and Finance Committee in May 2025 and then approved by Full Council in June. The Risk Assessment Register identifies the risks, assess the impact and details the controls to manage them. It includes a range of financial risks.

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 17th February 2025 to review the proposed 2025-26 estimates. Members resolved to set the 2025-26 precept at £1,537,500 and to authorise the Clerk to provide a detailed budget to the Building and Finance Committee. Members were provided with a summary report referring to key issues such as investment income and reserves, along with a detailed report showing income and expenditure for each cost centre in the prior year, current year (2024-25) and for the coming year 2025-26.

We note the Building and Finance Committee continue to receive regular reports analysing income and expenditure along with reports detailing accounts for payment. These Reports are generated from the Council's Rialtas Ledger.

We reviewed income and expenditure year on year, noting the variances to the prior year linked to the one-off spending on the Modular Building at Penyfan in 2023-24 and 2024-25.

At the 31st March 2025 total balances and reserves were £847,042 including a general reserve of £268,217. Total spending in 2024-25 was £1,798,829 or £149,902 a month. The general reserve is some 1.8 months spending. This remains low compared to the level we normally see at town and community councils of 3 to 8 months spending. We note the Council has earmarked reserves of £578,825 in addition to the general reserve.

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, ad hoc grants and interest. We have:

- Confirmed receipt of the first, second and third instalments of 2024-25 precept to the amount set and approved per the Council minutes;
- Agreed the income of £120,000, received from the sale of a property at Penybigyn, to correspondence from the Council's solicitors;
- Reviewed income arising from the use of the Samuel Selwyn Centre, testing bowling income to invoices and supporting spreadsheets and hirings to invoices raised;
- Reviewed income from allotments, comparing the number of allotments per the Register to the income recorded in Rialtas, by reference to the annual rent per plot and sample testing two tenancies to the signed agreement;

- Sample checked the usage of Stebonheath by tracing income received for hirings to invoices and then to hire agreements confirming the standard fees charged for usage agreed to the amount recorded in the minutes. We sample checked income of £2,250;
- Sample checked grant income in respect of works at Penyfan, checking claims to the Welsh Government totalling £22,755 to the signed claim form and the supporting invoices being reimbursed;
- Confirmed hire fees are kept under review; and
- At each visit monitored 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 a sample of three months' 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. We confirmed the inclusion of the till float in the year-end reconciliation.

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. One officer prepares the payroll which is checked by a second officer. A member signs a schedule confirming the monthly payroll totals. We have sample tested payroll as follows, specifically we:

- Reviewed payroll reports for November 2024 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 November payroll;
- Test checked the calculation of pension contributions by confirming the 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 application of the 2024 pay award by reference to the national published pay scales; and
- Completed our monthly trend analysis of pay for the financial year 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 total value recorded in the Asset Register to the amount 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 the Rialtas Ledger.

Conclusion

There are no matters arising in this area.

Investments and Loans

We note that the Council benefits from Funds invested in the Llanelli Town Estate, which is subject to a separate Independent Examination by DCK. The Council has funds that are invested in an HSBC Money Market Account. We:

- Note the Building and Finance Committee approved the Annual Investment Strategy at their meeting in May 2024;

- Have test checked the interest on the Money Market Account recorded in Rialtas to the amount on the bank statement; and
- Note the Council currently has no loans.

Conclusion

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

Statement of Accounts and Annual Return

The Council's annual Statement of Accounts 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 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.