Cyngor Tref Llanelli

Llanelli Town Council

Internal Audit Report 2024/25 (Second 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 on the Council during our second interim review for 2024/25 which took place on the 10th March 2025 together with our preparatory work. We wish to thank the Officers for providing all the records to enable us to undertake our work. This report does not repeat the findings of the first interim report issued in November 2024, but a consolidated report will be issued after our year end audit scheduled for the 10th June 2025.

Internal Audit Approach

In conducting 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 financial 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.

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 two 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 the cashbook or financial ledgers. We have consequently:

- Run a data check on Rialtas to ensure the Ledger was in balance at the time of our review, specifically that the Trial Balance agreed and further that it agreed to the nominal ledger, the main accounting record;
- Checked and agreed detail in the combined cashbook, examining a sample month's transactions (February 2025) agreeing detail to the supporting bank statements, together with verifying the regular inter-account transfers between the accounts. We then checked and agreed detail on the month-end bank reconciliations at the close of January and February 2025 to ensure that no long standing, uncleared or other anomalous entries were in existence; and
- Confirmed the External Auditor raised no issues on the 2023/24 accounts.

Conclusions

The accounts are balanced with regular reconciliations being completed. There were no long standing or anomalous adjusting entries on the reconciliation.

We will undertake further testing at our final review confirming the year end reconciliation is correct and that cash balances are disclosed correctly in the year end 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 and that Council and Committee meetings are conducted in accordance with the adopted Standing Orders.

At this stage we have:

- Continued 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; and

- Noted that the Town Council approved updated Financial Regulations at their meeting in December 2024.

Conclusion

No issues arise in this area currently. We will complete our review of minutes at our year end audit in June.

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.

At our first visit we confirmed the controls in place over the processing and approval of trade invoices. At this stage we extended our substantive testing of transactions. Our sample includes all payments over £4,000 and randomly every 45th payment regardless of value in the cash book covering the period 1st April 2024 to 28th February 2025. Our sample comprises 62 payments in the cash book linked to 110 invoices. The value of our sample is £761,171 and equates to 64% of non-payroll costs in the year to date. All items in our sample were supported by suitable documentation.

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 the Council continues to submit VAT reclaims to HMRC and reviewed the third quarter's VAT return for 2024/25 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. Invoices were provided for all the payments in our sample.

At our final review following the financial year end we will compare total expenditure against budget undertaking any further payments testing as necessary.

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 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.

Conclusion

No issues arise in this area currently. We will review the full year income and expenditure and balances at our year end audit in June.

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 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 tested income at our first review, at this stage we considered the Town Council's latest budget report from Rialtas to identify areas to test and have:

- Confirmed the third instalment of precept into the Councils accounts, agreeing it to the amount set and approved in the Minutes;
- 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 for and the supporting invoices being reimbursed; 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 of one month's income to the bank statements.

Conclusion

The Council has arrangements for monitoring and recovering income.

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 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. We will agree investments recorded in the year-end accounts to the third party statements at our final visit.