2021 – 2022 Final Internal Audit Report of Glynneath Town Council

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Background

All town and community councils are required by statute to make arrangements for an independent internal audit examination of their accounting records, systems of internal control and for the conclusions to be reported each year in the Annual Return. This is the first year that KLG Internal Auditor has provided this service to Glynneath Town Council.

This report set outs the work that undertaken in relation to the internal audit 2021 - 2022 financial.

Internal Audit Approach

In undertaking the internal audit from. I have regarded the materiality of transactions and their susceptibility to potential misreporting or misrepresentation in the yearend statement of accounts/annual return. The internal audit programme has been designed to cover and afford appropriate assurance that the Council's financial systems remain robust and operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory framework. The programme is also designed to facilitate the completion of the 'Internal Audit Report' in the Council's Annual Governance & Accountability Return, which requires independent assurance over several internal controls and objectives.

Overall Conclusion

I have been able to conclude as far as possible from the programme of works undertaken that the financial statements are free from material misstatement, and I have duly signed off the annual return. I have, however made 20 recommendations for improvement. Please see the report for further information.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

My objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in the cashbooks or the financial ledgers.

During the financial year, Council used QuickBooks and two year to date accounts were presented to Council, however with the previous Clerk resigning it appears that the licence for QuickBooks has expired. The newly appointed Clerk sought approval from Council to purchase a bespoke accountancy software specific to Town & Community Councils and has since been entering the financial year 2021-2022 retrospectively on to the software.

Conclusion

Scribe is in place to reflect the transactions between the Councils Current Accounts and Saving Account

- Checked and agreed a sample of invoices from April 2021 – March 2022 to ensure the transactions recorded in the current account cashbook and matched the transactions to the relevant bank statements and copies of the invoices have been retained.
- Ensured the accurate disclosure of the combined cashbooks and bank accounts balance as recorded in the detailed bank reconciliations which have been prepared by the Clerk/RFO retrospectively.
- Noted a bank error with regards to precept payment being paid twice.
- Note that not one bank reconciliation was presented to the Council during the financial year.
- Note that during the year £388,267.00 payments were made with circa £34,500 this equates to 8.88% of payments only being approved by Council for payment.

Recommendations

R1. The RFO should conduct an exercise identifying all payments which were not approved by Council for 2021-2022 year and present a schedule of payments for retrospective approval at the next available Council meeting.

R2. On an annual basis all Direct Debits should be reported to Council for approval with variable amounts being reported at the end of each financial year.

R3. As per financial regulation 5.c the RFO should prepare a schedule of all transfers between the Council's bank accounts for over £10,000.00 and present to the next available Council meeting for retrospective approval.

R4. For the Clerk to present the monthly bank reconciliation to full council for retrospective approval.

<u>Review of Corporate Governance</u>

My objective here is to ensure that the Council has a robust regulatory framework in place; that Council meetings are conducted in accordance with the adopted Standing Orders and that no actions of a potentially unlawful nature have been or are being considered for implementation. To meet that objective, I have:

- Reviewed the minutes of Council and Committees from April 2021 – September 2021 to ensure that no issues affecting the Council's financial stability existence whereby the Council may either be considering or have taken decisions that might result in ultra vire expenditure being incurred;
- Reviewed Standing Orders and Financial Regulations
- Reviewed Committee Terms of Reference

<u>Conclusion</u>

- Note that no Full Council meeting was held in October to March did not approve any expenditure.
- Note between the previous Town Clerk/RFO and newly appointed Town Clerk a period of 10 months, the Council did not resolve to appoint a Responsible Finance Officer.
- Note that the Financial Risk Assessment has not been undertaken during the financial year.
- Note that Financial Regulations have not been followed with regards to meeting quotation thresholds or approval of payments.
- Note that Financial Regulations and Standing Orders have not been updated to include the Local Government Act (Wales) 2021.
- Note that delegated authority was given to two Councillors reference minute 15 8^{th} March 2022 regarding a topographical survey. £1100.00

Recommendations

R5 Standing Orders and Financial Regulations should be updated to include the requirements of The Local Government and Elections Act Wales 2021.

R6 At least every quarter Council should receive updated income and expenditures reports as per Financial Regulations.

R7 At least every quarter a Councillor other than the Chair of Finance & Audit or a bank signature should conduct quarterly checks including payroll.

R8 Council should familiarise itself with NALC legal topic note one, which specifically explains delegated powers.

Review of Expenditure

My 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 or an original invoice from the supplier or other appropriate documentation confirming that payment was due and acknowledgement of receipt and VAT has been identified and recovered in a periodic manner.

- ❖ Selected samples from the payment transactions list which has been inputted in Scribe to ensure that original invoices have been retained and payment has been released in accordance with Councils Financial Regulations.
- ❖ Checked selected invoices to ensure that VAT has been recorded correctly.

Conclusion

- ❖ ***Payments have not been released in accordance with Financial Regulations.***
- ❖ ***Council have not been able to scrutinise the payments that have been made.***
- ❖ ***Note VAT has been recorded correctly, however no reclaims were made during the financial year.***

Recommendations

R9 The Clerk/RFO should produce a payment schedules including copies of the invoices which should be included with the agendas for Councillors to scrutinise and authorise at each Council meeting

R10 Each Payment Schedule should be numbered individually to ensure they are identifiable for the audit trail.

R11 The Chair should sign each payment schedule and the Clerk should ensure that the total amount of payments approved is recorded in the minutes, again to ensure an underlaying audit trail.

R12 All original invoices to be retained in hard copy and an electronic format.

Assessment and Management of Risk

My aim here is to ensure that the Council has appropriate arrangements in place to identify all potential areas of risk, including those of Health and Safety nature as well as those of a financial nature.

Conclusion

- **Note the financial annual risk assessment has not been completed to date.**

Recommendation

R13 For the financial risk assessment to be completed and presented to Council at the next available opportunity.

Precept Determination & Budgetary Control

My objective here is to ensure that the Council has a robust budget setting and budget monitoring procedure in place.

Note all payments of the precept have been received from Neath Port Talbot County Borough Council and traced both payments to the Current Account Bank statements, however these do not match the budget published on the Council's website or the budget provided to the newly appointed Clerk when she joined the Council.

Conclusion

- ***A budget was set for the financial year 2021/2022 of £211,529 as per minute number 6b Meeting 12th January 2021.***
- ***A budget has been set for the current financial year of £203,245.00 as per minute number 9th 20th January 2022.***
- ***Precept amount received from Neath Port Talbot Council, does not agree with the precept request.***

Recommendation

R14 For the Town Clerk to lead the budget setting process.

R15 For the Town Clerk to contact Neath Port Talbot County Borough Council and investigate the difference in the precept demand and the amount received.

<u>Review of Income</u>

My aim here is to ensure that robust systems are in place to ensure the correct identification of all income due to the Council, to ensure that income is recorded in a timely manner. The Council receives income from the following sources, Precept, Vat reclaims, Grant Funding, Burials and Hall Hire.

Conclusion

- ***There are long term outstanding payments owed to the Council from Hirers.***
- ***Only one VAT reclaim has been made in the financial year***

Recommendations

R16 For a booking form to be implemented which all hirers are required to complete prior to the use of the venue.

R17 For the Town Clerk to determine longstanding debtors, to present to Council and for Council to determine a course of action.

R18 For the outstanding VAT returns to be submitted as soon as possible

<u>Petty Cash</u>

The Council does operate a petty cash system

Conclusion

- **A reconciliation has been carried out with only one transaction in the year.**

<u>Wages and Salaries</u>

Here my aim is to ensure that effective controls are in place for the processing of salaries and wages. During the financial year the payroll was managed in house and was then outsourced in January 2022, with the process returning in house in 2022/23 financial year. (I could not locate a minute number with regards to the outsourcing of the payroll).

- Checked salary payments and tax & NI payments tie back to the reports provided and match with the payments made through the bank.
- Also checked the salary agreed by Council agreed to appropriate NALC pay scale.
- Also checked employment contracts and terms of employment

Conclusion

- **Note that PAYE Payments stopped in December 2021**
- **Note that there was a backlog of pension calculations processing to be completed.**
- **Note a settlement figure of £17,500 was paid to a former employee**

Recommendations

R19 For PAYE & Pension contributions to be identified in the relevant month and payments to be made in a timely fashion.

Insurance

My aim here is to ensure that the Council has adequate insurance in place.

Conclusion

Public Liability has been agreed at £10,000,000.00

Fidelity Liability has been agreed at £250,000.00

Fixed Asset Register

My aim here is to ensure that the Council has a register in place and that it is comprehensive, and it contains all the basic information that it should do.

Conclusion

- Inspected the fixed asset register and note movement of £1,875.00 during the year.

Recommendations

R20 Council should implement a fixed asset register policy.

Reserves

My aim here is to ensure that the Council have adequate reserves to meet any unexpected expenditure.

- Note that Council holds £151,770.80 in general reserves.

<u>Statement of Accounts and Annual Return</u>

I have verified the accuracy of the data contained in Annual Return as far as reasonably practical and I have examined and confirmed that there is an undelaying audit trail from the financial records.

Conclusion

Based on work undertaken during the year, I have duly signed off the Internal Audit Report in the Annual Return.