

# **Abergavenny Town Council**

*Internal Audit Report (Interim review) 2023-24*

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*Claire Lingard*

*For and on behalf of  
Auditing Solutions Ltd*

## Background

Statute requires all town and parish councils to arrange for an independent Internal Audit (IA) examination of their accounting records and systems of internal control and for the conclusions to be reported each year in the Annual Return (AR).

This report sets out the Internal Audit work undertaken in relation to the 2023-24 financial year; the Interim review took place on the 19<sup>th</sup> October 2023, conducted remotely.

## Internal Audit Approach

In commencing our review for the year, we have again had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover is designed to afford 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 regulatory framework. The programme is also designed to facilitate our completion of the 'IA Certificate' in the Council's AGAR, which requires independent assurance over a series of internal control objectives.

## Overall Conclusions

We advise that, based on the work undertaken this year, the Council continues to maintain generally adequate and effective internal control arrangements. We have noted the Council's responses to the recommendations for improvement made during the internal audits during the 2022-23 financial year, which we have been advised have been noted. However, we note from the work undertaken to date, these have not been implemented.

We have further noted that the Council's website is in the process of being redesigned and was not fully functional or fully uploaded as at the date of the Interim review. Of particular note the Agenda and Minutes of the Council and its Standing Committees were not available for review. We have agreed with the Clerk/RFO that we shall review these documents during the year-end audit.

We are aware of the Council's future strategic objectives which are commendable, and forward sighted. To ensure that these objectives are achieved, closer attention to Corporate Governance and reporting is required. No recommendations for improvement have been made as a result of this Interim review.

We take this opportunity to thank the Town Clerk/RFO and her assistant who have prepared all the required documentation for both this interim review. We are grateful for the expedient and exemplary manner in which the documents were presented and the timely basis upon which our queries were answered during this review process.

We ask that Members consider the content of this report and acknowledge that it has been formally reviewed and adopted by Council.

# Detailed Report

## Review of Accounting Records & Bank Reconciliations

The Council's accounting records are maintained using Rialtas Omega software with separate current and deposit accounts in place at Barclays with transactions recorded in a single cashbook in the accounting software: a daily sweep facility is in place to retain a current account balance of £10,000. The Council also holds a short-term "investment" account with the Gateway Credit Union. Further the council utilises a Barclays Bank Credit Card and Debit Card.

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 verified the accurate carry forward of closing trial balance detail in the 2022-23 Statement of Accounts to the current year's Omega records;
- Noted that the Council maintains a Barclays Bank Credit Card with a £4,000 credit limit, which is authorised only for the Town Clerk/RFO's use, to ensure that the Town Council is able to procure items from internet products and services vendors;
- Noted that the Council received the 'Unqualified' External Auditor's report for the 2022-23 financial year;
- Checked and verified the detail in the Council's combined cashbook for two months: April, and September 2023 agreeing detail to the supporting bank statements;
- Noted that the most recent Gateway Credit Union account statement is that dated the 31<sup>st</sup> March 2023 which was checked and verified during the FY2022-23;
- Checked and verified the inter-account transactions between the current and deposit accounts for the same four months;
- Checked and verified the detail on the monthly bank reconciliations as at the 30<sup>th</sup> April and the 30<sup>th</sup> September 2023; and,
- Checked the reconciliation for the Council's credit card account as at the 30<sup>th</sup> April and the 30<sup>th</sup> September 2022.

### ***Conclusions***

***There are no matters arising in this area of review warranting formal comment or recommendation. We remind the Clerk/RFO and Members that we have been unable to review the Minutes of the Full Council and its Standing Committees during this interim review as they were not publicly available on the Council's website which is under construction and the Clerk/RFO was unable to forward these.***

***The Minutes and Members' scrutiny of Bank Reconciliations will be reviewed during the year end audit.***

## Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework in place, that Council and Committee meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we are reasonably able to ascertain as we do not attend meetings, no actions of a potentially unlawful nature have been or are being considered for implementation.

We note that the Town Clerk/RFO is in the process of undertaking the CiLCA qualification which will, when achieved, assist the Council in becoming eligible to adopt the General Power of Competence.

We have reviewed the Council's currently adopted Standing Orders and Financial Regulations as supplied by the Clerk/RFO.

We note that the Council currently maintains an official website which is published at <http://abergavennytowncouncil.gov.uk>, which is hosted on a secure server. We have been advised by the Clerk/RFO, and have checked and verified that this website is currently being redesigned. The site under development still does not comply with the current Accessibility legislation. Further, only one set of Minutes for one Standing Committee could be identified in the various text entries relating to Council meetings, and the manner in which these statutory documents are published and listed is completely obfuscatory and counter intuitive.

The Clerk/RFO has advised me that she is currently in discussion with the appointed website designers regarding several areas of concern where the website redesign and build has not been made to the Council's satisfaction. The Clerk/RFO has confirmed to me that the Minutes and Agenda of all Full Council Meetings and those of the Standing Committees will be fully and easily accessible as at the date of the year-end audit.

As we made detailed recommendations concerning the status of the Council's website, and in particular the manner in which the Council's Agenda and Minutes were made available thereon, we have agreed to perform the full review of the Minutes and Agenda for the 2023-24 financial year during the year-end audit.

The Town Clerk/RFO has advised us that there have no formal tenders during the financial year to the 30<sup>th</sup> September 2023.

Finally, in this area of review, we have noted the Council's stated intention to adopt the General Power of Competence upon the Town Clerk/RFO attaining the CiLCA qualification to enable it to make Donations in addition to the Awards of Grant Aid and the long term partnership agreements that it is currently committed to.

### ***Conclusions***

***There are no matters arising in this area of review warranting formal comment or recommendation. We remind the Clerk/RFO and Members that we have been unable to review the Minutes of the Full Council and its Standing Committees during this interim review as they were not publicly available on the Council's website which is under construction and the Clerk/RFO was unable to forward these.***

***We will expand this area of review to include a full review of the Council's Agenda and Minutes and those of its Standing Committees for the full financial year during the year-end review.***

## **Review of Expenditure & VAT**

Our aim here is to ensure that: -

- Council and Trust resources are released in accordance with the approved procedures and budgets;

- Payments are appropriately supported, 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;
- An official order has been raised on each occasion when one would be expected;
- 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 note that the Council now pays all traders and staff salaries online and have discussed the operative procedures for processing and approval of payments for release with the Town Clerk/RFO and consider them to be generally sound, with the Town Clerk/RFO setting up the payments and a nominated councillor then, following advice of the payments being set up, going online, reviewing the detail, and then releasing the payments. We note that the Town Clerk/RFO has now produced a number of Financial Procedures documents to ensure business continuity should a key member of staff be absent from work at any time.

We have commenced our Review of Payments, checking & verifying a of 22 payments in total for the financial year to the 31<sup>st</sup> March 2023. The sample includes all payments in excess of £2,000 and every twentieth payment irrespective of value to ensure compliance with Financial Regulations. The test sample totals £146,212 and equates to 59% by value of non-pay related payments in the year. Only four out of the twenty-two payment documents submitted for audit bore any clear evidence of scrutiny, verification and scrutiny by the Town Clerk/RFO and Members.

We have checked and verified the first two quarterly VAT returns for the 2023-24 financial year, which have been produced and submitted directly from the Rialtas Omega accounting system with no issues arising.

### ***Conclusions & recommendation***

***It is critical that all Councils are able not only to undertake, but also to demonstrate that they have undertaken, robust internal controls in relation to the processing of payments. As in previous years, there is no clear evidence that this process is being undertaken, this despite the confirmation by the Clerk/RFO and Members that attention would be paid in this regard.***

*R1. The Town Clerk/RFO and Members must ensure that each payment document is checked and verified by the Town Clerk/RFO and authorised by Members prior to being approved for payment. Clear evidence of that process must appear on the face of each payment document, as demonstrated on the seven payment documents which had the authorisation stamp applied to them with detail completed.*

## **Review of Risk Management & Insurance provision**

In this area we aim 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 in order to minimise the opportunity for their coming to fruition.

We note the existence of a word based Register of Risks for the 2023-24 financial year. Until we are in a position to review the Agenda and Minutes of the Full Council and its Standing Committees we are unable to confirm whether these have yet been adopted during the current financial year.

We have also examined the content of the Council's insurance schedule with Zurich Municipal under a Select for Local Councils Policy: Policy number YLL-2720434523, Schedule number MLAACE06, with a cover period of the 1<sup>st</sup> June 2023 to the 31<sup>st</sup> May 2024. The policy offers cover at the following levels:

- Public Liability £10 million
- Employers Liability £10 million
- Personal Accident £2 million (£500,000 per individual)
- Libel & Slander £250,000
- Fidelity Guarantee £250,000
- Legal Expenses £200,000

We consider that cover remains appropriate for the Council's ongoing requirements.

The Town Clerk/RFO has confirmed that the Council is not responsible for any play area or recreation ground.

### ***Conclusions***

***There are no matters arising in this area of our review warranting formal comment or recommendation.***

## **Review of Budgetary Control and Reserves**

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and level of precept to be drawn down from Monmouth CC: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

Once again, we are unable to make any comment on the adequacy of budgetary control and management as the Council's Agenda and Minutes have not been made available for review.

We note that the Town Clerk/RFO and Members are currently engaged upon the budget setting and precept determination process for the 2024-25 financial year. We understand that the process will be undertaken during November with the Budget and Precept scheduled to be formally Resolved during the December meeting of the Full Town Council.

We have further noted that the Council has seven formally established earmarked reserves (EMRs) recorded in Omega. The movement on the Council's EMRs during the 2023-24 financial year is recorded as follows:

### **EARMARKED RESERVES FY2023-24**

01.04.23      Opening Balance      £ 92,000.00

	In-year net transfers	-£ 53,460.73
30.09.23	Closing Balance	£ 28,539.27

Finally, in this area of review, we note that members continue to receive budget reports periodically throughout the year based on the Omega accounting software. We have reviewed detail of the Omega budget outturn report for the financial year to the 30<sup>th</sup> September 2023, noting that there were no significant variances which required further explanation or investigation.

### ***Conclusion and recommendation***

***There are no matters arising in this area of review warranting formal comment or recommendation.***

***We will extend this area of review during the year-end audit, once we have received access to the Agenda & Minutes of the Full Town Council and its Standing Committees.***

## **Review of Income**

Our objective in this area is to ensure that the Council identifies and recovers all income to which it is entitled and has appropriate arrangements in place to ensure its prompt recovery. The Council has very limited income sources, primarily the annual precept, quarterly VAT reclaims and bank interest, together with occasional grants and donations.

We have examined the detailed nominal account transactions for the financial year ensuring that, as far as we are reasonably able to ascertain, no miscodings have occurred and all anticipated income has been received and banked in a timely manner.

### ***Conclusions***

***There are no matters arising in this area of review warranting formal comment or recommendation.***

## **Review of Petty Cash Account**

The Council does not operate a petty cash account, any ad hoc expenses incurred by officers being reimbursed through the normal payment processing system.

### ***Conclusions***

***There are no matters arising in this area of review warranting formal comment or recommendation.***

## **Review of Staff 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 HM Revenues and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions.

We note that payroll preparation is now outsourced to a local accountancy firm, E H Accountancy, with appropriate documentation provided to facilitate processing of monthly payments of net salaries to staff members, HMRC and the pension fund administrators.

We have:

- Noted that the Town Clerk/RFO (appointed 01.09.22) is remunerated against the NJC SCP grade system on the basis of a 37 hour week, under a full employment contract;
- Noted that the Administration Officer (appointed 09.05.18) is remunerated against the NJC SCP grade system on the basis of a 12 hour week (pro rata), under a full employment contract;
- Checked and verified the payroll from the 1<sup>st</sup> April to the 30<sup>th</sup> September 2023, with no issues arising;
- Agreed the gross salaries paid to both officers in August 2023 by reference to the Council’s approved pay scales as set out in the staff employment contracts, which we examined last year;
- Ensured that tax and NI deductions for both months have been calculated accurately applying the appropriate tax code and NI Table by reference to the relevant HMRC calculators;
- Similarly, ensured that appropriate employee and employer contributions to the pension scheme have been determined and deducted for both months; and,
- Checked and verified the Members allowances paid via the payroll to the 30<sup>th</sup> September 2023 with no issues arising.

### **Conclusions**

*There are no issues arising in this area of our review warranting formal comment or recommendation.*

## **Review of Investments & Loans**

Our objectives here are to ensure that the Council is “investing” surplus funds, be they held temporarily or on a longer term basis in appropriate banking and investment institutions, that an appropriate investment policy is in place, that the Council is obtaining the best rate of return on any such investments made, that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with appropriate loan agreements.

The Council holds its funds in a Barclays Current and Savings Account and a Gateway Credit Union Account. We have checked and verified the receipt of that interest, and the 30<sup>th</sup> September 2023 account balances with reference to electronic copies of the prime supporting documentation, cross-reference the disclosed balances in the corresponding Rialtas Omega cashbooks where present.

<b>Account</b>	<b>Cashbook Number</b>	<b>Reconciled Value as at 30.09.23</b>
Barclays current account	1	£ 9,967.53
Barclays savings account	1	£498,810.10
	<b>Sub-total</b>	<b>£508,777.63</b>
Gateway Credit Union account (Statement date 24.10.22)	No Rialtas cashbook	£20,000.00
	<b>Total</b>	<b>£528,777.63</b>



We have noted that the Council continues to maintain an Investment Policy, (*last reviewed and adopted at the Annual Meeting of the Full Town Council meeting on the 12<sup>th</sup> May 2021, under Minute reference 12*). We have noted that the Council does not appear to be following the terms as set out in this policy document and take this opportunity to remind the Town Council that it is obliged to protect, as far as is reasonably possible to do so, the public funds under its management. Currently the Government's [Financial Services Compensation Scheme \(FSCS\)](#) provides protection for to £85,000 invested in one institution for organisations with a turnover of less than €500,000 per annum. Consequently, as at the 30<sup>th</sup> September 2023 £423,777.63, (*31<sup>st</sup> March 2023, approximately £272,753.91*), of public funds under the Council's management were not fully protected by the FSCS.

The Town Clerk/RFO has certified that the Council has no loans owed by it, or to it.

### ***Conclusion & recommendations***

***Given the volatility in the market and future geopolitical uncertainty, we again recommend that the Town Council take steps to ensure that the public funds under its management are protected to the extent that it is possible to do so, with the objective of ensuring that each of the Town Council's deposits is covered by the Government's FSCS. To this end, we strongly recommend that the Council reviews its current investment holdings in line with its Adopted Investment Policy.***

***Whilst we cannot act as financial advisors, a number of our clients in Wales and England are placing a proportion of their surplus funds in the CCLA Public Sector Deposit Fund continues to provide an efficient investment solution, which spreads the risk of the council's investment amongst 'A' rated financial institutions. This is a robust and resilient management fund which provides Councils the ability to move funds to and from this account with 24 hours-notice. This is one of the investment opportunities which are available to Councils and investment solutions are available from other providers in this market. Members may wish to seek Independent Financial Advice in this regard.***

R2 *The Town Council should expediently consider the level of funds it has invested in its accounts with Barclays Bank and consider how the Council can best protect the public funds under its management, seeking independent financial advice in this matter, if Members deem such action appropriate.*

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### **NOTE TO REPORT**

***We confirm that all confidential & sensitive information, supplied for the purposes of this audit including, Personnel Minutes, Payroll and Employment data have been permanently deleted from Auditing Solutions Ltd.'s servers and any printouts made for the purposes of this audit have been destroyed in accordance with the Company's data and document retention policies and with the prevailing General Data Protection Legislation.***

## Action Plan

Rec. No.	Recommendation	Response
R1	The Town Clerk/RFO should work together to document the Council's Financial Procedures, to be scrutinised and formally Approved by Members.	
<hr/> <b>Review of Investments &amp; Loans</b> <hr/>		
R2	The Town Council should expediently consider the level of funds it has invested in its accounts with Barclays Bank and consider how the Council can best protect the public funds under its management, seeking independent financial advice in this matter, if Members deem such action appropriate.	