

Abergavenny Town Council

Internal Audit Report (Final-update review) 2023-24

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 19th of October 2023, with the year-end audit taking place on the 10th, 15th, 26th & 30th May 2024. Both audits were 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 'Annual Internal Audit Certificate' in the Council's Annual Return, 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 as a result of the internal the 2022-23 financial year audits. However, we note from the work undertaken to date, these have not been implemented.

We have further noted that the Council's website, although improved, still exhibits many of the issues identified in our earlier reports. Of particular note; the Minutes of the Council and its Standing Committees remain difficult to access as these are not published with the same prominence as the Agenda are not, in all cases, published at all.

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 still required. We have made seven formal recommendations for improvement have been made as a result of final-update and interim reviews.

We take this opportunity to thank the Town Clerk/RFO and her assistant who have prepared the documentation for both the final-update and interim review.

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 four months: April, September and December 2023 and March 2024 agreeing detail to the supporting bank statements;
- Checked and verified the Gateway Credit Union account statement as at the 31st of March 2024, dated 30th May 2024;
- 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 30th of April and the 30th of September and 31st of December 2023 and 31st of March 2024; and,
- Checked the reconciliation for the Council's credit card account as at the 30th of April and the 30th of September, 31st of December 2023 and 31st of March 2024.

Conclusions

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

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, published at <http://abergavennytowncouncil.gov.uk>, which is hosted on a secure server. As a result of the Interim Audit, we made detailed recommendations concerning the status of the Council's website, and in particular that the Agenda and Minutes of the Council and its Committees were not available. We agreed to perform the full review of the Minutes and Agenda for the 2023-24 financial year during the year-end audit which we have now done.

We note that the website has been redeveloped during the 2023-24 financial year. During the Interim Internal Audit of the 2023-24 financial year, the Clerk/RFO advised me that she was currently in discussion with the appointed website designers regarding several areas of concern where the website redesign and build was not made to the Council's satisfaction. The Clerk/RFO confirmed to me that the Minutes and Agenda of all Full Council Meetings and those of the Standing Committees would be fully and easily accessible as at the date of the year-end audit. This is not the case.

The new site remains difficult to navigate, in particular the Council's Published Minutes are not directly accessible, as they should be, instead the user is forced to navigate and search for the Minutes, via the published Agenda before being able to download and read them. There are a number of sets of Minutes which are not uploaded onto the website. I have attached a copy of the Review of Minutes to this report as 'Appendix A'. We are of the opinion that the current design of the site does more to obfuscate the Minutes than to make them available to the public.

The Town Clerk/RFO has advised us that there have no formal tenders during the financial year to the 31st March 2024.

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 and recommendation

The Council's Official Website, although somewhat improved, remains difficult to navigate for the user. It is impossible to access the Council's published Minutes, the official legal record of the Council's business, directly. The user is forced to hunt for the Minutes, being presented only with a hyperlink into the Agenda which is used as a landing page to tag various documentation to. The Minutes are hyper-linked from the Agenda, but these are not in all cases present. No other council which I audit, in Wales or in England, takes this approach to publishing its Minutes.

R1 The Clerk/RFO and Members should ensure that the Council's published Minutes are easily and directly accessible to the user and published with the same prominence that the Agenda are.

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 concluded our Review of Payments, checking & verifying a of 51 payments in total for the financial year to the 31st March 2024. 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 £400,272 and equates to 68% by value of non-pay related payments in the year. Only four out of the fifty-one payment documents submitted for audit during the 2023-24 financial bore any clear evidence of scrutiny, verification and scrutiny by the Town Clerk/RFO and Members.

We have checked and verified all four 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

YEAR-END: Despite the Clerk/RFO's assurances made during the Interim audit for the 2023-24 financial year no improvement has been made to the proof of scrutiny applied to payment documents. During the year-end review of payments, an additional sample of 29 payments was reviewed (51 payments in the FY2023-24 year sample) not one of the documents supplied for audit bore any evidence of scrutiny by any person and only four of the fifty-one payment documents reviewed during the financial year bore any evidence of scrutiny.

INTERIM: 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.

R2. 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 basic word based Register of Risks for the 2023-24 financial year. This Risk Register was formally adopted at the 11th May 2023 Annual Meeting of the Town council under Minute reference AGM/09/23.

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 1st June 2023 to the 31st 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 and recommendation

The Council continues to maintain a basic Risk Register, however, given the size of Abergavenny Town Council and the scope of its operations, the Register should be improved.

R3 The Councils current Risk Register is no longer appropriate for the Council's operations. The Clerk/RFO and Members should redevelop the Register, ensuring that this is appropriate for the scope and scale of the Council's operations moving forward, including seeking advice from a Risk Management professional to assist the Council in this endeavour.

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 Monmouthshire 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 engaged in a robust budget setting and precept determination process for the 2024-25 financial year during October, November and December 2023, with the budget and precept being endorsed during the 17th of January 2024 meeting of the

Policy and Resources Committee under Minute reference PR/06/24, and thereafter Ratified at the 17th January 2024 meeting of the Full Council under Minute reference FC/04/24. However, no budget or precept value was recorded in the Minutes of either meeting, nor in the supporting paper: FC04/24: 2024/25 BUDGET. The official Precept request provided for audit was actually that for the prior financial year, 2023-24. We are not aware of the value of the Precept or the Budget that the Council actually resolved for the 2024-25 financial year.

We have further noted that the Council has nine 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	-£ 23,106.38
31.03.24	Closing Balance	£ 68,893.62

We note that the Council's Reserve position as at the 31st March 2024 stood at £373,722 (£377,754 prior-year) including earmarked reserves of £68,894 (£92,000 prior-year) leaving a General Reserve balance of £304,828 (£228,740 prior-year), which equates to approximately seven months' revenue spending at average 2023-24 financial-year levels, and sits only slightly above the generally accepted Chartered Institute of Public Finance and Accountancy (CIPFA) guidance to retain between 3 and 6 months prior year's revenue expenditure as a General Reserve.

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 final Omega budget outturn report for the financial year, noting the variance recorded therein. However, we have not been provided with a year-end Variance report for the purposes of this audit, therefore we cannot express any opinion as to whether these variances further explanation or investigation required.

Conclusion and recommendation

As recorded in previous Internal Audit reports, it is an absolute requirement to record the value of the Resolved Budget and the Precept each financial year. Not only are the value of the 2024-25 financial year Budget and Precept not recorded in any of the Council Minutes, or that of its Committees. Additionally, the supporting budget report for FC/04/24 does not record the Value of the Budget or the Precept. No record of the 2024-25 Budget or Precept Value can be discovered on the Council's official Website. As stated above, the official Precept demand, made on Monmouthshire County Council supplied for year-end audit purposes is that for the prior financial year: FY2023-24.

R4 We take this opportunity to remind the Clerk/RFO and Members of the absolute requirement for transparency when setting the Council's Budget and Precept. The value of both must be recorded in any Committee Minute endorsing the forthcoming financial year's budget and precept and the Full Council Minute Ratifying it. Further, any report supporting the budget and precept clearly record the respective values.

R5 The Internal Auditor should be provided, upon request, all such documentation required to undertake the audit process for the financial year.

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 1st April to the 30th 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 30th 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 Fixed Asset Register

The Governance and Accountability Manual requires all Councils to prepare and maintain registers of their stock of land, buildings, vehicles, furniture and equipment. We note that the council continues to maintain a basic Fixed Asset Register in Microsoft Excel (which has not been provided for scrutiny) and a 'headline' Fixed Asset – Insurance list maintained in Microsoft word. We have reviewed the 'Fixed Asset – Insurance list' for the 2023-24 financial year noting that there are no recorded in-year acquisitions or disposals and that this list does not comply with the JPAG requirements for Fixed Asset Registers.

During the 2022-23 financial year the Town Clerk/RFO assured me that she was in the process of undertaking a formal review of the Council's Fixed Asset Register, however, there is no clear evidence that this has occurred as the same word document was supplied for the FY2023-24 internal audit as was in FY2022-23. Further there has been no application of in-year acquisitions (or disposals). However, the review of the current account cashbook for the 2023-24 financial year records clear evidence of a significant purchase of Planters and Fittings from Amberol, Brackets from The Willow Usk and branded Mugs from Dynamite Branding.

Finally, in this area of our review, we have checked, but are unable to verify, the Fixed Asset Value recorded in the Register at £119,766 (*£119,766 prior year*). This value has been disclosed in the AGAR Section 2 – Accounting Statements for the 2023-24 financial year remains the same as that for the 2022-23 financial year.

Conclusions and recommendation

The Fixed Asset Register which has been presented for Audit does not record assets as required in the Joint Practitioner's, as it records an Insurance Value, does not record the acquisition date, disposal date, purchase cost net of VAT, delivery and installation and records assets which are grouped together. The Joint Practitioners Guide states:

Tangible Fixed Assets:

- Ensure that the Authority is maintaining a formal asset register and updating it routinely to record new assets at historic cost price, net of VAT and removing any disposed of / no longer serviceable assets;
- Physically verifying the existence and condition of high value, high risk assets may be appropriate;
- Ideally, the register should identify for each asset the purchase cost and, if practicable, the replacement / insured cost, the latter being updated annually and used to assist in forward planning for asset replacement;
- Additions and disposals records should allow tracking from the prior year to the current;
- Ensure that the asset value to be reported in the AGAR at section 2, line 9 equates to the prior year reported value, adjusted for the nominal value of any new acquisitions and / or disposals;

- Compare the asset register with the insurance schedule to ensure that all assets as recorded are appropriately insured or “self-insured” by the Authority.

I have recorded a negative assertion against internal control objective 8 in the Annual Return, Annual Internal Audit Report for the 2023-24 financial year as the Fixed Asset Register has not been revised during the 2023-24 financial year, as was the previously stated intent, and due to the failure of the Asset Register, as provided for internal audit, to comply with the requirements of the Joint Practitioners Guide.

I have also attached a copy of a sample Fixed Asset Register with anonymised data entered therein. This may be adapted for use by Abergavenny Town Council. I have also attached a copy of the Joint Practitioners Guide for the Clerk/RFO’s retention.

R6 The Clerk/RFO must ensure that the Council’s Fixed Asset Register is brought into good order during the 2024-25 financial year.

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 31st March 2024 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.

Account	Cashbook Number	Reconciled Value as at 31.03.24
Barclays current account	1	£ 10,000.00
Barclays savings account	1	£325,928.08
	Sub-total	£335,928.08
Gateway Credit Union account (Statement date 30.05.24)	No Rialtas cashbook	£20,000.00
	Total	£355,928.08

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 12th 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 31st March 2024 £250,928.08, (*30th September 2023, approximately £423,777.63*), 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

We note that the Council has taken steps to consider other investment opportunities during the 2023-24 financial year, in order to protect the public funds. However, with a significant amount of public funds under the Council's management still unprotected by the National Government's FSCS scheme, it is important that the Clerk/RFO and Members continue to pursue this objective.

R7 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.

Statement of Accounts and Annual Return

The Council's Rialtas accounting system automatically generates the Management Accounts, Balance Sheet, Trial Balance, Income & Expenditure Accounts and Reserves reports as part of the software's year-end closed down procedure.

We have checked and verified these reports, against prime documentation, and consider that the Council's Accounting reports accurately records the 2023-24 financial year's transactions. The software also generates the detail for inclusion in the year's Annual Return, which we have also verified as being consistent with the accounting and other relevant supporting records.

We have also reviewed the procedures in place for identifying year-end debtors, creditors and accruals and agreed the detailed values recorded in the year-end Balance Sheet to the underlying records with no long-standing unpaid accounts or other issues arising.

Conclusion

We are pleased to record that there are no matters arising in this area of our review warranting formal comment or recommendation and, on the basis of the work undertaken during the course of our review for the year, we have "signed off" the Internal Audit Certificate in the Annual Return assigning positive assurances against all internal control objectives with the exception of internal control objective 8 as recorded earlier in this report.

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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
Review of Corporate Governance		
R1	The Clerk/RFO and Members should ensure that the Council's published Minutes are easily and directly accessible to the user and published with the same prominence that the Agenda are.	
Review of Expenditure and VAT		
R2	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		
R3	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 Budgetary Controls & Reserves		
R4	We take this opportunity to remind the Clerk/RFO and Members of the absolute requirement for transparency when setting the Council's Budget and Precept. The value of both must be recorded in any Committee Minute endorsing the forthcoming financial year's budget and precept and the Full Council Minute Ratifying it. Further, any report supporting the budget and precept clearly record the respective values.	
R5	The Internal Auditor should be provided, upon request, all such documentation required to undertake the audit process for the financial year.	
Review of the Fixed Asset Register		
R6	The Clerk/RFO must ensure that the Council's Fixed Asset Register is brought into good order during the 2024-25 financial year.	
Review of the Fixed Asset Register		
R7	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.	