

**Magor with Undy Community Council**

**Cyngor Cymuned Magwr A Gwyndy**

*Internal Audit Report: (Interim) FY 2020-21*

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*For and on behalf of  
Auditing Solutions Ltd*

## **Background**

Statute requires all town and parish 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.

This report sets out the work undertaken in relation to the Internal Audit for the 2020-21 financial year; the Interim review which took place on the 30th November 2020.

## **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 / Annual Return. Our programme of cover, which has been modified in light of the Covid-19 directives under which Councils are required to operate, is designed to afford appropriate assurance that the Council has appropriate and robust financial systems in place that 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 'Internal Audit Report' as part of the Council's Annual Governance and Accountability Return process, which requires independent assurance over a number of internal control objectives.

## **Overall Conclusions**

We have followed up the suggestions and formal recommendations made in our FY2019-20 reports and acknowledge that the members have noted and considered these in their deliberations and have implemented these as far as it has been possible to do so given the constrictions of the Covid-19 situation and has made significant business processes improvements, even in these challenging times. We have reviewed the Council's modified practices implemented to comply with Public Health Wales' Covid-19 directives, and report that, on the basis of the work undertaken to date in the current year, the Council is operating robust and effective internal controls in all areas examined to date. Resultantly, only five recommendations for improvement have been made as a result of this review, these are detailed in the main body of the report and the appended Action Plan.

We have noted that the Council has complied, as far as it is possible to do so, with Public Health Wales Covid-19 directives amended from time to time, maintaining a consistently high standard of service provision whilst utilising the down time to complete the renovations of the Tennis Courts and undertake the playground build. The Council has also taken all reasonable steps to ensure the health and safety of its Staff, Members, Clients and members of the public utilising the Council's facilities. All modified and exceptional working practices have been formally Reviewed, Resolved and Recorded in the Council's Minutes and the Council is complimented for its management processes in this regard.

We commend both the Clerk/RFO and her assistant for their diligent management and administration of the Council's finance and governance functions, and the Members who have worked strenuously to maintain services on behalf of their constituents during these challenging times.

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

## Detailed Report

### Review of Accounting Records & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and no anomalous entries appear in the financial ledgers. The Council has now transitioned to using the Rialtas Alpha accounting software to maintain its financial records.

We note that the Council continues to operate two bank accounts with Barclays, a Current and Reserve account and has obtained a Debit Card in order for the Council to avail itself of internet purchases.

In order to ensure the appropriateness of financial data recording and validate the values to be reported in the 2019-20 Annual Return, we have: -

- Noted that the External Auditor has yet to sign off the 2017-18, 2018-19 and 2019-20 Annual Returns;
- Noted that the Welsh Office has conducted two on-site investigations and has published a draft report which has not yet been finalised;
- Verified the accuracy of the opening trial balances for 2020-21 with detail recorded in the 2019-20 combined year-end bank reconciliation;
- Noted that bank reconciliations for both the Council's bank accounts are undertaken at each month end and subject to the scrutiny of Members and subsequently approved at meetings of the Full Council;
- Verified the accounting transactions recorded in the spreadsheet cashbook by reference to supporting bank statements for the months of May and June 2020;
- Noted that the Council has acquired a Debit Card to support internet purchases. Supporting invoices/receipts are properly entered into the Rialtas Cashbook and VAT reclaimed accordingly;
- Ensured that an appropriate analysis of receipts and payments is maintained by the clerk to facilitate monitoring of performance against the approved budget; and,
- Noted that the Council has appropriate software back-up arrangements in place through Microshade and secure Cloud based storage.

#### *Conclusions and recommendations*

*There are no significant matters arising in this area of our review, however, we make three recommendations in relation to the use of RBS Rialtas Alpha accounting software related to the nomenclature used which should be based on general accounting terminology rather than colloquialisms:*

*Reference for payments made: Rialtas has a feature which gives a unique reference number to each payment document entered onto the system. This feature should be activated and used as the payment reference preceded by BACS, i.e. BACS12345 rather than 'INTERNET' which conveys no useful information. This will ensure that each payment may be uniquely identified.*

*Reference for Payments received: Receipts from clients are not bank transfers: Currently payments are recorded in Rialtas, under 'Receipt Ref' as 'Bank Trf'. In accounting terms, a*

**Bank Transfer only donates the movement of the Council's funds from one bank account to another.**

**Each Receipt of funds, excepting Precept, VAT Reclaims, grants and donations should be in relation to an invoice raised and each invoice should have a unique invoice reference as this pertains to the sale of Council services and must be recorded as such. Invoices should be sequentially referenced, for example MUCC00001, MUCC00002, MUCC00003, etc. The Payment Reference recorded for the Precept, VAT Reclaims and other receipts should be the payment reference on the payment advice received by the Council. Finally, payments received in relation to contracts or lease agreements should be recorded as the agreement number.**

**The phrase 'Top-up' used to describe Bank Transfers should not be used as it is incorrect. The correct terminology is Transfer, abbreviated to 'TRF'. The Receipt Ref should be TRF and the 'Transaction detail' should be recorded as: TRF from Reserve Account.**

- R1. *The Rialtas unique reference number feature for each payment document should be switched on in the data entry screen. All electronic payments made by BACS should be recorded as BACS followed by the unique document number generated by Rialtas, i.e. BACS12345, ensuring that each payment is uniquely identified.*
- R2. *Each payment received should be referenced by the corresponding invoice number for services issued by the council, or the payment advice issued in relation to the Precept, VAT Reclaim or other receipt, or the contract/lease agreement number.*
- R3. *'Top-up' is not a correct accounting term. When funds are transferred from the Council's reserve account the 'Receipt ref' must be recorded as 'TFR' and the 'Transaction Detail' recorded as; 'Tfr from Reserve Acc'*

## **Review of Corporate Governance**

Our objective here is to ensure that the Council has a robust series of corporate governance documentation in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are able to reasonably ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation.

We note that the Council has again reviewed and most recently readopted its Standing Orders (SOs) and Financial Regulations (FRs) at the postponed Annual Meeting of the Community Council on the 19<sup>th</sup> October 2020.

We note that two Tenders were let during the year to the 30<sup>th</sup> September 2020: The Sycamore Terrace Play Park Refurbishment and the Sycamore Sports Field Landscape Project. Both procurements were correctly let and managed in accordance with the prevailing EU Legislation requires all projects in excess of £25,000 to be advertised formally on the Government's Contract Finder website and, in compliance with the Council's Standing Orders and Financial Regulations.

We have commenced our Review of the Minutes of the Full Council and its Committees for the year to the 31<sup>st</sup> October 2020 and are pleased to note a marked improvement of both the quality and content of the Minutes.

Finally, in this area of our Review, we have noted the Council has maintained a high level of service to its constituents and has utilised the lockdown periods efficiently and for the benefit of the local community:

- The council has continued to ensure that the democratic process has been maintained, y holding its meetings via the ‘Zoom’ virtual conference platform. Such amendments to working practices were formally resolved in the Minutes of the Council’s Emergency Committee (Plenary) of March 2020;
- Staff have continued to hold their regular meetings with the Chair via WhatsApp and then Zoom;
- The Council has published its first Annual Report covering the 2019-20 financial year;
- During the first lockdown, the Clerk/RFO and her Assistant continued to work with the contractors and planning department to deliver the refurbishment of the MUGA (tennis) courts and plan for the landscaping of the surrounding area. The ability to exploit the period that these facilities were mandatorily closed to the public to deliver the project has lessened the impact of the closure to the community;
- The Covid-19 directives, issued by Public Health Wales in March/April 2020, delayed the consideration of tenders for the delivery of the refurbishment of the Sycamore Play Park. The Clerk/RFO and her Assistant continued to work closely with the contractors to finalise and successfully deliver the refurbishment over a four week period in November 2020;
- The Clerk/RFO and her Assistant delivered the Council’s website update during the lockdown, ensuring that it met the legally mandated Accessibility standards; and,
- The Clerk/RFO and her Assistant also worked with the Council’s web developers to launch the new ‘Visit Magor & Undy’ website, commissioned by the Council, which involved collating information and liaising with local businesses, organisations and community groups during this period.

### **Conclusions**

*There are no matters arising in this area of our review warranting formal comment or recommendation. However, we take this opportunity to commend the Clerk/RFO, her Assistant and the Members for maintaining a high level of service to its community during the Covid-19 situation and utilising the mandatory periods of lockdown to the benefit of the local community by dint of good planning and project execution.*

### **Review of Expenditure**

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council’s approved procedures and budgets;
- The correct form of procurement, i.e., quotation or tender defined by the Council’s Standing Orders and Financial Regulations has been undertaken in respect of each procurement let by the Council,
- 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;
- Invoices are scrutinised and appropriately “signed-off” by members signing cheques or authorising payments by electronic means;
- All Procurements and Payments are properly reported and recorded in the Council’s Minutes;
- The correct expenditure analysis has 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 is now making payments by BACS and Cheque, authorised by two members having been validated by the Clerk/RFO and entered onto the Rialtas Alpha accounting software, together with a few regular direct debits and monthly salaries paid by on-line transfer.

We have reviewed the procedures in place for processing payments and are pleased to note that there was clear evidence of all payment documents being subject to proper scrutiny by members with each invoice being properly coded and initialled.

Due to the remote nature of this Interim Audit, resulting from the Covid-19 directives, we have tested a sample of payments processed in the financial year to 30<sup>th</sup> September 2020 on the basis of all payments in excess of £500 and every 15<sup>th</sup> payment irrespective of value. Twenty-one payment documents were examined, totalling approximately £29,979 and representing 77% of all non-pay payments made to the 30<sup>th</sup> September 2020.

Finally, in this area of our review we note that the Council has submitted one special VAT return has been submitted in the financial year covering the period from the 1<sup>st</sup> April to the 30<sup>th</sup> September 2020, in the amount of £3,207.80.

### ***Conclusions and recommendation***

***There are no matters arising in this area of our review warranting formal comment. However, we take this opportunity to recommend that the Clerk/RFO avails herself of an invoice certification stamp (which may be ordered from any stationery supplier).***

<b>Magor with Undy CC Invoice Authorisation</b>	
<b>Date received:</b>	
<b>Validated:</b>	<i>(Clerk/RFO signature)</i>
<b>Account code:</b>	<i>(4115)</i>
<b>Cost Centre:</b>	<i>(110)</i>
<b>Query:</b>	<b>Y/N</b>
<b>Authorisation 1:</b>	<i>(Authorising Member signature)</i>
<b>Authorisation 2:</b>	<i>(Authorising Member signature)</i>
<b>Payment Ref:</b>	<i>BACS12345/Chq No/DD/Card</i>

***To be applied to each payment document, thereby ensuring that the required information remains consistent and that no information is omitted.***

***The Stamp should include the detail contained in the diagram above, or similar.***

*R4. The Clerk/RFO should avail themselves of an invoice certification stamp to ensure that all required authorisation information is consistently recorded on each payment document.*

## **Review of 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 have: -

- Previously noted that the Council used the services of One Voice Wales to assist in establishing a professional risk management process during the 2018-19 financial year. The Council's Risk Registers and maintained in LCRS Software, a package utilised by many Community, Town and Parish Councils. The Council's Registers have been under continuous review throughout the year, due largely to the Covid-19 situation and Public Health Wales directives which have changed from time to time and were last formally Reviewed and Re-Adopted at the Council's postponed Annual Meeting of the 19<sup>th</sup> October 2020 under Minute Reference 9.5;
- Examined the Council's extant insurance policy with Zurich Insurance to ensure that appropriate cover is in place, noting that Employer's and Public Liability cover are in place at £10 million and £12 million respectively, together with Fidelity Guarantee cover at £250,000, all of which we consider appropriate for the Council's current requirements; and,
- Noted that regular monthly inspections of the Council's play areas continue to be undertaken by the parent Council together with an annual RoSPA based review: the resultant reports are duly reviewed by the Clerk/RFO and Member and acted on appropriately.

### **Conclusions**

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

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

In this area of review, we are seeking to confirm that the Council has determined its annual budget based on sound assumptions of intended spending, that sufficient funds are available to meet future spending plans and that members are kept aware of actual budgetary performance during the course of the financial year. We also seek to assess the adequacy of retained reserves, be they in respect of specific earmarked funds or the General Fund and note that: -

- The Budget setting and Precept determination process was postponed due to the Covid-19 restrictions until the 16<sup>th</sup> November 2020. The Clerk/RFO circulated a Budget Setting workshop document to all Members in advance. Additionally, the Clerk/RFO provided a draft budget for payments and receipts for the 2021-22 financial year to the Members. It is anticipated that the finalised draft Budget and Precept will be agreed at the December meeting of the Finance Committee meeting with a Recommendation for its Adoption Approval at the January 2021 meeting of the Full Council. (The Budget and Precept for the 2020-21 financial year were Approved at the January 2020 meeting of the Full Council, with the latter set at £277,400 under Minute ref: 9.1);

- The Council now receives regular management reports, generated directly from Rialtas Accounting Software, updating them on the financial position throughout the year; and,
- As indicated earlier in this report, specific funds are set aside in six specific earmarked reserves.

### **Conclusion**

*There are no matters arising in this area of our review warranting formal comment or recommendation, however, we recommend that the Clerk/RFO and Members avail themselves of the Rialtas Alpha Budget tools in future years as these are extremely powerful and make ‘what if’ analyses a straightforward process.*

*We shall extend this area of our review at the financial year-end, examining the level of earmarked and general reserves to ensure their suitability both in terms of level and appropriateness.*

## **Review of Income**

Our objective here is to ensure that appropriate records are maintained to ensure that all income due to the Council is identified, invoiced accordingly, and recovered within an appropriate time scale. In addition to the Precept the Council receives supplementary income from very limited areas, including allotment rents, wayleaves and occasional hire of the tennis courts, together with bank interest and recoverable VAT.

We understand that the formal review of rents, fees, etc., now takes place during the Budget setting and Precept determination process.

We note that Allotment rents fall due on 1<sup>st</sup> August annually and that all but a few outstanding rents have been collected. A blank copy of the Allotment tenancy agreement has been reviewed and deemed suitable for the Council’s needs.

We further note that the 2.39 acres of grazing land with no water provision was released, over a five year period as at the 14<sup>th</sup> September 2020 for the amount of £325 per annum after a formal and proper advertisement and tender process was undertaken.

Finally, in this area of our review we are advised that there is still no formal licence agreement in place with the local Tennis Club for the use of the Tennis Courts.

### **Conclusion**

*We recommend, as in our prior year report, that the Clerk should arrange for a formal licence agreement to be drafted in relation to the use of the tennis courts by the local Tennis Club.*

R5. *The Clerk should arrange for a formal licence agreement to be drafted in relation to the use of the tennis courts by the local Tennis Club.*

## **Review of Petty Cash Account**

*The Council does not operate a petty cash account, any casual expenses incurred by officers being reimbursed periodically through the usual invoicing process on production of supporting invoices, etc. A Barclay Card debit card has been obtained for use by the Clerk/RFO to enable*

*the Clerk to make internet purchases on behalf of the Council. The debit card may not be used to withdraw cash.*

## **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 Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme, as most recently further revised effective from 1<sup>st</sup> April 2017.

To meet the above objectives, we have: -

- Acquired detail of the five staff members in post during 2020-21 and ensured that the gross salaries payable in June 2020 were in accord with those details;
- Noted that the payroll continues to be managed as an outsourced service by Chepstow Accounting Services (CAS);
- Noted that all staff have employment contracts;
- Noted that the Clerk and the Administration Assistants are Salaried according to the NJC SCP system;
- Noted that the NJC National Pay Award for was Adopted by the Full Council at its 14<sup>th</sup> September Meeting under Minute references. 251.4 a & b, with the Award being made retrospectively from the 1<sup>st</sup> April 2020;
- Noted that three litter pickers have standard employment contracts with two having a set number of hours, with one working ad-hoc and producing a time sheet to record the hours worked which is duly authorised by the Clerk/RFO;
- Noted that the Litter Picker rates of Pay were Reviewed and agreed at the HR Committee of the 3<sup>rd</sup> February 2020 under Minute Reference 10.1.a. and subsequently ratified at Full Council on the 10<sup>th</sup> February 2020 under Minute reference 147.3.
- Verified the accurate calculation and deduction of income tax, NI deductions and contributions, together with pension deductions and contributions for this staff contributing to the Local Government pension scheme;
- Verified the accurate payment over of staff salary costs routinely throughout the year to HMRC and the pension fund administrators; and,
- Noted that CAS complete all required RTI reporting to HMRC and supply the Clerk/RFO with all statutory documentation required for the Council's records.

### ***Conclusions***

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

## **Review of Investments and Loans**

We aim here to ensure that the Council has appropriate investment and borrowing strategies in place and that the most advantageous interest rates are being obtained.

We note that the Council's Investment Strategy was readopted for the 2020-21 financial year at the Annual Meeting of the Council which was postponed until October, in accordance with the guidance issued by the National Assembly for Wales. No formal investments are held, surplus funds being held in a Barclays Bank deposit account.

Loans are in existence with the PWLB, repayable half-yearly: we have verified the first of two repayments made in 2020-21 by reference to the PWLB loan repayment requests.

Finally, in this area of our review we note from the Council's minutes that Members are minded to apply for a second loan from the UK Debt Management Office, the replacement for the Public Works Loan Board, in support of a community initiative.

### ***Conclusions***

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

Rec. No.	Recommendations	Response
<b>Review of Accounting Arrangements and Bank Reconciliations.</b>		
R1	The Rialtas unique reference number feature for each payment document should be switched on in the data entry screen. All electronic payments made by BACS should be recorded as BACS followed by the unique document number generated by Rialtas, i.e. BACS12345, ensuring that each payment is uniquely identified.	
R2	Each payment received should be referenced by the corresponding invoice number for services issued by the council, or the payment advice issued in relation to the Precept, VAT Reclaim or other receipt, or contract/lease agreement number.	
R3	'Top-up' is not a correct accounting term. When funds are transferred from the Council's reserve account the 'Receipt ref' must be recorded as 'TFR' and the 'Transaction Detail' recorded as; 'Tfr from Reserve Acc'	
<b>Review of Expenditure &amp; VAT</b>		
R4	The Clerk/RFO should avail themselves of an invoice certification stamp to ensure that all required authorisation information is consistently recorded on each payment document.	
<b>Review of Income</b>		
R5	The Clerk should arrange for a formal licence agreement to be drafted in relation to the use of the tennis courts by the local Tennis Club.	