



2021 – 2022 Interim Internal Audit Report of Neath Town Council

Prepared by Kerry-Leigh Grabham

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 Neath Town Council. It was agreed that an interim internal audit would be conducted prior to the year end, to undertake testing of internal controls. Within the 2021-2022 financial year the previous RFO resigned from post and the Council have recruited a new RFO/Deputy Clerk who commenced post in August 2021, to familiarise herself with the processes and procedures a review of the Council's ledgers and accounting systems was undertaken, and it was noted the bookkeeping was incomplete. Issues have been identified with Supplier Payments and Invoices, VAT, Payroll, Customer Invoicing and Petty Cash. Finance Committee minute number 1265 - 19th November 2021 confirms Finance Committee has been informed of the issues.

This report set outs the work that undertaken in relation to the interim internal audit 2021 - 2022 financial year considering the issues highlighted above.

Internal Audit Approach

In undertaking the interim review from April – September 2021, 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.

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.

The Council uses SAGE accounting software to produce its accounts, the software enables the council to maintain cash books and produce bank reconciliations for each bank account they hold and the petty cash account.

- ❖ Checked and agreed a sample of invoices from April – September 2021 to ensure the transactions recorded in the cashbook and matched the transactions to the relevant bank statements.
- ❖ Checked and agreed the month ends bank reconciliations for the sample months to ensure that no long standing un-cleared effect or balancing entries exist.
- ❖ 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 Responsible Finance Officer/Deputy Town Clerk

Conclusions

As noted in the opening statement of the report, there appears to be incomplete bookkeeping records. Noted that between the period April – September 2021 96 'payments on accounts' were entered across various accounts with no supporting evidence totalling circa £15,000.00. The Responsible Finance Officer/Deputy Town Clerk has been attempting to chase the invoices down and reconcile the supplier accounts once the invoice has been received to the payment that has been made. As payments have been made on account without supporting documents, there has been no analysis of VAT to be reclaimed. Noted a refund of £7,000.00 received from British Gas due to the payment on accounts being made.

Recommendations

1. Where payments on accounts have been identified, for the relevant invoice to be chased, entered onto the system and for a supplier reconciliation to be conducted.
2. Once the invoices have been received and entered, VAT for the first and second quarter to be re-run and compared to the VAT returns that have been submitted. If there is a liability owed to HMRC or a reclaim is owed to the Council, HMRC to be contacted so they can advise on the relevant action.
3. Periodic spot checks to be carried out on the cashbooks, bank statements and reconciliations by a Cllr, who will signed to verify by the check has been conducted

Review of Corporate Governance

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 from April – September to ensure that no issues affecting the Council’s financial stability exist whereby the Council may either be considering or have taken decisions that might result in ultra vire expenditure being incurred; and
- ❖ Noted that a review of the Standing Orders and Financial Regulations has been completed with no changes made and were adopted by the Council during the year.
- ❖ Conducted a review of Full Council minutes from April-September to assess if there are any issues with regards to the Councils finances.

Conclusions

I note that whilst payment schedules have been presented to council and approved, supporting invoices have not been presented. Payment schedules along with the supporting invoices should be presented to Council, providing members with the opportunity to scrutinise the Councils expenditure throughout the year.

Note that bank reconciliations have not carried out from May – November, these have now been undertaken.

Membership to the following committees has been agreed, Estimates, Finance, Policy & Personnel and Appeals. Terms of reference for committees have been presented, approved and adopted.

Recommendations

- 4. The Town Clerk/RFO Deputy Town Clerk must ensure that the Council's financial matters receive full scrutiny by members of the Council, either at Full Council or at Finance Committee meetings. This must include approval of all bank statements with the matching bank reconciliation. Schedule of payments along with supporting invoices and budget monitoring reports.***

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

Conclusion

Here I sampled invoices from April – September confirmed they have been recorded correctly in the accounting software and trace payment to the bank. Noted that invoices are filed in supplier alphabetical order and not in month order. Note that steps are being taken to digitalise the filing system. Note that from April – September Invoices have not been stamped to confirm date received, date approved, nominal code or signature of the approval has not been taking place. Acknowledge that this process is now being applied. Referencing on the accounting system, does not correspond with referencing on the online payments. Please also see recommendations 1 – 4.

Recommendations

5. A clear and identifiable reference number to used for online payments which can be crossed reference with the same reference number in the accounting software.

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 Risk Assessment for the 2021/2022 Financial year is yet to be conducted. Note that Council engages Key Group Services for Health and Safety risk assessments. Key Group Services have produced a bespoke Health & Safety Manual for the Council and that Health and Safety Training for all staff has been scheduled for January 2022. Note that the following risk assessments have been conducted, Lone working, Outdoor Working, Community Café, Council Offices and Hand Tools.

I am please to report, no recommendations to be made with regards to Assessment and Management of Risk.

Precept Determination & Budgetary Control

My objective here is to ensure that the Council has a robust budget setting and budget monitoring procedure in place. That Council has formally approved the use of reserves with regards to the 2021/2022 budget.

I note that Council have set and agreed an appropriate budget for the financial year. The Council has determined its budget requirement to be £400,000.00 as per minute number 6769.

Note the first two payments of the precept have been received from Neath Port Talbot County Borough Council and traced both payments to the Current Account Bank statements.

Note that Council receives monthly income and expenditure reports.

Conclusion

Council have set and agreed an appropriate budget, regular budget monitoring reports are provided to members for scrutiny.

I am pleased to report, no recommendations to be made with regards to Precept Determination & Budgetary Control.

Review of Income

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. I have therefore examined the following:

- ❖ Noted that income is received in the following forms, commercial property rental, community cafe, three community centres, Town Hall, the precept, bank interest, and VAT reclaims
- ❖ Checked the Payment confirmation from Neath Port Talbot Council for payment of the precept and confirmed that the amount received matched the amount requested as per the formal agreement signed off by Council.
- ❖ Note that Council use a booking system for hall hire which is not linked to the accounting system. Note that different customers references are being used on the two systems.

Conclusion

The Council receive income from commercial rental properties of circa £220,000.00 per year. The income from the commercial properties is managed by Rowland Jones, who invoice the Council monthly. The invoice includes a service charge from Rowland Jones to the Council. In the review conducted by the RFO/Deputy Town Clerk, this highlighted a further issue with the monthly service charge or VAT being recorded in the Councils accounts from 2018 – 2021. The Council are now working with Rowland Jones and Ashmore Accountants to establish how much money is owed to HMRC and believe the figure could be in the region of £4,000.00.

Note the RFO/Deputy Town Clerk is working on reconciling the customer accounts on the two systems.

Recommendation

Please refer to recommendation number 2.

- 6. To investigate if there is an appropriate booking system that can be linked with Sage Accounting Software.***

Petty Cash

The Council operates a Petty Cash system; however, it appears that this account has not been reconciled for some time.

Conclusion

Whilst the Council operate a petty cash system, as noted it has not been reconciled for some time. An appropriate system to implement would be an imprest petty cash system. An imprest petty cash system is where a fixed amount is reserved in the petty cash, after a certain period of time, or as circumstance may dictate as money has been spent the petty cash would be replenished, from another account, to bring the amount of the petty cash back to its original reserved amount.

Recommendation

- 7. For Council to implement an imprest petty cash system.***

Wages and Salaries

Here my aim is to ensure that effective controls are in place for the processing of salaries and wages. The Town Council manage its own payroll.

- ❖ Checked salary payments, pension 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
- ❖ Note that Council is in the process of updating its employee handbook and relevant policies.

Conclusion

When checking the PAYE payments that have been recorded to the payments made to HMRC these could not be reconciled. The RFO/Deputy Town Clerk explained that PAYE payments have been made late and have also accrued interest on them. The RFO/Deputy Town Clerk is in the process of reconciling the account to determine how much is owed to HMRC. I note that all employees have robust employment contracts and their salaries agreed to the NALC Pay Scale.

Recommendation

- 8. Once the reconciliation has been completed, for HMRC to be contacted to determine if the late payments go further than the 2021/2022 financial year***

Insurance

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

Conclusion

I am pleased to note that the Council has insurance with Zurich and public liability has been set for £10 million.

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Report Title:	Finance Committee Update		
Report From:	Amanda Holmes	<i>Finance Officer</i>	
Purpose of the Report			
Decision Required	Yes	For Noting/Information	Yes
Attachments: Yes.			
Self Assessment Of Business Implications			
Delivery Outcomes & Impact	Yes		
Community Benefit	-		
Financial	Yes		
Engaging With Partners & Groups	-		
Governance	Yes		
Equality & Diversity	-		
People & Learning	-		
Risk & Sustainability	Yes		
Main Report:			
Please see items on table below.			
Recommendations:			
To agree information provided under each section heading and authorise.			

Item	Details	Description	
A	Bills Awaiting Payment	Review all bills awaiting payment and approve	Attached
B	BACS Payment Schedule	1. Agree Supplier Payments by BACS - reconciliation to the above Bills Awaiting Payment 2. Approve scheduled BACS payment and release of funds	Attached
C	Barclays General Account	1. Inspect monthly payments from Account 2. Inspect monthly receipts into Account	Attached
D	Inter Bank Transfers (over 10K)	Authorise any bank transfers	None
E	New Supplier BACS Authorisation	Authorise that payments to the supplier are made by BACS	Attached
F	Payroll	Inspect monthly payroll payments made	Attached
G	Bank Statement Reconciliation	Agree quarterly bank statement reconciliations and sign	Attached

Item A:

Bills Awaiting Payment



ALL DEPARTMENTS

Name: Arco Limited

<u>Invoice Number</u>	<u>Date</u>	<u>Details</u>	<u>Invoice Due for Payment</u>	<u>Department</u>	<u>Budget Line Expenditure</u>	<u>Payment Method</u>
745294	13/01/2022	Regatta Tyler Jacket Black XL	40.73	Gardening and	Staff Uniforms	BACS/SEPA
Total:			<u>40.73</u>			

Name: H Smith Builders Services Ltd

<u>Invoice Number</u>	<u>Date</u>	<u>Details</u>	<u>Invoice Due for Payment</u>	<u>Department</u>	<u>Budget Line Expenditure</u>	<u>Payment Method</u>
1	06/01/2022	Work at Unit 3 NTH	2,568.00	Investment Properties	Repairs and Renewals	BACS/SEPA
Total:			<u>2,568.00</u>			

Name: KLG Internal Audit &

<u>Invoice Number</u>	<u>Date</u>	<u>Details</u>	<u>Invoice Due for Payment</u>	<u>Department</u>	<u>Budget Line Expenditure</u>	<u>Payment Method</u>
INV-0009	11/01/2022	Internal audit 2021	861.94	Non Departmental	Audit Fees	BACS/SEPA
Total:			<u>861.94</u>			

Name: Lighting and Illumination

<u>Invoice Number</u>	<u>Date</u>	<u>Details</u>	<u>Invoice Due for Payment</u>	<u>Department</u>	<u>Budget Line Expenditure</u>	<u>Payment Method</u>
370023	06/01/2022	2021 Season lights - 3/3	30,896.29	Non Departmental	Christmas Activities(including lights)	BACS/SEPA
Total:			<u>30,896.29</u>			

Name: Microshade

<u>Invoice Number</u>	<u>Date</u>	<u>Details</u>	<u>Invoice Due for Payment</u>	<u>Department</u>	<u>Budget Line Expenditure</u>	<u>Payment Method</u>
15592	28/01/2022	Monthly hosting, rental of MS office, Kaspersky	362.03	General Account	Computer and Software	BACS/SEPA
Total:			<u>362.03</u>			

Name: Personal Hygiene Services

<u>Invoice Number</u>	<u>Date</u>	<u>Details</u>	<u>Invoice Due for Payment</u>	<u>Department</u>	<u>Budget Line Expenditure</u>	<u>Payment Method</u>
4647505	11/01/2022	Sanitary disposal - 28.08.20	39.19	Melyn Community Centre	Cleaning	BACS/SEPA
4647505	11/01/2022	Sanitary disposal - 28.08.20	39.20	Cimla Community Centre	Cleaning	BACS/SEPA
Total:			<u>78.39</u>			



Name: Mark Reynolds

<u>Invoice Number</u>	<u>Date</u>	<u>Details</u>	<u>Invoice Due for Payment</u>	<u>Department</u>	<u>Budget Line Expenditure</u>	<u>Payment Method</u>
26525	20/12/2021	Eggs	3.00	Neath Day Centre	Goods Purchased for Resale	BACS/SEPA
26442	11/12/2021	Potatoes & carrots	19.50	Neath Day Centre	Goods Purchased for Resale	BACS/SEPA
26476	15/12/2021	Potatoes & carrots	12.00	Neath Day Centre	Goods Purchased for Resale	BACS/SEPA
Total:			<u>34.50</u>			

Name: SLCC Enterprises Ltd

<u>Invoice Number</u>	<u>Date</u>	<u>Details</u>	<u>Invoice Due for Payment</u>	<u>Department</u>	<u>Budget Line Expenditure</u>	<u>Payment Method</u>
BK203016-1	11/08/2021	Virtual training seminar - Amanda	54.00	General Account	Staff Training	BACS/SEPA
BK203015-1	11/08/2021	Virtual Training Seminar - KC	54.00	General Account	Staff Training	BACS/SEPA
Total:			<u>108.00</u>			

Name: St Johns Cymru Wales

<u>Invoice Number</u>	<u>Date</u>	<u>Details</u>	<u>Invoice Due for Payment</u>	<u>Department</u>	<u>Budget Line Expenditure</u>	<u>Payment Method</u>
0000071249	18/12/2021	St John Ambulance attendance at Snow Globe	120.00	Victorian Christmas	Christmas Activities(including lights)	Cheque
Total:			<u>120.00</u>			
Grand Total			<u>35,069.88</u>			

Neath Town Council
Bills Awaiting Payment (continued)

	A/C	Name	Balance
30.11.21	BAUER	Bauer Radio Ltd	5274.00
01.09.21	TOTALBUI	Total Building Control	1338.00

Note - this is an addendum to the full 'Bills Awaiting Payment' report.
Sage formatting is not picking up all supplier info (although the ledger is correct).
I am looking into this but, for timing purposes, am providing this additional report for now.
As soon as this is resolved, I will send an updated 'Bills Awaiting Payment' report.

Report Title:	Finance Committee Update		
Report From:	Amanda Holmes	<i>Finance Officer</i>	
Purpose of the Report			
Decision Required	No	For Noting/Information	Yes
Attachments: No			
Self Assessment Of Business Implications			
Delivery Outcomes & Impact	Yes		
Community Benefit	-		
Financial	Yes		
Engaging With Partners & Groups	-		
Governance	Yes		
Equality & Diversity	-		
People & Learning	-		
Risk & Sustainability	Yes		
Main Report: Budget v Actual as at 31st December 2021			
The attached analysis shows actual expenses compared with budgeted expenses for the period 1 st April 2021 to 31 st December 2021.			
Recommendations:			
For information and discussion purposes only.			

Neath Town Council
Budget Monitoring Report
Income and Expenditure
April 2021 to
December 2021
Actual Figures compared with Budgeted Figures

	April 2021 to December 2021			April 2021 to March 2022		Reason for variance
	9 month actual	9 month budget	Variance	Annual Budget	Percentage of Annual Budget	
	£	£	£	£		
Investment Property Income	156,101	180,729	- 24,628	240,972	65%	Covid effect
Hire of Halls	17,237	23,944	- 6,707	31,925	54%	Covid effect
Precept	400,000	400,000	-	400,000	100%	As per budget
Misc Income	-	150	- 150	200	0%	Note we have received £3,571 to buy two defibrillators. Not included as money will go out soon
Bank Interest Received	2	300	- 298	400	1%	Bank interest rates currently low
Allotment Rents	1,971	1,660	311	1,746	113%	Higher than expectations but reasonable
Sale of Meals	18,020	16,338	1,682	21,784	83%	Higher than expectations but reasonable
Bar Takings	1,669	-	1,669	-	-	Two events held in October 2021 but not budgeted for
Hire of Mayors Room	1,223	1,248	- 25	1,664	73%	Covid effect
Total Income	596,222	624,369	- 28,147	698,691	85%	
Section 137 - Grants	6,600	6,600	-	10,000	66%	Grants for the year have all been paid
School Crossing Recharge	12,352	14,390	2,038	19,186	64%	Covid effect. Schools closed part of the year
Neath Festivals	-	6,000	6,000	8,000	0%	Festivals not held in this financial year
Food Provisions for Resale	7,290	8,020	729	10,693	68%	In line with expectations
Bar Purchases for Resale	-	-	-	-	0%	Bar stocks bought for functions were recharged to the hirer
Advertising	1,140	1,125	15	1,500	76%	In line with expectations. Fee relates to marketing costs - Unit 3, Town Hall
PR & Photographs	99	750	651	1,000	10%	Reduced activity due to covid
Ground Rent	270	300	30	400	68%	In line with expectations
Water Rates	1,615	3,206	1,591	4,274	38%	Reduced usage due to Covid
General Rates	22,254	18,782	- 3,473	25,042	89%	Higher than expected. To be further reviewed
Premises Insurance	13,177	7,875	- 5,302	10,500	125%	Additional insurance of £2,650 needed for 1-3 New Street. Otherwise in line with expectations
Electricity	9,072	8,809	263	11,745	77%	In line with expectations
Gas	4,081	7,196	3,115	9,595	43%	Reduced activity due to covid
Travel & Sustenance	880	1,543	663	2,057	43%	Reduced activity due to covid
Competition Costs & Prizes	425	1,515	1,090	2,020	21%	Reduced activity due to covid
Cllr Seminars/Training	-	750	750	1,000	0%	Covid effect. Reduced training
Cllr Expenses	-	1,350	1,350	1,800	0%	No expenses claimed
Regalia	628	900	272	1,200	52%	NTC enamelled broach £570 & velvet kangaroo wrap for chain £57.93
Postage and Carriage	362	1,223	861	1,631	22%	Reduction due to tablet and portal use for Council papers
Office Stationery/Printing	899	2,159	1,260	2,879	31%	In line with activity - savings being made by using portals and tablets
Small Items of Equipment	493	375	- 118	500	99%	Mainly litter pickers
Telephone/Internet	6,754	4,283	- 2,471	5,711	118%	Higher than budgeted as includes cost of installation of new phone system, phones and 3 x new laptops
Computer and Software	9,816	3,749	- 6,067	4,999	196%	In line with expectations
Equipment Hire	157	709	552	945	17%	In line with activity
Lease Agreements	2,356	1,679	- 677	2,238	105%	New lease (Tower Leasing) taken out June 2021. Covers
Mayoral Allowance	155	3,000	2,845	4,000	4%	Not yet taken
IRP Expenses 2021/22	-	2,138	2,138	2,850	0%	Payments not made in the December Qtr. Some made in January 2022
Provision for Major Repairs	-	16,118	16,118	21,490	0%	Work on 1-3 New Street not included as funded by loan finance
Lampost bracket modifications	-	15,000	15,000	20,000	0%	Work yet to be done
Repairs & Renewals	21,888	6,306	- 15,582	8,408	260%	Includes drainage issue Quaker & rats

Neath Town Council
Budget Monitoring Report
Income and Expenditure
April 2021 to
December 2021
Actual Figures compared with Budgeted Figures

	April 2021 to December 2021			April 2021 to March 2022		Reason for variance
	9 month actual	9 month budget	Variance	Annual Budget	Percentage of Annual Budget	
Cleaning	2,719	3,306	587	4,408	62%	In line with activity
Laundry	126	495	369	660	19%	In line with activity
Premises Safety Costs	4,214	3,637	- 578	4,849	87%	Increased cost of qtrly inspection
Vehicle Fuel/Repairs & Servicing	1,136	706	- 431	941	121%	Van service (£600 not in budget)
Window Cleaning	710	810	100	1,080	66%	In line with activity
Licences/Permits	763	780	17	1,040	73%	In line with activity
Trade Refuse	3,541	3,683	143	4,911	72%	In line with activity
Gas/Electric Service	-	863	863	1,150	0%	Service yet to be carried out (due January 2022)
Patronage/Membership	-	70	70	93	0%	Consider merging this with subscriptions in future budgets
Subscriptions	3,575	2,745	- 830	3,660	98%	Includes One Voice annual sub £3,612
Stock Take	170	255	85	340	50%	2nd stocktake will not be until 2022
Christmas Lights & activities	3,533	33,750	30,217	45,000	8%	Bill for £26k to be paid in January 2022 which will bring in line with budget. Note £6,500 BID funding
Credit card fees & charges	1,648	-	- 1,648	-	0%	Not budgeted for
Staff Salaries	93,453	90,364	- 3,089	120,485	78%	In line with activity
Wages Regular	93,471	96,833	3,362	129,111	72%	In line with activity
Employers NI	13,034	13,166	132	17,555	74%	In line with activity
Employers Pension	32,293	46,546	14,252	62,061	52%	In line with activity
Staff Training	515	750	235	1,000	52%	In line with activity
Staff Uniforms	1,036	1,313	277	1,750	59%	In line with activity
Audit Fees	1,100	956	- 144	1,275	86%	Interim internal audit fee
Professional Fees	19,695	10,346	- 9,350	13,794	143%	In line with activity
Property Agent Management Fees	8,569	9,759	1,190	13,012	66%	In line with activity
Roadside seats	-	-	-	500	0%	Work yet to be done
Bus Shelters	360	9,000	8,640	12,000	3%	Quote from August 2021 is for £13,635 but work not due to start until March/April 2022
Misc Expenditure	2,017	575	- 1,442	767	263%	To be reviewed/apportioned
Hanging Baskets	4,244	6,000	1,756	8,000	53%	Note this is after taking into account £6,500 from BID funding
Gardening	409	375	- 34	500	82%	In line with activity
Youth Representative	-	1,875	1,875	2,500	0%	No candidates until recently.
Rates & Utilities Leased Properties	21,733	19,499	- 2,234	25,998	84%	In line with expectations
Bad debt	-	149	149	199	0%	To be reviewed
Capital Expenditure	4,065	1,875	- 2,190	2,500	163%	Bought laptops x
Contingency Funds	-	9,000	9,000	12,000	0%	No contingency payments made
Health and Safety Costs	2,070	2,025	- 45	2,700	77%	In line with activity
Recruitment expenses	95	-	- 95	-	0%	Not budgeted for but in line with activity
Election costs	6,008	-	- 6,008	-	0%	Not budgeted for
Total Expenditure	449,067	517,352	68,135	691,502	65%	
Net Income over Expenditure	147,155	107,017	- 96,282	7,189		