

Llanvaches Community Council

Internal Audit Report 2020-2021

Prepared by Sandra Bushell FILCM.

10th June 2021

Maintenance of Accounting Records and Bank Reconciliations

Objective:

To ensure that the accounting records are being accurately maintained, are up to date and that no anomalous entries appear in the financial ledgers.

I have noted that the Clerk continues to use Excel Spreadsheets to maintain the Council's financial records for the year and has made regular reports to the Council with regard to monthly expenditure and bank reconciliation.

I also note that the Council uses National Westminster Bank (Newport South Wales Branch) for all of its banking needs operating a Current Account for day to day transactions, a Business Reserve Account and a second Current Account for Play Equipment Reserves. At the year end the balances on these accounts was:-

Current Account £100

Business Reserve Account £6,199.25

Current Account Play Equipment £1,642.00 (statement to 12th January 2021)

The Clerk advises that the Council does not operate a petty cash system or use credit/debit cards and this has been confirmed by my examination.

Audit Process:

I have:-

- Verified the opening balance on the cash book with that on the closing balance of the 2019/2020 Statement of Accounts and Annual Return.
- Noted that the analysis applied in the cashbook is sufficient to facilitate the preparation of the Annual Return and that VAT has been separately recorded and identified.
- Noted that separate provision has been made for the recording of s137 expenditure, whilst also noting that there have been no items of s137 expenditure during the year.
- Checked and agreed the detail of all financial transactions to the bank account statements.
- Checked the detail in the bank reconciliations throughout the year and noted the payments for the year to 30th September 2020 is incorrectly stated and that the receipts and payments for the Year to 28th February 2021 and 31st March 2021 are also incorrectly recorded. I have discussed and explained these errors with the Clerk.

- At the current year end cheques 1101, 1012, and 1013 were unrepresented. Two replacement cheques 1109 and 1011 were issued during the year.
- Noted from the Council's Risk Assessment that an external hard drive continues to be used for the backup of payroll data.
- Noted that no matters were formally raised by the External Auditor in respect of the 2019/2020 Annual Return.

Conclusion:

I am pleased to report that the Council appears generally to maintain sound accounting records and bank reconciliations.

Recommendation(s):

- 1.1. *In order to preserve the integrity of the Accounts it is important that the Cash Book balances reconcile with the Bank Statements. These should be regularly checked.
It is not appropriate to use an excel formula to calculate receipts and payments balances on the Bank Reconciliation, the figures should be taken from the cash book.*
- 1.2. *Ensure that monthly backup to hard drive includes all financial data.*

Review of Corporate Governance

Objective:

To ensure that the Council has a robust series of corporate governance documentation in place. That Council meetings are conducted in accordance with adopted Standing Orders and that, as far as it is reasonably possible to ascertain, that no actions of a potentially unlawful nature have been or are being considered for implementation.

Audit Process:

I have ascertained from the minutes that :-

- Council reviewed Standing Orders and Financial Regulations on 16th June 2020. However, I have noted that following the previous review of Standing Orders on 18th February 2020, the 2019/2020 Standing Orders and Financial

Regulations are no longer consistent in respect of the required formal tender for works.

- No items or services have been procured during the year that were above the de minimus amount.
- The precept amount of £5,448.38 to Newport City Council was recorded in the minutes of the full Council meeting on 5th January 2021.
- Quarterly Budget Monitoring Reports were made to Council on 21st July 2020, 20th October 2020, 19th January 2021 and 20th April 2021.
- Council reviewed its internal control procedures and the effectiveness of Internal Audit arrangements at the meeting on 21^s July 2020.
- During the year no actions have either been taken or are being considered that might result in unlawful expenditure being incurred.
- I have also noted that the Clerk/RFO has been issued with a Contract of Employment
- I have noted that accounts for payment and bank reconciliations are reported and confirmed at each meeting of Council. Two replacement cheques were issued during the year, 1010 to replace 1008 and, 1011 to replace 00985. Cheque 1008 has been returned and is on file and the replacement has been noted in the cash book. This is not the case with cheque 000985.
- The Council appears to have limited sources of income and these are appropriately recorded and accounted for.
- The Clerk has advised that the Council does not intend to use electronic banking. Should this policy change in the future Council should consider the introducing appropriate controls.

Conclusion:

I am pleased to report that the Council's general approach to governance issues appears sound.

Recommendation(s):

- 2.1. *Replacement cheques should be notified to Council, the original cheques should be returned and put on file or, stopped at the bank and appropriate documentation put on file.*

Review of Expenditure and Income

Objective:

Expenditure - To ensure that Council resources are released in accordance with the Council's approved procedures and budget; that payments are supported by appropriate documentation (either in the form of the original trade invoice or other documentation confirming the payment due and/or an acknowledgement of receipt, where no other form of invoice is available); that expenditure has been correctly allocated to budgets; and, that VAT has been correctly identified and recovered.

Income – To ensure that appropriate records are maintained to ensure that all income due to the Council is identified, received and banked within an appropriate time scale.

Audit Process:

I have examined the financial records, bank statements, minutes etc. and noted that:-

- The only Bank Debit payments made throughout the year are in respect to the Clerk's salary. The Clerk has advised that at set up the Bank Mandate was signed by two Councillors and that any changes to the Mandate is also confirmed by two Councillor cheque signatories. This is evidenced by correspondence on file.
- All payments, other than grant payments are supported by appropriate invoices.
- Grant payments have been evidenced by a letter acknowledging receipt, with the exception of the payment to Tabernacle Church.
- All payments have been accurately reported in the minutes of Council.
- Financial Regulations indicate that an official order or letter will be issued for all works, goods or services in excess of £50 unless a formal contract is to be prepared. There does not appear to be a confirmation order in respect of NCC signage installation £240, Vision ICT 2 x ££90 or Geenleaf Landscapes – Christmas Tree £120.
- With regard to income I note that income sources during the year were the precept and Bank Interest only and that these were all paid via direct credit into the Council Bank Account.
- VAT has been calculated correctly and recorded in the cash book.

VAT relating to the previous year, 2019/2020, totalling £374.82 and VAT relating to the current year 2020/2021 totalling £473.75 remain unclaimed at the year end.

Conclusion:

I am pleased to report that the Council appears generally to continue to operate an effective control system over the processing and approval of accounts for payment.

Recommendation(s):

- 2.1. *Tabernacle Church should be chased for a receipt in respect of the grant payment for £100.*
- 2.2. *Ensure that confirmation orders/emails are issued where appropriate.*
- 2.3. *Ensure timely submission for VAT refund claims.*

Risk Management Arrangements

Objective:

To ensure that Council has put in place appropriate arrangements to identify all potential risks of both a financial and health and safety nature, and ensuring that appropriate arrangements exist to monitor and manage those risks in order to minimise the opportunity for their coming about.

Audit Process:

I have examined the Council's minutes, Risk Assessment documentation and Insurance policy and note:-

- Council reviewed its Risk Assessment appropriate to the scale of its activity identifying both the consequence and likelihood of risks on 16th June 2020. However, the Risk Assess does not reference the current Financial Regulations and Standing Orders.
- Arrangements were in place for both an annual playground inspection by qualified contractors and for weekly inspections by Councillors.

- Insurance levels are both appropriate and adequate in respect of Employers Liability £10m; Public Liability £10m; Fidelity Guarantee £500,000 and larger assets.

Conclusion:

I am pleased to report that the Council appears generally to continue to operate appropriate levels of risk management.

Recommendation(s):

- 4.1. *The Risk Assessment should be updated annually to reflect revision of Financial Regulations and Standing Orders.*

Budgetary Control and Reserves

Objective:

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 Councillors are kept aware of actual budgetary performance during the course of the financial year.

Also to assess the adequacy of retained reserves, whether earmarked or the General Reserve.

Audit Process:

I have examined the minutes of Council and note:-

- The minutes of Council on 5th January 2021 evidence that the budget for 2021/2022 has been considered in detail and agreed by full Council.
- I have noted that a copy of the 2020/2021 precept demand is on file.
- Council has received regular budget monitoring reports throughout the year, specifically: 1st quarter – 21st July 2020, 2nd quarter -20th October 2020, 3rd quarter- 19th January 2021.
- I note that the Council's General Fund balance has reduced by £1,259 on the previous year and that the agreed Budget for 2021/2022 provides for a further

reduction of £2,288 in the forthcoming year. As a consequence the General Fund balance is reducing year on year to a more appropriate level.

Conclusion:

I am pleased to report that Council appear generally to continue to exercise sound budgetary control arrangement.

Recommendation(s):

- 5.1. When preparing future budgets Council should take into account Determination 42 of the Independent Remuneration Panel for Wales - Annual report February 2021 “All community and town councils must make available a payment to each of their members of £150 per year as a contribution to costs and expenses”.**

Payroll Controls

Objective:

To confirm that current legislation is being appropriately observed, including the Employees Rights Act 1996; the requirements of HM Revenue and Customs (HMRC) legislation and the deduction of and payment over of income tax and NI contributions, and that the requirements of the local government pension scheme, as recently amended with effect from 1st April 2014 in relation to employees' contributions.

Audit Process:

- I have reviewed the revised Contract of Employment approved by Council and issued to the Clerk on 21st March 2017.
- I have noted the HMRC Revenue & Customs tax code notification on file.
- I note that salary levels are below the threshold for NI deductions.
- I have considered the essential guidance in respect of pension auto enrolment.

Conclusion:

I am pleased to report that no issues arise in this area.

Asset Controls

Objective:

To confirm that Council assets are appropriately accounted for and maintained and adequately insured.

Audit Process:

I have checked the Asset Register on file headed Asset Register 2020/21.

- I note that the new Webcam purchased in March 2021 has been added to the Asset Register.
- Insurance for higher value assets ie in excess of £250 generally appears to be at an appropriate level.
- I have confirmed that the total value as per the Asset Register has been accurately recorded at Box 12 of the Annual Return.

Conclusion:

I am pleased to report that generally Council assets appear to be appropriately accounted for, maintained and larger value items adequately insured.

Statement of Accounts and Annual Return

Objective:

To satisfy the criteria for assigning positive assurances to the various elements on the Internal Audit Certificate.

Audit Process:

I have also reviewed the detail to be included on Section 1 of the Annual Return by reference to the Council's financial records and other supporting documentation (Cash Book, Receipts and Payments Account, Bank Reconciliation and Asset Register)

Conclusion:

On the basis of the satisfactory conclusion of my review, I have duly signed off the Internal Audit Certificate of the Annual Return, assigning positive assurances in all areas.

RECOMMENDATIONS

- 1.1. ***In order to preserve the integrity of the Accounts it is important that the Cash Book balances reconcile with the Bank Statements. These should be regularly checked.
It is not appropriate to use an excel formula to calculate receipts and payments balances on the Bank Reconciliation, the figures should be taken from the cash book.***
- 1.2. ***Ensure that monthly backup to hard drive includes all financial data.***
- 2.1. ***Replacement cheques should be notified to Council, the original cheques should be returned and put on file or, stopped at the bank and appropriate documentation put on file.***
- 3.1. ***Tabernacle Church should be chased for a receipt in respect of the grant payment for £100.***
- 3.2. ***Ensure that confirmation orders/emails are issued where appropriate.***
- 3.3. ***Ensure timely submission for VAT refund claims.***
- 4.1. ***The Risk Assessment should be updated annually to reflect revision of Financial Regulations and Standing Orders.***
- 5.1. ***When preparing future budgets Council should take into account Determination 42 of the Independent Remuneration Panel for Wales - Annual report February 2021 "All community and town councils must make available a payment to each of their members of £150 per year as a contribution to costs and expenses".***

