

13th May 2021

Internal Audit Report for Peterston super Ely Community Council
Year Ending 31st March 2021

Firstly, I'd like to thank you for appointing me as your Internal Auditor for 2020/21 and the Clerk for her assistance throughout the audit.

I have performed the Internal Audit for the year ending 31st March 2021 in accordance with tests for internal audit within the Annual Return and my engagement letter from the Council. The Receipts & Payments account for the year ended 31st March 2021 in my opinion accurately reflects the financial activities of the Council for that year and the Balance Sheet as at the 31st March 2021 is an accurate statement of the Council's financial position at that date, in accordance with the records and explanations given to me.

This Council, like most small Councils, has the issue of a segregation of duties. However, the Clerk maintains detailed records and it is evident from the records presented to me that the Council is made aware of the financial situation at each meeting and that this is recorded in the minutes. Also, as the cheque stubs are initialled by two cheque signatories, this provides an extra level of control.

I am therefore satisfied that there are enough controls in place to mitigate the risk.

I have outlined the work that I have performed for each test and my conclusion:

1. Appropriate books of account have been properly kept throughout the year

The Clerk keeps comprehensive books of account by way of an electronic cashbook. The cashbook is supported by hard copy invoices which support the payments or receipts made during the year. Consequently, I was able to easily follow the audit trail from the Council's Minutes through to the Cashbook and Bank Statements.

The Clerk provides a monthly financial report at each meeting. This includes the receipts and payments for the meeting as well as the bank reconciliation and budget review for the quarter where appropriate. Review of the minutes show payments are approved on a monthly basis.

I am satisfied that appropriate books have been kept properly throughout the year.

2. Financial Regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.

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The Council follow model financial regulations as supplied by One Voice Wales (OVW), these were reviewed during the AGM in October 2020, these appear to cover all financial requirements appropriately.

In the prior year the Council had breached regulation 4.2 regarding the authorisation of expenditure that then breached the revenue budget for that class of expenditure. I am pleased to see in the minutes extensive analysis of budget vs actual expenditure analysis throughout this year and no similar breaches.

The cashbook is supported by hard copy invoices and the minutes show that the expenditure items were approved at the Council meetings.

VAT is clearly shown in the cashbook and has been reclaimed twice during the year.

The VAT amounts were agreed to the VAT 126 Claim forms and the refund receipts agreed to the BACS remittances advices received from HMRC. VAT has been reclaimed for all invoices up to 31st March 2021, other than a very small amount (£20) which will be claimed in the next claim.

There were no s137 payments recorded during the year. A review of payments did not indicate any that should have been s137 payments.

All payments were agreed to supported invoices and minuted Council authorisation. These were then traced back to the cheque book and the payment leaving the bank statement. Where VAT was recorded in the cashbook this was also agreed to the invoice and invoices were reviewed to determine that all VAT had been recorded in the cashbook. There was one instance where VAT of £2 had not been recorded in the cashbook, this was an error. Since this was the only error and the VAT was actually quite unclear on the invoice, I am satisfactory that this part of the test was passed.

I reviewed the cheque book and could see that cheque stubs showed the two initials of signatories.

A review of the bank statements did not indicate any payments or receipts not recorded in the cashbook.

All payments were made by cheque.

Per the minutes at the start of each meeting all declarations of interests are requested. However, one of the declarations in the minutes was not then added to the interests register. This has now been added and was a one-off error.

I am satisfied that the Council have passed this test.

3. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

The Clerk produces a well thought through risk register which was updated and accepted at the 2020 AGM and does not appear to have any gaps.

The Council has in place an insurance policy that appears to meet the needs of the Council.

I am satisfied that this test was passed.

4. The annual precept/levy/resource demand requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored, and reserves were appropriate.

The precept resulted from an adequate budgetary process. The January 2020 minutes document the detailed discussions on the budget and level of the precept. This is also replicated for the 2021/22 budget in the January 2021 minutes.

The precept has increased from £21k in 2019/20 and 2020/21 to £23k in 2021/22.

The Practitioners' Guide indicates that reserves should be between 3 to 12 months of the gross expenditure.

The 2020/21 actual resulted in a general reserve carried forward that would have covered nine months of the 2020/21 actual expenditure. Similarly, upon reviewing the 2021/22 approved budget I can see that the budgeted general reserve carried forward will cover nine months of budgeted expenditure, within the recommended range. Clearly, the Council have considered the external auditors' comments from 2019/20 that the general reserves need to be increased.

Budget monitoring occurs each quarter, these analyses have been reviewed and the meeting minutes for each quarter reflect their presentation and discussion.

I am happy that the Council has satisfactorily met this test.

5. Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT are appropriately accounted for.

The Council's non precept income at £5k is significantly less than in the prior year due to the completion of the MUGA project.

The other income received related to VAT refund, Burial/ Churchyard Fees and allotment fees.

VAT was not applicable for any of these receipts.

There were a small number of cheque receipts during the year. I can confirm that these were banked on a frequent basis and the origin of each receipt was entered onto the paying in slip.

I agreed all the income to supporting documentation, Minutes and the Bank Statements. I am satisfied that all income was fully received and properly recorded.

The Council have passed this test

6. Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.

The Council does not use Petty Cash so this test does not apply.

7. Salaries to employees and allowances to members were paid in accordance with minuted approvals, and PAYE and NI requirements were properly applied.

The Clerk is paid an hourly rate and the number of hours worked varies each month. The salary costs were just under those budgeted.

The clerk submits a signed timesheet and expenses claim each month. All monthly timesheets were signed by the Chairman. Obviously, the controls over payments also apply here, with each cheque payment signed by two signatories and the amounts reviewed during the monthly meetings.

The Council uses HMRC RTI software for its payroll, per evidence presented from the system all PAYE/NI owed had been correctly calculated and payments to HMRC paid as required.

There were no members allowances or expenses paid during the year, I was able to review an opt out of allowance form signed by each Councillor.

I am satisfied that this test has been met.

8. Asset and investment registers were complete, accurate and properly maintained.

Three noticeboards were purchased during the year (£1k) these were on the asset register and the amount was agreed to invoice.

Two assets were scrapped during the year as were no longer useable there were no proceeds and these were correctly removed from the register.

A review of the purchase invoice file did not identify any items that should have been capitalised, therefore the FA return figure appears complete.

I am satisfied that this test was passed.

9. Periodic and year-end bank account reconciliations were properly carried out

A year end bank reconciliation was completed with a small number of reconciling items relating to Jan- March 2021 cheques outstanding and two small, uncleared lodgements. The arithmetical accuracy of the reconciliation was confirmed, and the balances agreed to the bank statements and cashbook. One lodgement and the cheques have cleared the bank post year end, the other lodgement is being chased by the Clerk.

The Clerk completes monthly bank reconciliations and per meeting minutes these are reviewed and approved (signatures agreed) by a member of the Council who is not the Chairman.

I am satisfied that bank account reconciliations were properly carried out and reviewed.

10. Accounting statements prepared during the year were prepared on the correct accounting basis, agreed with the cashbook, were supported by an adequate audit trails from underlying records, and where appropriate, debtors and creditors were properly recorded.

The Council prepares their Accounting statements on an income and expenditure basis which is appropriate for the size of the Council. There was a very clear audit trail supporting the amounts in the Cashbook.

Debtors and creditors were not recorded, as they are not required when the receipts and payments method is used.

I am satisfied that this test has been met.

11. Trust funds

Not applicable

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Additional findings

I have navigated the Council's website and it confirms with the requirements of the Welsh Government guidance on contents of websites. However, it is noted that the website has not yet been updated to comply with the new Website Content Accessibility Guidelines, the deadline for this was September 2020.

I understand from the Clerk that there is an updated accessible website, however this has not yet been launched as additional materials from the community are not yet available. The Council should launch the updated website as a matter of urgency.

Joanna Howell

Mrs Joanna Howell
13/05/2021