J Howell ACA
Nant y Wern, Peterston super Ely
Vale of Glamorgan, CF5 6LG
Tel 07969 198253; Email jo7236@hotmail.co.uk

14th April 2020

Internal Audit for Lisvane Community Council

Year Ending 31st March 2020

I would like to thank members for appointing me as Internal Auditor for 2019/20. I would also like to thank the Clerk for his assistance during the Audit.

I have performed the Internal Audit for the year ending 31st March 2020 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 2020 in my opinion accurately reflects the financial activities of the Council for that year and the Balance Sheet as at the 31st March 2020 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 the three 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 below the work that I have performed for each test:

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. As a consequence, 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 quarterly financial report which is annexed to the minutes. This includes the receipts and payments for the quarter as well as the bank reconciliation and budget review for the quarter. Review of the minutes show payments are approved on a monthly basis.

In regards to receipts there was backing documentation for the major other receipts which consist of Interest earnt, precept, VAT reclaim.

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

The financial regulations are reviewed by the Policy Committee and approved by the Council at each AGM. They appear to cover all main risks and regulations.

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 is reclaimed on an annual basis. A copy of the VAT reclaim for the year end was reviewed and agreed to the VAT cashbook.

There was only one payment under the s137 power, this was very small and so well within the limit. It was recorded on a separate schedule as required.

I am satisfied that this test has been met.

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

I reviewed the risk report that was considered at each AGM by the Council. I noted that this is comprehensive however at the moment there is no risk assessment around the illness or incapacitation of the Clerk, this should be considered regarding who would take on role and access to Council documents.

The insurance certificate shows that the Council has insurance for the period and that the limits of the insurance seem appropriate. I have not reviewed the insurance policy in any detail.

I have reviewed the website and note that all required documents are present and up to date.

I have reviewed the minutes for evidence of conflicts of interests declared, these were agreed to the register of interest's schedule on the website.

I am satisfied that this test has been met.

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 minutes and budget documentation showed that an appropriate budgetary process was used to determine the precept.

I can determine from the minutes that the budget, outturn and variances were reviewed on a quarterly basis by the Council. For a small number of the budget headings the quarter 4 actual meant that the full year actual expense went above budgeted. In all cases this was for a small amount. The Council need to consider their financial regulation number 4.2.

No expenditure may be authorised that will exceed the amount provided in the revenue budget for that class of expenditure other than by resolution of the council, or duly delegated committee. During the budget year and with the approval of council having considered fully the implications for public services, unspent and available amounts may be moved to other budget headings or to an earmarked reserve as appropriate ('virement').

Due to the timing of the overspends, their small amounts and given that the overall budget was not exceeded I would on balance not fail the Council on this test. However, any overspends should be reflected in the 2020/2021 budget if considered likely to be repeated and going forward the Council should ensure that budget is transferred from other budget headings to prevent any overspends.

The balance carried forward at the year end stood at £19,104 this falls within the guidance in the Practitioners' Guide, namely, to hold between three to twelve months' gross expenditure as reserves.

I note that in the 2020/21 budget there has been a £6,000 increase in precept this will maintain the budgeted carried forward at approx. £19k, given the budgeted total payments this again falls within the guidance amount.

I am satisfied that this test has been met.

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

There were very few receipts during the year with 99% relating to the annual precept. The remainder related to interest on the accounts, a VAT refund and some small amounts of reimbursement relating to training and a poppy wreath. All receipts were agreed to the bank statements and where appropriate backing documentation.
There were two out of date cheques appropriately written back in the year as per the practioniers guide.

All cheques appeared to be promptly banked.

I am satisfied that this test has been met.

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

The Council does not use petty cash and therefore 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 salary payments to the Clerk (same hours were month) were agreed back to Council minutes and supporting schedules.

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.

Pension payments were also agreed to supporting schedules.

There were no members allowances or expenses payments during 2019/20. This was confirmed by a review of payments and minutes.

I am satisfied that this test has been met.

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

The asset register was reviewed. There were no additions during the year and this was confirmed by a review of the invoices. I can confirm the register is complete, accurate and properly maintained.

On balance I am satisfied that this test has been met

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

A year end bank reconciliation was completed with one reconciling item relating to a March 2020 cheque still outstanding. The arithmetical accuracy of the reconciliation was confirmed and the balances agreed to the bank statements and cashbook.
The Clerk completes quarterly bank reconciliations and per signatures these are reviewed and approved appropriately.

I am satisfied that the reconciliations were properly carried out.

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 a receipts and payments 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

J Howell