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19th April 2021

Internal Audit for Lisvane Community Council

Year Ending 31st March 2021

I would like to thank members for appointing me as Internal Auditor for 2020/21. 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 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 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. Consequently, I was able to easily follow the audit trail from the Council's Minutes through to the Cashbook and Bank Statements, for all payments and receipts.

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 regard to receipts there was backing documentation for the major other receipts which consist of Interest earnt, precept, VAT reclaim and the PWLB Loan.

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.

All payments in the cashbook were agreed to supporting hard copy invoices and the minutes show that the expenditure items were approved at the Council meetings.

All invoices with VAT were agreed to the VAT column of the cashbook. A copy of the VAT reclaim for the year end was reviewed and agreed to the VAT cashbook.

There was one payment recorded under s137 powers, this was very small and so well within the limit. It was recorded on a separate schedule as required. A review of the payments in the cashbook did not identify any other s137 payments.

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 and has been updated in line with my recommendation from the 2019/20 Internal Audit report, for clerk long term absence.

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 detail.

I have reviewed the website and note that all required documents are present and up to date, a new website has been constructed which appears compliant with the accessibility requirements.

However, the Council needs to ensure that following guidance from the Welsh Government is followed:-

> 13. The Act requires that the political affiliation of the members of the Council is published. Some Community Councils choose not to do this at present. However, the public has a right to know the political persuasions of those in elected office or whether they are independent of any group. It is unacceptable for a member to hide their political affiliation.
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> 15. Co-opted members should be recorded in the interest of transparency to distinguish them from elected members.

Regarding Point 13, it appears that there are no political affiliations, however that independence should be stated.

Regarding point 15, a member was co-opted during the year and so that needs to be declared (alongside any current members, historically co-opted).

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.

On balance, 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 and indeed very detailed 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, with budget changes suggested when budget line overspends were anticipated.

It is noted that the budget for 2021/22 has followed my 2019/20 recommendation to amalgamate several budget headings thus making the process easier to ensure that there is no budget line overspend.

The balance carried forward at the year-end stood at £326,015, however £300,000 of this relates to the loan for the redevelopment of the community centre owned by the council. Removing this the carried forward 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 2021/22 budget there has been a £6,000 increase in precept this will maintain the budgeted carried forward again within the recommended amount.

A cashflow forecast for the community centre project has been reviewed and appears realistic.

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.

During February 2021, a £300,000 PWLB was received for the community centre project, no payments were due during the year. The year end balance was agreed to an external statement and to the annual return. There were very few other receipts during the year, other than the precept the remainder related to interest on the accounts, a VAT refund and some small amounts of reimbursements. All receipts were agreed to the bank statements and backing documentation.

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 each month) were agreed back to Council minutes and supporting schedules. The hourly amount was agreed to the relevant SCP payscale.

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 2020/21. This was confirmed by a review of payments and minutes and of 'opt out' forms.

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 an unpresented cheque. 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. The loan was correctly recorded on the annual return.

I am satisfied that this test has been met.

11. Trust funds

Not applicable

Joanna Howell

J Howell