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22nd May 2022

Internal Audit for Lisvane Community Council

Year Ending 31st March 2022

I would like to thank members for appointing me as Internal Auditor for 2021/22. 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 2022 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 2022 in my opinion accurately reflects the financial activities of the Council for that year and the Balance Sheet as at the 31st March 2022 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. This has been paid post year end.

There was one small payment recorded under s137 powers, well below 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. This report appears to be comprehensive for a Council of this size.

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. I am pleased to note that my recommendations from my previous report regarding the need to show any Member's political affiliations/ co-option has been followed.

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 Jan 2022 minutes and budget documentation showed that an 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.

There were two very small overspends on budget lines (less than £10 each).

I noted that the Clerk had included in his budget review the receipts and payments in relation to the Old School project, these were not in the original budget and so it appears that they are an overspend in payments and a not anticipated in receipts. In hindsight these could have been part of an independent control account rather than in the budget review as these funds are not in connection with the operations of the Council but were indeed money in/money out.

They therefore make the budget line appears to have been overspent when in fact it was reasonable not to put them in the Council's budget in the first place. I also note that the inclusion of the £300k received from PWLB last year was also put into the receipts in the budget review this year , instead of just the £100k received during the year. There was also a transfer from reserves included of £20k. These both skew the budget v actual reconciliation and make the total receipts in the document different to what were actual total receipts per the cashbook and annual return.

The Clerk should note for any future projects like this, they should be included in the budget so as not to skew the analysis.

The 2022/23 budget appears realistic given the actual costs during 2021/22.

The balance carried forward at the year-end stood at £15,298, once removing the effects of the loan repayments and Old School project payments this represents eight months' worth of actual 2021/22 expenditure . 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 2022/23 budget there has been a £10,000 increase in precept, this will result in a reserve carried forward of four months' worth of 2022/23 budgeted gross expenditure (removing effect of PWLB Repayments) or over five months' worth of actual 2021/22 expenditure (again removing effects of Old School Project costs). Therefore, again this falls within the guidance.

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 the year an additional £100,000 PWLB was received for the community centre project. The balance was agreed to an external statement. 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, however there has been no increase in pay during the year. The minutes for the March 2022 meeting explain that this is because the change in SCP amount was not finalised till March 2022. The Clerk should therefore receive a backdated amount for that pay increase for 2021/22. I can see from the minutes that the Clerk indicated he didn't want that payment, however, to ensure the Council are complying with the SCP payments he should receive this amount.

The Clerk is now on the correct payment amount and the Council have approved his promotion up one scale.

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 2021/22. 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, however after the completed redevelopment of the Old School, the value of this was changed to the insurance valuation amount. A review of the payments/invoices did not identify any assets that had not been capitalised. There was one disposal in the year of a noticeboard that was no longer needed, no money was received for it. I can confirm the register is complete, accurate and properly maintained.

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

A year end bank reconciliation was completed with no reconciling items. 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