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15th May 2023

Internal Audit for Lisvane Community Council

Year Ending 31st March 2023

I would like to thank members for appointing me as Internal Auditor for 2022/23. 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 2023 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 2023 in my opinion accurately reflects the financial activities of the Council for that year and the Balance Sheet as at the 31st March 2023 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 a review of the cheque stubs shows all were 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 bank reconciliation and budget review for the quarter. Review of the minutes show payments are approved on a monthly basis.

Regarding receipts there was backing documentation for all receipts.

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

Minutes show that the financial regulations are reviewed by the Policy Committee and approved by the Council at the 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.

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 a 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.
There was a small overspend (£400) on the HMRC line due to adjustments to NI and the effects of the national pay award which were only known close to year end. Technically in order to combat this overspend the budget should be changed before the payment approved, however given the tight controls over budget during the year, the nature of this overspend and the overall budget underspend on budget lines this has not led to a failure of the test.

A comparison of the 2023/24 budget lines with the actual costs in 2022/23 shows the 2023/24 appears to be realistic and complete.

The balance carried forward at the year-end stood at £35,767 once removing the effects of the loan repayments this represents approx. ten months' worth of actual 2022/23 expenditure and will cover approx. 8 months of the budgeted expenditure of the 2023/24 budget (again removing effects of loan repayments and Old School Project). The Council therefore appear to be managing their reserves at an appropriate level as the carried forward falls within the guidance in the Practitioners' Guide, namely, to hold between three to twelve months' gross expenditure as reserves.

In terms of the reserves, I see that £5,000 has been allocated to a general reserve for emergency unforeseen items, there shouldn't be general reserves for this just allocated for specific items like your Old School reserve and Gardening Club Monies reserve.

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.

The precept of £61k was received and agreed to the precept request.

During the year a £100k payment was received from the trustees of the community centre, this was then used to pay back some of the loan in relation to this project. Additionally, £11k s106 monies were received from Cardiff Council and agreed to a remittance.

There were very few other receipts during the year, these included interest on the accounts, a VAT refund, some donations for the community centre project and a refund from BT after closure of the telephone account. All receipts were agreed to the bank statements and backing documentation. A review of the other receipts from the prior year did not indicate any missing income.

A comparison of the paying in book with the cashbook showed 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 each employee (same hours each month) were agreed back to Council minutes and supporting schedules. The hourly amount was agreed to the relevant

SCP payscale, and an increase in pay has been reflected (and the required backdated amount) during the year. A review of the cashbook shows a salary, pension and HMRC payment for each month employed.

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 2022/23. 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 two additions during the year for laptops these amounts were agreed to invoice. The value of the Old School Centre and the War memorial are revalued annually to an agreed insurance value, this is appropriate for these assets. A review of the payments/invoices did not identify any assets that had not been capitalised. There were no disposals during the year.

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 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 appropriately reviewed and approved by a Councillor who is not the Chair.

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 recorded in the annual return was agreed to a year end outstanding balance statement from the UK Debt Management Office.

I am satisfied that this test has been met.

11. Trust funds

Not applicable

Joanna Howell

J Howell
15/05/2023