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2nd July 2020

Internal Audit for Colwinston Community Council

Year Ending 31st March 2020

I would like to thank members for appointing me as Internal Auditor for 2019/20. I note from the Minutes, and from conversations with the Clerk, Mr Kevin Protheroe, that it has, thankfully, not been as an eventful year as the previous year. Nevertheless, this financial year has ended with its own complications, in the form of the Corona virus, and the subsequent lockdown of businesses and organisations; as well as curbing the freedom of movement of the majority of the Country. Despite all this, it is pleasing to note the comprehensive nature of the record keeping was maintained and this has facilitated my task.

This Council, like most small Councils, has the issue of a segregation of duties. However, the Clerk has maintained 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 both the Minutes and the Clerk's report. I am therefore satisfied that there are enough controls in place to mitigate the risk. There were 46 payments made for the entire year which, although an increase of 17 (63%) over the previous year, was nevertheless still less than 4 each month and allows for more careful and closer scrutiny.

In conclusion, I have performed the Internal Audit for the year ending 31st March 2020 and I agree compliance with all of the tests for internal audit within the Annual Return.

I have outlined below 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 has kept comprehensive books of account by way of a Microsoft Excel spreadsheet. These spreadsheets are supported, in the main, by hard copy invoices in respect of all payments made. One of the Councillors acts as the Treasurer and I was not supplied with cheque stubs for cheques numbered 121 – 161. Nevertheless, the cheque numbers were provided in the cash book, on the invoices and in the bank statements. The Clerk advised me that the cheque numbers did not follow on from the previous cheque book, which indicates that cheque numbers 61 – 120 have not

yet been used and the sequence of cheque numbers has not been maintained. It is evident, from the one book of cheque stubs that I did receive, that there is no countersigning of the cheque book stubs by the signatories to Council cheques. This is a practice recommended by the Audit Office, and should be done as a matter of course. This issue was also brought to Council's notice in last year's internal audit and it is disappointing that it has not been acted upon.

It is noted that the Clerk reported all payments and receipts on a monthly basis to Council through the Clerk's report and these details are reflected in the subsequent Minutes.

I am satisfied that the appropriate books exist and have been adequately kept throughout the year.

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

The Council considered, reviewed and adopted the existing Standing Orders, Councillors Expenses Policy, Code of Conduct, Risk Management Policy, Welsh language Policy, Use of Social Media Policy, Concerns and Complaints Policy and the Financial Regulations during their Annual General Meeting on Wednesday 20th May 2019. There were no new policies and all policies were accepted as remaining fit for purpose.

With regards to payments made I am satisfied that the invoices properly supported the payments. These payments were made by cheque, and I have previously noted that the two Councillors who signed the cheques, failed to initial the cheque stubs.

With regard to the Clerk's salary, the record of hours and expenses is signed by both the Clerk and the Chairman. Furthermore, the cheques signed for the Clerk's salary and expenses demonstrate the additional control by way of the two cheque signatories on the cheque.

VAT is shown in the cashbook both within the payments section and the receipts and these suggest a slight imbalance over the year with a total of £21.00p being paid out towards the end of the financial year, suggesting that the same amount will be claimed after the year end.

In other Audits I have carried out I have suggested Council's consider introducing the use of electronic bank payments in certain circumstances. Many small Councils have taken the view that the dearth of transactions, during the course of a year, make this change unnecessary. This may well continue to be the case with Colwinston CC and I note that this was considered at the AGM but rejected. Nevertheless, I would recommend that the issue be revisited on an annual basis at the AGM, as the use of

cheques and the availability of local bank branches will inevitably continue to decrease.

I am satisfied that the Council has met this requirement.

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

A Risk Register was not in place during the year under review but an annual risk assessment was formally adopted at the 2019 AGM for the 2019-2020 financial year. As the internal auditor I was aware of this during my work carried out last year and would, ordinarily, be also aware of the decisions made at the 2020 AGM. Unfortunately, Covid 19 has prevented the 2020 AGM from taking place as yet and therefore my assessment is based on the decisions solely made at the 2019 AGM.

In view of the circumstances, I am as satisfied as I can be that the Council has met this requirement.

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 for 2019/20 was set at £13,100 and it is noted from the January 2020 Minutes that the proposed budget circulated prior to the meeting was reviewed and discussed and it was resolved to accept the budget proposed for 2020/21, and retain the precept at £13,100.

I note that the closing balance at 31st March 2020 was £16,006 an increase of just £150 over the 2019 closing balance (£15,856) thus indicating excellent budget forecasting. There is ample evidence that the budget is monitored closely and expenditure and income reported to Councillors at each meeting.

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 was appropriately accounted for.

The Council's income for 2019/20 came solely from the precept.

There were only 3 receipts received during the year, which were the stage payments of the precept. There was no VAT on income.

I am happy that the Council has satisfactorily met 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 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 Clerk is normally paid an hourly rate and the number of hours worked each month varies. He received his salary on a quarterly basis and the sums received and the income tax paid are similar for each quarter.

It was noted, from the June 2019 Minutes, that Council decided to maintain the Clerks hourly rate at scale point 9 (£19,819, pro-rata) for 2019/20. The Clerk submits a signed claim form that is authorised by the Chair. This is paid by cheque which requires authorisation by two Councillors. The details of the amounts paid are included in the Clerk's Report, made each month to the Council, as well as a reference in the corresponding Minutes.

Staff Costs for the year to 31 March 2020 rose by 77% (£2,031) to £4,650. Bearing in mind the turbulent year previously, namely the illness and absence of the Clerk, this is hardly surprising. The previous year's accounts showed a 42% fall in Staff Costs reflecting the need for a Councillor, to act as an Honorary Temporary Clerk.

I am satisfied that the Clerk's salary was paid in accordance with minuted Council approval.

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

The asset register records no additions during the year.

I am satisfied that the asset register is complete, accurate and properly maintained.

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

There was evidence that all Bank Statements have been signed and/or initialled as being checked and reconciled. The Clerk informs the Council every month of the Bank Balance in the Clerk's Report and on a quarterly basis advised Council that a Councillor has been sent the bank reconciliation, as well as a review of the quarterly budget analysis.

I am satisfied that bank account reconciliations were 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 an 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

Conclusion

I am satisfied that the transactions carried out were properly recorded in the Minutes and the supporting documentation. As a consequence, I am able to confirm all of the requirements in the Annual Return for Internal Audit have been met and have signed off the relevant section as evidence of this conclusion.

H A Davies