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Internal Audit for Colwinston Community Council

Year Ending 31st March 2019

I would like to thank members for appointing me as Internal Auditor for 2018/19. I note from the Minutes, and from conversations with the Clerk, Mr Kevin Protheroe, that it has been an eventful year with the initial Clerk, Mrs Jo Howell, resigning; the appointment of Mr Protheroe as the new Clerk; his subsequent illness and, thankfully, his recovery and return to work. In addition, I note that Cllr Roach stepped into the role of temporary Honorary Clerk during the absence of Mr Protheroe. Despite this turbulence 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 Clerks have 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. In addition, there were only 29 payments made for the entire year representing less than 3 each month, which allows for more careful and closer scrutiny.

In conclusion, I have performed the Internal Audit for the year ending 31st March 2019 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 Clerks have kept comprehensive books of account by way of a Microsoft Excel spreadsheet. These spreadsheets are supported by hard copy invoices in respect of all payments made. It is not surprising, given the turmoil surrounding the Clerk during the year, that some receipts, detailing monies received, were missing. There was no paperwork for receipts after the first two of the financial year, suggesting an oversight or ignorance of correct procedures on behalf of the temporary Clerk. I would expect the Clerk, now recovered from his illness, to ensure this does not reoccur.

Nevertheless, the Clerks 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 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 Council considered revisions to the Financial Regulations during their Annual General Meeting on Wednesday 21st May 2018. The Council introduced a new Welsh Language Policy and a Concerns and Complaints policy. Both policies were accepted with a few minor corrections to the Welsh Language Policy. In addition, Council reaffirmed acceptance of the Standing Orders, Code of Conduct, Use of Social Media, Risk Register and Financial Regulations.

With regards to payments made I am satisfied that the invoices properly supported the payments. These payments were made by cheque although I note that the two Councillors who signed the cheques failed to initial the cheque stubs after the departure of the Mrs Jo Howell and during the absence of Mr Protheroe. I attribute this uncharacteristic lapse to the disorder caused by Clerk's absence owing to illness and I am assured this will not reoccur.

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 £51.95p being paid out against £36.50 being claimed. The only claim was made in June 2018 and the majority of the outstanding difference occurred in a payment made at the end of the financial year. The Clerk is aware and will make any necessary claims in the next financial year.

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, but I would recommend that this issue is considered annually, preferably at the AGM.

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.

I am satisfied 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 2018/19 was set at £9,000 and it is noted from the January 2019 Minutes that the proposed budget circulated prior to the meeting was reviewed and discussed and it was resolved to accept the budget proposed for 2019/20, and raise the precept to £13,100.

I note that the closing balance at 31st March 2019 was £15,856 and that £13,000 of this sum was allocated reserves, leaving unspecified reserves of £2,856. This was a decrease over the previous year of £5,451 and explains part of the rationale for an increase in the precept. The Wales Audit Office recommends between 25 – 100% of the annual expenditure to be held in unspecified reserves. This year's unspecified reserves are 32% of the year's expenditure and therefore within the guidelines.

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 2017/18 came from three sources. The precept accounted for 81.5% with the VAT refund and two miscellaneous amounts accounting for the remaining. One of the miscellaneous amounts received was made in error and was repaid after the year end. Subtracting this sum (£2,000) from the total income (£11,037.50) would mean that the precept accounted for 99.6% of income.

There were only 6 receipts received during the year, 3 of which were the precept, 2 miscellaneous receipts (one later returned) and 1 VAT repayment. 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. It has been impossible to generalise this year on the Clerk's hours as the disruption to the Council, caused by the absence of a Clerk, has impacted heavily on this analysis.

It was noted, from the 2018 AGM, that Council decided to maintain the outgoing Clerks hourly rate to SCP 24, although the new Clerk's hourly rate, according to his contract, has been set at SCP20. The new Clerk continues the methodology, adopted by his predecessor, insofar as he 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 2019 fell by 42.5%, which was accounted for by the Clerk's illness, the cover for which was supplied by a Councillor, acting 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 should advise Council that a Councillor has been sent the bank reconciliation, as well as a review of the quarterly budget analysis.

Despite the confusion, caused by the Clerk's length absence, 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 most of 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

Despite the absence of the Clerk for a large proportion of the year owing to illness, I am satisfied that the transactions carried out were properly recorded in the Minutes and the supporting documentation. I am also equally sure that with the Clerk now recovered and back in harness, any inadvertent errors made this year will not be repeated. 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