

**Internal Audit Report**  
**Goetre Fawr Community Council**  
**Year Ending 31<sup>st</sup> March 2019**

To the Chairman and Members:

You appointed me as your Internal Auditor for 2018-19.

The standard of record keeping is very good and the papers were well-prepared and clear to inspect.

This Council, like any small council, has the issue of segregation of duties. However, the Clerk, as RFO, maintains detailed records and the Council monitors the financial situation at each Full Council Meeting. Therefore, I am satisfied that there are enough controls in place to mitigate this risk. There are only a small number of transactions made each month.

In conclusion, I have performed the Internal Audit for the year ending 31<sup>st</sup> March 2019 and I agree compliance with all of the tests for internal audit within the Annual Return.

I have outlined 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 keeps detailed records and there was support for payments made during the year. I was supplied with a detailed Excel Cashbook and Audit spreadsheet in which I was able to trace authorisations in the Minutes and to the Bank Accounts and Building Society Passbook. This was made easier, as before, by including the relevant Minute page and Folio number in the Audit spreadsheet.

I am satisfied that appropriate books have been properly kept throughout the year.

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

Payments are supported by invoices. Folio numbers on invoices are used making it quick and easy to check.

The Council has two Unity Trust bank accounts in the name of Goetre Fawr Community Council and its previous Monmouthshire Building Society Savings Account and Passbook now in the name of Goetre Fawr Community Council. During the year the Monmouthshire Building Society account was closed and all the funds transferred to Unity Trust Bank. This is shown in the passbook and the other relevant documents.

I was able to follow the authorisation of Council decisions from the Minutes through to the Cashbook and Bank Accounts and Building Society Passbook.

S137 expenditure has been shown in the Cashbook with other donations. To make it absolutely clear I suggest splitting donations into S137/Power of Well-being and Other Grants or colour-coding them since there are not many transactions during the year.

VAT has been shown separately in the Cashbook and is reclaimed from HMRC.

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.**

The Council has a Risk Register in place, last updated in February 2019.

The Council's Standing Orders were adopted in October 2018.

New Financial Regulations were adopted in July 2016 and updated in May 2018.

The Council has in place an insurance policy with Zurich Municipal that appears to meet the needs of the Council. The renewal date is February 2020.

The Council has an operating website.

An Internal Audit Review was carried out during year.

I am satisfied that the requirements of this test have 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.**

A draft budget for 2018-19 was presented at the October meeting and approved at the November 2017 meeting. It resulted from an adequate budgetary process, including review of the 2017-18 budget, as evidenced by the Cash Flow documents presented at each meeting. The Precept for 2018-19 was set at the November 2017 meeting.

A draft budget for 2019-20 was agreed in November 2018 and set at the March 2019 meeting.

I note that more detailed budget projections and proposals were produced as part of the budget set for 2018-19. This sets a good precedent for the future.

The Clerk regularly monitors the actual spend against budget and reports this to the Council. A budget review takes place at the start of each quarter.

It is recommended that councils' general reserves be between 25–100% of gross expenditure, depending on each council's size and commitments. For your council, I previously suggested, a general reserve towards the 100% end of the scale would seem appropriate.

At the end of the year, the Council held £35,133 in its General Fund having spent £43,886 (excluding VAT) with income of £39,872 (including VAT refund). This is coming into line with recommendations. No ear marked reserves have been allocated in the year. The Council can allocate some fund to ear-marked reserves if it reasonably expects to spend that money in the near future. That could include a sum of the cost of a contested election, for example.

The Council's reserves have been on the high side and is addressing this by setting deficit budgets in 2018-19 and again in 2019-20. By the end of the 2019-20 reserves are anticipated to be some £30,000 which is appropriate for the size of the council's expenditure and size.

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 are appropriately accounted for.**

The Council had two key sources of income during the year:

- Precept = £31,000
- Rent from Ye Olde Pounde Shop = £5,940

VAT was not applicable for these receipts. Receipts were shown on the Bank Statements, Building Society Passbook and Cashbook.

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.**

This test is not applicable as the Council does not use petty cash.

**7. Salaries to employees and allowances to members were paid in accordance with minuted approvals, and PAYE and NI requirements were properly applied.**

Payroll is run by Beverley & Williams Accountants Ltd who notify the Council of monies due to HRMC for tax and NI, and provide payslips, P60s and P32s.

The Clerk's hours were increased in March 2019 with a review in a year's time.

The Clerk has been enrolled in the NEST pension scheme as of January 2018.

The Chairman's Honorarium was set at £500 and paid for 2018-19. The Vice Chairman's Honorarium was set at £250 and paid for 2018-19.

The expenses claimed by the Clerk and Councillors are now shown separately in the Cashbook as per my recommendation from last year.

Allowances were budgeted for. Certain allowances are now mandatory for the Council, which falls into Category B of the IRPW groupings having both income and expenditure being above £30,000. The IRPW advises that Clerks should include the £150/year/Councillor (Determination 44) in the budget and it is then for individual members to write to the clerk if they do not intend to claim it. Eleven of the twelve Members claimed the mandatory £150 allowance.

The Council should decide on a reasonable and realistic sum to allocate to the other mandatory payment for care costs (Determination 51). Nothing was budgeted for this in 2018-19.

The Council approved payments under Determinations 52 and 53 in May 2018 of payment to the Chairman of £500 and Vice Chairman of £250.

I am satisfied that this test has been met.

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

The Council has an Asset Register that lists total assets at £70,579, with a value for each extant item and that match the insurance values.

I am satisfied that this test has been met.

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

The Clerk prepares quarterly and year-end reconciliations that are approved by the Finance Committee. A copy of the Cashbook is filed with the Minutes. During the year, the Monmouthshire Building Society account was closed and all funds transferred to Unity Trust Bank. This simplifies the tracing of transactions.

I am satisfied that bank account 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 trail from underlying records, and where appropriate, debtors and creditors were properly recorded.**

The Council continues to prepare Accounting statements on a receipts and payments basis which is appropriate for the size of the Council. There was a clear audit trail supporting the amounts in the Cashbook.

Debtors and creditors were not recorded as they 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 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.

There were no Declarations of Acceptance of Office made during the year.

The external audit for 2019-20 will test arrangements for making payments. The council has well-documented processes for this but it will still be worth checking that they align with the Financial Regulations and Standing Orders.

Helena Fox  
May 5 2019