H A Davies

19 Rookwood Close, Llandaff,

Cardiff, CF5 2NR

Tel 029 2221 3658; 07800 738285

Email [kim.davies2@btopenworld.com](mailto:kim.davies2@btopenworld.com)

[hywelalecdavies@gmail.com](mailto:hywelalecdavies@gmail.com)

18th May 2021

**Internal Audit for Colwinston Community Council**

**Year Ending 31st March 2021**

I would like to thank members for appointing me as Internal Auditor for 2020/21. This has been an especially taxing year for Councils in dealing with the impact of Covid19 and the Clerk has ensured that I have seen all relevant documents. It is clear that the past year has been extremely challenging for all persons involved in maintaining the Council’s obligations and I am grateful to the Clerk for his assistance and the comprehensive nature of his record keeping, which 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 44 payments made for the entire year, a slight decrease of 2 over the previous year which, nevertheless, was 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 2021 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 by hard copy invoices in respect of all payments made. One of the Councillors acts as the Treasurer and the Covid restrictions have hampered delivery of the cheque stubs, nevertheless, the cheque numbers were provided in the cash book, on the invoices and in the bank statements. The Clerk advised me last year, that the cheque numbers did not follow on from the previous cheque book and this is clear in the sequencing recorded in the cash book.

I did have concerns last year that there had been poor countersigning of the cheque book stubs by the signatories to Council cheques over the last two years. I have not been able to assess whether this has been acted upon this year and would remind Council that this is a practice recommended by the Audit Office, and should be done as a matter of course.

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**

At the Council AGM held virtually on 22nd September 2020, the Council reviewed and adopted the Standing Orders, Councillors’ Expenses Policy, Code of Conduct, Risk Management Policy, Welsh Language Policy, Use of Social Media policy, Concerns and Complaints policy and Financial Regulations.

With regards to payments made I am satisfied that the invoices properly supported the payments and that these payments were made by cheque.

With regard to the Clerk's salary, the record of hours and expenses would normally be signed by both the Clerk and the Chairman, however the virtual nature of the meetings prevented this from happening. Nevertheless, the Minutes show that the Clerks salary is properly minuted and the cheques signed, for the Clerk’s salary and expenses, demonstrate an 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 it is pleasing to note that all VAT paid out was reclaimed in a single claim in December 2020, which also incorporated VAT owed from previous years.

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 adopted during the year under review following formal adoption at the 2019 AGM. This is a most comprehensive document compiled by the Clerk and

following my examination of it, 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 2020/21 was set at £13,100 and it is noted from the January 2021 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 for 2021/22.

I note that the closing balance at 31st March 2021 was £10,296 a decrease of £5,710 over the 2020 closing balance (£16,006) once again 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 2020/21 came from four sources namely, the precept accounted for 82.9%; two grants accounted for 14.9%; the VAT reclaim accounted for 1.8% and a payment from Llangan CC for sharing the zoom costs amounted to the remaining 0.4%.

There was no VAT on income and 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 September 2020 AGM Minutes, that Council decided to defer review of the Clerk’s hourly rate until a later date. 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 fell by 69% (£3,223) to £1427. This is the first year that the Clerk has been present for the entire year, despite the pandemic, and it would appear that the turbulence of the previous years, owing to the illness and absence of the Clerk, are now thankfully behind the Council. This is certainly reflected in the Staffing Costs, which have returned to normal.

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.**

During the course of the year the Council took on the restoration of a bridge and well that comprises the Old Ford site. Councillors agreed that the area was of great leisure/recreational benefit to the village and the restoration of the historically important well and clapper bridge would enhance the area. It was also believed believed that the site should be acquired by the Community Council for the benefit of the local community, as it could provide a valuable open space for the village. The asset register records the additional costs of this restoration during the year, which amounted to £12,000.

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 advises 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**