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**Internal Audit for Colwinston Community Council**

**Year Ending 31st March 2023**

I would like to thank members for appointing me as Internal Auditor for 2022/23. This has been another relatively taxing year with the major disruption being the change of Clerk. However, the new Clerk brings a wealth of experience with her and has ensured that I have seen all relevant documents. I am grateful to her for her assistance and the comprehensive nature of her record keeping.

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 66 payments made for the entire year, an increase of 16 over the previous year which, amounted to slightly more than 5 each month. This allows for more careful and closer scrutiny.

In conclusion, I have performed the Internal Audit for the year ending 31st March 2023 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. In the past one of the Councillors has acted as the Treasurer, so I am delighted to note that this has now ceased and the responsibility for the issue of cheques and arrangements for BACS payments has passed to the Responsible Financial Officer (RFO), which is the Clerk. Those payments made by cheque that still exist continue to be signed by two signatories and an examination of the cheque stubs reveals that they correlate with the cheque numbers in the cash book, on the invoices and in the bank statements.

The new Clerk has moved, almost entirely to direct bank transfer or BACS, although some cheques are still used. Where this has occurred all the cheque stubs have been countersigned.

The previous Clerk reported all payments and receipts on a monthly basis to Council through the Clerk's report and these details were, on the whole, reflected in the subsequent Minutes. The new Clerk introduced a financial statement, as a specific agenda item and circulated to Councillors alongside the relevant bank statement. These have also been made available to me for examination.

I am satisfied that the appropriate books exist and 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**

At the Council AGM, held on 16th May 2022 at Colwinston Community Hall, the Council reviewed and adopted the standing orders, financial regulations, risk assessment, code of conduct, privacy documents, complaints procedure, expense policy, local resolution protocol, social media policy, Welsh language scheme, Freedom of Information Act model publication scheme and financial regulations.

With regards to payments made I am satisfied that the invoices properly supported the payments and that these payments were made. It is noted that the Council have moved substantially to BACS payments although a small minority of suppliers still prefer payments by cheque.

With regard to the Clerk's salary, the record of hours and expenses is normally signed by both the Clerk and the Chairman. The Clerks salary is incorporated into the Financial Statement and copies of the Clerks pay-slips were available for examination.

VAT is shown in the cashbook both within the payments section and the receipts and amounted, both instances, to £2,704.32. It is noted that VAT reclaimed was received on 30th March 2023 which, unusually, meant that VAT payments made during the year were reclaimed within the same fiscal year...

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 2020/21 following formal adoption at the 2019 AGM. I also note, from the AGM dated 16th May 2022, that the Risk Register was one of a number of policy documents reviewed by the Council.

This remains 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 2022/23 rose by £2,000 from the previous year, namely from £13,100 to £15,100, although it had not risen since April 2019. It is noted from the January 2023 Minutes that the precept needed to rise again for 2023/24 to consolidate the work undertaken and proposed on projects.

The proposed budget for 2022/23, which was circulated prior to the meeting, was reviewed and discussed and it was resolved by Council to increase the precept by 18% to £17,912.00. This was, in my view, a wise decision having regard to the relatively small amount of funds in the bank and the number of projects being undertaken.

I note that the closing balance at Bank at 31st March 2023 was £3,675 a slight increase over the 2022 closing balance.

There is ample evidence that the budget is monitored closely and expenditure and income is reported to Councillors at each meeting by way of a financial statement. I have seen these documents and I am happy that the Council has satisfactorily met this test. I would recommend that the Minute entry, relating to circulation of the financial statement to Councillors, demonstrated that Council approved the actions taken rather than, the somewhat terse entry, ‘noted’.

**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 2022/23 came from three sources namely, the precept accounted for 39.95%; grants accounted for 52.9%; and the VAT reclaim accounted for 7.15%.

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. Her predecessor received his salary on a quarterly basis however since taking over this has reverted to a monthly salary with details of expenses claimed and hours worked checked by the Chairman. The income tax paid varied according to the hours worked.

It was noted, from the November 2022 Minutes item 23 that Council decided to increase the Clerk’s salary to scale point 23 of the National pay award and, as the new scales had been back-dated to April 2022, the Clerk’s salary was increased accordingly back to her commencement of employment in June 2022. The Clerk submits a signed claim form that is authorised by the Chair. This used to be paid by cheque, but since the new clerk took over is now paid by direct bank transfer (FPO), which requires authorisation by two Councillors in line with the protocols laid down.

Staff Costs for the year to 31 March 2023 rose by 60.6% from £3,037 to £5,008. This is a clear reflection of an easing of restrictions, regarding Covid 19, together with the burden of taking on additional projects.

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 no new additions have been made to the asset register.

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 has been a change in the way Council deal with financial matters following the start of the new Clerk’s duties in the summer of 2022. The Council now receive a monthly financial statement which includes a bank reconciliation. This is not reflected in the Bank Statements, which are on-line and have only been printed off for my benefit.

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**