H A Davies

19 Rookwood Close, Llandaff,

Cardiff, CF5 2NR

Tel 029 2221 3658; 07800738285

Email kim.davies2@btopenworld.com

hywelalecdavies@gmail.com

21st May 2021

**Internal Audit for Llangan 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 40 entries in the payments column of the cash book this year of which 10 were £3 direct debit payments to HSBC Bank for Statement frequency. Deducting these items, left 30 actual payments made, a not unsurprising decrease of 16 on last year, and representing less than 3 each month. This 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 payments made.

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 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**

At the Council AGM held on 6th October 2021, the Council 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 Financial Regulations.

Other than the Council voting to implement four minor amendments to the Financial Regulations; all the regulations and policies were considered fit for purpose.

In my previous internal audits, I have recommended that Council consider, at the very least annually, the introduction of electronic bank payments and it was pleasing to note that this is to be considered following a review of other Community Councils by the Clerk.

I am also pleased to note that the need for a hard copy Bank Statement weekly, alongside the subsequent cost, has also been reviewed andthe frequency of Bank Statements has now become monthly and £3 direct debit for the weekly statements has been eliminated.

With regards to payments made I am satisfied that the invoices properly supported the payments. These payments were made by cheque and it is pleasing to note that the two Councillors who signed the cheques never failed to initial the cheque stubs as well. 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 amounts to £436.39, from 3 transactions. The receipts show one claim made amounting to the same amount , viz. £436.39p.

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 is in place having been formally adopted at the 2016 AGM. It is evident, from the Minutes of the 2020 AGM, that the Risk Register was reviewed by Council, along with other Council policies (see paragraph 2 ante). Other than the slight amendments to the Financial Regulations they were all approved as they stand.

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 rose for the first time in four financial years, to £10,773; a rise of £513. It is noted from the January 2021 Minutes that the precept should remain the same for 2021/22 and it was further noted that proposed budget circulated prior to the February 2021 meeting was reviewed, discussed and unanimously agreed.

I have previously commented on the reserves, concluding that the balance at the year-end of some £10,000 brought it line within the Wales Audit Office recommendation of between 25 – 100% of the annual expenditure to be held in unspecified reserves. I note that the balance at the end of year has reduced from the 2020 balance by £5,120 and it is pleasing that unspecified reserves continue to be within the guidelines. I would recommend that the Council continues to make clear, within the quarterly budget review, what reserves exist for specific projects.

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 from four sources. The precept accounted for 71.8% (15.7% in 2019/20 & 17.5% in 2018/19); grants for 8.6% (63.5% in 2019/20 & 82% in 2018/19); VAT refunds 2.9% and Wind Turbine Community Grant 16.7%. The receipts were supported by hard copy documentation and all appeared to be paid by bank transfer directly into the Council's Bank Account.

There were only 6 receipts received during the year, 3 of which were the precept, 1 a grant from Welsh Government, 1 grant in respect of a Wind Turbine 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. He receives his salary every quarter.

It was noted, from the 2020 AGM, that Council decided to defer discussing any amendment to the Clerks hourly rate to another date. As there was no further reference to this during the year’s subsequent meetings, the Clerk remains on Scale 11. The Clerk submits a signed salary claim form, which is authorised by the Chair. The salary claim 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 2021 fell by 14.6%, although the Clerks salary accounted for only 38.9% of these costs (44% in 2019/20).

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 has had one addition 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**

The Clerk prepared quarterly bank reconciliations in Excel and a final end of year Bank Reconciliation. There was evidence of hard copies, signed by an appointed Councillor. 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 periodic and year-end 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 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 all of the payments and receipts in the Cashbook, as well as references within the Minutes and on the Bank Statements.

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 fully.

**11. Trust funds**

Not applicable

**Recommendations & 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**