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30<sup>th</sup> April 2021

**Internal Audit Report for Pentyrch Community Council**  
**Year Ending 31<sup>st</sup> March 2021**

Firstly, I'd like to thank the Council for appointing me as your Internal Auditor for 2020/21 and secondly the Clerk for her assistance throughout the audit.

I have previously audited Pentyrch Community Council transactions covering 1<sup>st</sup> April 2020 till 30<sup>th</sup> September 2020, please refer to my Internal Audit Report submitted regarding this interim audit. That report showed that the Council had passed all tests at that date. However, any recommendations from that report are discussed below.

*Staffing resources – The pandemic has meant that the recruitment of an additional member of staff has not been possible. However, with the Clerk's retirement in September 2022, the Council intend to start discussing the recruitment for her replacement in Autumn 2021. Part of this discussion should be a holistic approach to staffing, considering whether any additional staff are required, the hours of the members of staff that are required and the responsibilities of each member of staff.*

This report covers transactions from 1<sup>st</sup> October 2020 to 31<sup>st</sup> March 2021 and all year end balances and reporting.

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 using RIALTAS and files supporting documents for both receipts and payments made during the year. I was supplied with a detailed cashbook which I was able to trace to supporting documentation, authorisations in the Minutes, and to the Bank Statements. The cashbook is then used to produce documents for the Council to review e.g., budget vs expenditure and the year-end annual return and accounts.

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.**

The Council follow model financial regulations as supplied by OVW, these were last updated in 2020 and these appear to cover all financial requirements appropriately.

I reviewed the minutes of the finance committee for the last six months of the year. This committee appears to be valuable in its more detailed analysis of income and expenditure and adds an extra level of control around budgets, payments, and reserves.

The finance committee review the receipts and payments for the month, can approve payments up to £2,000 and can make recommendations to the full Council around financial amounts e.g., grant approval, but these do require resolution at the full Council meeting. Financial meeting minutes are also reviewed, discussed, and approved at each full Council meeting.

The clerk performs a quarterly budget v actual analysis with corresponding explanations in significant differences, these were reviewed. Per the review of minutes, it was noted that these were reviewed and discussed at the finance committee meetings.

It was pleasing to note that there were numerous changes to budget lines because of these reviews to deal with the point in the prior year audit report that budget lines were being overspent.

However, at the year-end there had been one significant budget line overspend. This related to professional fees, there had been an increase in the budget line during the year, however there was still an overspend of £2.4k. Per review of the Council minutes, it can be seen that these professional fees related to one specific project where there were a lot of complications, thus resulting in exceptional professional services having to be commissioned quickly during Q4. Given that this was an exceptional circumstance, there had been full analysis of budgets during the year and the overall spend was well within budget, on balance this one issue will not fail the council for this test.

The Council mainly use internet banking (DD and BACs) for payments, with a small number of cheques. The instructions for direct debits are approved by the Council and the invoices for all electronic banking payments are reviewed and approved by two Councillors. In terms of the online banking the Clerk can add invoices but cannot authorise them. Only one councillor is needed to approve the payment (part of online system) however as authorisation only takes place once they have seen an invoice approved by two Councillors this seems satisfactory.

A sample of payments were agreed to invoices, minuted Council authorisation and where an online payment was made, authorisation of the invoice. These were then

traced back to the payment leaving the bank statement. I then traced any applicable VAT to the VAT reclaim records.

The Council has a debit card with a limit of £500 (as approved in the financial regulations) and can only be used by the Clerk. I reviewed all payments made by debit card and they were all within the £500 limit. All debit card payments are approved by the Council under the normal controls.

The VAT is reclaimed on a quarterly basis, and there are detailed records to show that this had been completed. The 2020/21 Quarter 4 claim was submitted so this £1,794 stands as a debtor in the accounts. This claim has been paid post year end.

There was one S137 payment made during the year, totally £76 therefore well within the maximum limits. A review of the other payments, especially the grant payments did not identify any other payments that should have been s137 allocated.

The Council has passed this test.

### **3. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.**

The Clerk produces a well thought through risk register which was updated and accepted at the March 2020 meeting for Coronavirus risks and does not appear to have any gaps.

The Council has in place an insurance policy that appears to meet the needs of the Council.

The Council is complying with the legal requirements for information that must be placed on the website. It has also considered the accessibility of the website and the accessibility statement has been seen.

All registers of interests declared in the minutes were agreed to the register of interests and this was found on the website.

I am satisfied that this test has 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.**

The precept resulted from an adequate budgetary process. The December 2019 Minutes document the detailed discussions on the budget and level of the precept for 2020/21, as do the December 2020 / January 2021 Finance committee meetings and full Council meeting minutes for the 2021/22 budget and precept.

The Finance Committee review the budget vs expenditure on a quarterly basis. The details of which are also provided to the full Council along with any virement recommendations from the Finance Committee. Please see my comments on the budget analysis in section two of this report.

During the 2019/20 budgetary process, it was correctly identified by the Clerk that the reserves at the year-end for 2018/19 were too low compared to the Practitioner's Guide guidance. Strict budgetary exercises were then put in place to increase the general reserve going forward.

This increase has occurred over the last two years with the carried forward general reserve from 2020/21 covering approx. 7 months of the actual expenditure for 2020/21. Thus, the reserve is in line with Welsh Government Guidance that general (un-earmarked) revenue reserves lie within a range of three to twelve months of gross expenditure.

I have also reviewed the 2021/22 approved budget and can see that the budgeted general reserve carried forward will again lie within the range.

I reviewed the earmarked reserve for 2021/22 - the earmarked reserves appear appropriate. The Council should ensure that all budgets going forward maintain the general reserves within the 3-12 months of gross expenditure recommended.

Per the minutes of the finance committee I can identify that their detailed reporting helps ensure that transfers from reserves are analysed in detail and hence the budgetary process can be even more accurate each year.

I am satisfied that this test has been met.

**5. Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT are appropriately accounted for.**

The vast majority of the income received by the Council is from the Precept (96.5%). This was agreed to the request to Cardiff Council, minutes and the bank statement.

The regular other income relates to advertising in the community link brochure, burial fees, interest, rent, grounds maintenance from the local sports club and feed in tariffs from solar panels. This year the other income balance of £6.2k was much lower than the prior year of £39k. This was due to a grant of £29k received in the prior year for a new playground. By reviewing previous years, and removing the effect of the grant, it can be seen that other income is normally around £9-10k. The reason for the lower balance this year is approx. £1k less received on advertising (effected by pandemic), no burial fees received and also usually fees are received for companies using Council land for filming (again effected by the pandemic). All other income has been received in line with budget.

VAT was not applicable for any of these receipts.

As in the prior year there were only a very small number of cheque receipts during the year. I can confirm that these were banked on a timely basis and the origin of each receipt was entered onto the paying in slip.

I agreed a sample of the other income to supporting documentation, Minutes and the Bank Statements. I am satisfied that all income was fully received and properly recorded.

I am satisfied that this test has been met.

**6. Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.**

At the year-end a petty cash balance of £218.69 was held, throughout the year the petty cash float was maintained at levels below the maximum instructed by the financial regulations. There were no petty cash payments during the year, due to the fact the office was shut.

There was one small receipt into petty cash, which relates to monies from the library donations.

I am satisfied that this test has been met.

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

A number of the members received their set £150 allowances, for those that had opted out, a written confirmation of this had been received.

There were no member expenses paid during the year.

All allowances were approved per the minutes and recorded on a register and as required this was on the Council website.

Minutes show that during the year the finance committee recommended staff pay increases in line with National Pay Scales these were ratified at the full council meeting.

All salary payments are approved monthly as part of the costs review and paid by BACS. Any overtime declared was approved monthly by the finance committee. Per the minutes overtime did not occur regularly.

PAYE and NI were identified correctly using the payroll system and were paid monthly. Records for this are well kept and payments are reviewed at the monthly meetings. This also applies to the pension contributions; all staff are members of the pension scheme.

For a sample of payments from the cashbook these were agreed to the detailed payroll records and to the HMRC submission and bank statement payments.

Due to the very small amount of overtime claimed it was possible to determine that an employee's monthly salary should be very similar each month (other than small payments for expenses etc.), this was seen in the payroll reports, I could also confirm that a salary, NI, PAYE and pension payment was made for each employee each month.

The salary and deductions for the six months ended 31/03/21 were reviewed and appeared in line with budgeted costs. The staff costs for the year are also in line with the prior year.

I am satisfied that this test has been met.

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

There were several fixed assets purchased during the year totally approx. £3.7k these consisted of plant and machinery and benches/signs.

I was able to trace these from the asset register to the cashbook and supporting invoices. All items appeared to be correctly capitalised.

I reviewed the purchase invoices and cashbook expenditure and there were no items expensed that should have been capitalised, hence the register appears to be complete and properly maintained.

There were no disposals during the year.

Money is invested in high interest accounts and the level in these accounts is reviewed as part of the monthly finance committees and via these minutes at the full council meetings. Transfers between accounts is also suggested at the monthly finance meeting and approved at the full Council meetings. The investment policy was reviewed and appears adequate, and the investments are controlled per the financial regulations. Bank statements showed that all accounts were in the name of the Council.

I confirm that the results of this testing are satisfactory.

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

I reviewed the monthly bank reconciliations currently a copy of each reconciliation is provided to the finance committee at their monthly meetings and signed by a Councillor (not the Chairman) post their review. Minutes also evidenced that the bank reconciliation was reviewed, and the results were satisfactory.

I have tested the year end bank reconciliations by agreeing all bank balances to statements and the cashbook figure to the cashbook. In the current account bank

reconciliations, there was one reconciling item, this is an unpresented cheque which was dated as 24<sup>th</sup> March 2021 (agreed to cheque stubb). This has been agreed to the cashbook, however, has not yet been presented post year end.

I am satisfied that bank account reconciliations were properly carried out and reviewed.

**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 an income and expenditure basis which is appropriate for the size of the Council. There was a very clear audit trail supporting the amounts in the Cashbook.

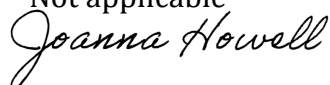
There were no creditors at the year end (£0 for prior year also) and a review of Month 12 invoices did not indicate any missing.

The debtors related to VAT recoverable of £1,794, this was agreed to the Q4 Reclaim form. This reclaim has been paid post year end.

I am satisfied that this test has been met.

#### **11. Trust funds**

Not applicable



Mrs Joanna Howell  
30/04/2021