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Internal Audit Report for Pentyrch Community Council
Year Ending 31st March 2022

Firstly, I'd like to thank the Council for appointing me as your Internal Auditor for 2021/22 and secondly the Clerk for her assistance throughout the audit.

I have previously audited Pentyrch Community Council transactions covering 1st April 2021 till 30th September 2021, 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.

This report covers transactions from 1st October 2021 to 31st March 2022 and all year end balances and reporting.

Risk raised at year end internal audit 31/03/2021

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 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.

Response from Council

OVW has been commissioned to work with PCC on this and a first meeting was held 13.9.2021. A regrading and working hours assessment was completed by 28.10.2021 and reports received. OVW has also now carried out working hours assessments on the other 3 members of staff: CMO, Asst CMO and Community Engagement Officer. Final reports are awaited from OVW in April 2022. This will help PCC manage its staff resources and plan for future projects.

Conclusion on Risk

A review of the minutes show that the Council are well underway in their advertising for the Clerk's replacement, indeed are on their third round of advertising to ensure that there are several suitable applicants to interview. The assessment above is also helping to ensure that sufficient resources are available going forward.

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 November 2021, 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.

I have reviewed the finance committee meetings showing Q3 and Q4 budget vs actual analysis, there were several virements agreed to ensure that budgets were changed to reflect any potential overspend. I am therefore satisfied that these requirements are being met.

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; all were within the limit other than one for £565. Minutes showed that the purchase itself had been approved by the Council, but not the breach of the limit. This appears to be a one-off lapse; the Council should ensure that any debit card purchases over £500 are either avoided or the £500 limit breach specifically agreed.

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 2021/22 Quarter 4 claim was submitted so this £5k stands as a debtor in the accounts. This claim has been paid post year end.

There were a small number of S137/Well-being Act payments made during the year, totally £750 therefore well within the maximum limits. A review of these payments indicated they were indeed valid S137/Well-being act payments. A review of the other 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 2021 meeting does not appear to have any significant gaps. In April 2022 the finance committee have also reviewed and updated the register, and this will now be passed onto the Health & Safety committee for review.

The Council has in place insurance policies that appear 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 2020 Minutes document the detailed discussions on the budget and level of the precept for 2021/22, as do the December 2021 / January 2022 Finance committee meetings and full Council meeting minutes for the 2022/23 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.

The carried forward general reserve from 2021/22 covers approx. 5 months of the actual expenditure for 2021/22. Despite a decrease from approx. 7 months in the prior year (mainly due to Covid limiting spending), 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 2022/23 approved budgeting process and can see that the budgeted general reserve carried forward will again lie within the range. This budget has resulted in a 6% increase in Precept compared with that of 2021/22 this appears reasonable to ensure the general reserve is kept at an appropriate level, especially when considering the expected increase in staffing costs.

I reviewed the earmarked reserves at year end – these have increased significantly (85%) from the prior year as the Council reserve funds mainly for Community support, vehicles and play equipment. The Council should continue to ensure that these earmarked reserves are well monitored to ensure these earmarked reserves are still needed.

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 (92%). 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 £14.2k was much higher than the prior year of £6.2k. This was mainly due to increased memorial fees and a grant of £5k received and earmarked for playground equipment. As well as an increase of other income such as advertising income which were badly affected by Covid in the prior year.

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 traced these to the paying book stub, to the cashbook to the bank statement and can confirm that these were banked on a frequent basis.

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 (same as PY), 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 or receipts during the year.

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.

Several 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. The payments were agreed to the register.

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 other than in a few months for the Clerk.

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 and

cashbook. I could also confirm that a salary, NI, PAYE and pension payment was made for each employee each month.

The March 2022 salary payments are significantly higher for each employee has include the cost-of-living increase of 1.75% back paid for the year, documentation relating to this has been reviewed and this was discussed at the March Finance meeting.

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. £4.5k these consisted mainly of benches/bins for the community.

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 was one item a bench costing £305 that was not on the fixed asset register. This has now been added to the register and appears to have been a one-off error.

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.

On balance, 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.

However, it was agreed during the interim audit that this review should be designated to the chair of the finance committee (not the committee as a whole) and per the financial regulations their signature (electronic if necessary) should be on both the bank statements and the bank reconciliation to evidence review of both. A review of the bank reconciliations from October 2021 onwards can confirm this has now been done.

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 un-presented cheque which was dated as 22nd March 2022 (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.

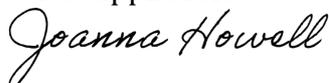
There were no creditors at the year end (£0 for prior year also) and a review of the post year end cashbook did not indicate any obvious missing.

The debtors related to VAT recoverable, 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
5th May 2022