

**LLANBRADACH & PWLL-Y-PANT
COMMUNITY COUNCIL**

**INTERNAL AUDIT REPORT
AUDIT REVIEW 2020/21**

| | |
|----------------------|---|
| Date of Fieldwork | <i>June 2021</i> |
| Date of Report Issue | <i>2nd June 2021</i> |
| Report Status | <i>Final</i> |
| Issued by: | <i>Michael Fisher, Internal Auditor</i> |
| Copy to | <i>Ceri Mortimer – Clerk to the Council</i> |

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Section A – MANAGEMENT SUMMARY

1 INTRODUCTION

This audit has been carried out as part of the requirements of the Accounts and Audit (Wales) Regulations 2014, which require relevant bodies to maintain an adequate and effective system of internal audit of its accounting records and of its systems of internal control.

2 AUDIT OPINION

The Councils financial and administrative system controls have been rated as:

| | |
|----------------|--|
| VERY GOOD | Very well controlled with minimal risk. |
| GOOD | Well controlled with some risks identified which require addressing. |
| REASONABLE | Adequately controlled although risks identified which may compromise the overall control environment; improvements required. |
| UNSATISFACTORY | Not well controlled; unacceptable level of risk; changes required urgently. |
| UNSOUND | Poorly controlled; major risks exists; fundamental improvements required with immediate effect. |

3 SIGNIFICANT FINDINGS

No significant weaknesses were found during this audit.

4 ACKNOWLEDGEMENTS

The co-operation of the Clerk during the review was much appreciated.

Section B – AUDIT APPROACH

OBJECTIVE OF THE AUDIT

The objective of the audit was to undertake a review of selected fundamental financial and administrative systems at the Council and evaluate the effectiveness of the controls in place.

SCOPE OF THE AUDIT

The following headings were examined as part of the audit approach:

- 1 Appropriate books of account have been properly kept throughout the year.
- 2 Financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT appropriately accounted for.
- 3 The Council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.
- 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.
- 5 Expected income was fully received, based upon correct prices, properly recorded, and promptly banked, and VAT was appropriately accounted for.
- 6 Petty cash payments were properly supported by receipts, expenditure was approved and VAT was appropriately accounted for. (NOT APPLICABLE FOR L&P CC)
- 7 Salaries to employees and allowances to members were paid in accordance with minuted approvals, and PAYE and NI requirements were properly applied.
- 8 Assets and investment registers were complete, accurate, and properly maintained.
- 9 Periodic and year-end bank account reconciliations were properly carried out.
- 10 Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments/income and expenditure), agreed with the cashbook, were supported by an adequate audit trail from underlying records, and where appropriate, debtors and creditors were properly recorded.
- 11 Trust funds (including charitable trusts). The Council/Board/Committee has met its responsibilities as a trustee.

METHODOLOGY

In order to adequately assess the key controls in place and systems in operation within the Council the Auditors has liaised with the Clerk to the Council.

The following audit work was undertaken:

- a) The cash books of the Council were examined to ensure that items were being recorded appropriately under prescribed description headings, the records were accurate and followed through to year-end accounts and monitoring records.
- b) Samples of payments from the ledger were taken and checks made to ensure that supporting information was available, figures were properly recorded, and VAT accounted for.
- c) The Councils risk register was examined and its adequacy checked to ensure it was in line with the Councils objectives.
- d) The Councils budget setting process was examined to ensure that the precept level set and approved was in line with the proposed budget of the Council and again it's objectives, in addition a test was made to ensure that regular monitoring reports were made to the Council at appropriate times.
- e) Sample income receipts were checked to ensure that charges (where applicable) were in line with Council approved charges, the income was received in a timely manner, recorded properly, banked promptly and VAT accounted for.
- f) Samples of petty cash payments from the ledger were taken and checks made to ensure that supporting information was available, figures were properly recorded, and VAT accounted for. (NOT APPLICABLE TO L&P CC)
- g) Salary and Member allowance payments were sample checked to ensure accuracy against approved Council levels. Where appropriate PAYE and NI deductions were checked and followed through to payments to HMRC.
- h) The assets and investment inventories were examined for completeness.
- i) Bank reconciliations were sample checked for accuracy and reporting to the Council where appropriate.
- j) Accounting statements prepared during the year were checked as part of the procedures under point a) above.
- k) If appropriate Trust Funds were also examined.

The Clerk to the Council was kept informed at all times of any issues that were identified as and when they arose.

Section C – SUMMARY OF WEAKNESSES

The table below summarises the ratings that have been attached to any weaknesses identified during the review.

| RATING | WEAKNESS | DESCRIPTION | EXAMPLES |
|--------|--------------------|---|--|
| 1 | Fundamental | Major risk to the system. | Risk of loss to the Authority or material error in the accounts |
| 2 | Highly significant | Unacceptable risk. | Non-compliance with Contract Standing Orders and / or Financial Regulations. |
| 3 | Less significant | Risk mitigated but should be addressed. | Non-compliance with good / accepted / best practice. |
| 4 | Minor | Minimal risk to the system. | Value for money considerations |

Priority of Action to Address Weaknesses:

- A:** Should be actioned immediately.
- B:** Action to address the weakness should be started as soon as possible and be implemented within three months.
- C:** Weakness is either an on-going requirement or that for which implementation is unlikely to be possible within three months.

Weaknesses that have been identified that require notification as part of the report, or that require remedial action have been mentioned already within section A3 of the report.

Section D – ANALYSIS OF STRENGTHS AND WEAKNESSES / ACTION PLAN

Control Objective 1: Appropriate books of account have been properly kept throughout the year.

Strengths:

- 1.1. The Financial statement working papers were examined and checked back to the cashbook records for accuracy. No discrepancies were found and the cashbook was found to be accurate.
- 1.2. The statements within the end of year accounts for audit, matched the cashbook values.

Weakness:

Control Objective 2: Financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT appropriately accounted for.

Strengths:

- 2.1. All expenditure supported by invoices. Sample checks ensured accuracy where invoices were present.

Weakness:

Control Objective 3: The Council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

Strengths:

- 3.1. The councils risk management document was examined,
- 3.2. Insurance is in place and is reviewed annually.

Weakness:

Control Objective 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.

Strengths:

- 4.1. Regular items on financial matters are taken to each Council meeting since the appointment of the new Clerk.
- 4.2. All documents were found to be agenda items and minutes signed accordingly where they have been presented.

Weakness:

Control Objective 5: Expected income was fully received, based upon correct prices, properly recorded, and promptly banked, and VAT was appropriately accounted for.

Strengths:

5.1. All income was found to be supported by appropriate invoices and remittance advices, sample checks ensured accuracy.

Weakness:

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

Strengths:

Not Applicable.

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

Strengths:

7.1. Members allowances were found to be agreed via approved minutes, and subsequent payments in line with the agreed levels.
7.2. Clerk Salaries payments are correct and all PAYE NI requirements met.

Control Objective 8: Assets and investment registers were complete, accurate, and properly maintained.

Strengths:

8.1. Asset inventories examined and found to be accurate.

Weakness:

Control Objective 9: Periodic and year-end bank account reconciliations were properly carried out.

Strengths:

- 9.1. Bank balance taken to Council as part of each cycle meetings, as discussed in objective 4 above.
- 9.2. Year-end reconciliation examined as part of objective 1 tasks above.

Control Objective 10: Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments/income and expenditure), agreed with the cashbook, were supported by an adequate audit trail from underlying records, and where appropriate, debtors and creditors were properly recorded.

Strengths:

10.1. Cash book was found to be so on examination, and examined as part of objectives 1 and 4.

Weakness:

Control Objective 11: Trust funds (including charitable trusts). The Council/Board/Committee has met its responsibilities as a trustee.

Strengths:
None applicable.

L&P Working Notes - 2020/2021 Internal Audit

| Creditor | Invoice | Amount | VAT Included | Cheque Raised | Through Bank Statement | On Reconciliation Sheet | On VAT return | Minute Reference | Notes |
|--|--------------|-----------|--------------|---------------|------------------------|-------------------------|---------------|------------------|-------|
| C Mortimer | Month 12 | £680.83 | No | 301910 | 15-Mar | Yes | | 88(i) | |
| Payworks One | 7133 | £20.00 | No | 301912 | up | Yes | | 88(i) | |
| Audit Wales | ARINV/005502 | £274.95 | No | 301916 | up | Yes | | 88(i) | |
| Elsbury | 11281 | £2,387.76 | Yes | 301905 | 15-Feb | Yes | Yes 397.96 | 70(i) | |
| Urdd Gobiath Cymru | Fin Ass | £40.00 | No | 301909 | 17-Mar | Yes | | 70(i) | |
| Zurich Municipal | 504304934 | £61.16 | No | 301903 | 18-Feb | Yes | | 59(i) | |
| HMRC | PAYE/NI | £233.14 | No | 301893 | up | Yes | | 45(i) | |
| Garth Owen | Fin Ass | £40.00 | No | 301888 | 10-Dec | Yes | | 32(i) | |
| C Mortimer | Month 5 | £665.57 | No | 301868 | 01-Sep | Yes | | 209(i) | |
| One voice Wales | 20/21 | £646.00 | No | 301867 | 29-Jul | Yes | | 209(i) | |
| OAP/Over 50's Club | Fin Ass | £40.00 | No | 301863 | 21-Jul | Yes | | 209(i) | |
| Llanbadach Community Centre | Rent | £1,000.00 | No | 301851 | 15-May | Yes | | 177(i) | |
| C Mortimer | Month 2 | £665.57 | No | 301854 | 29-May | Yes | | 177(i) | |
| Payworks One | 6362 | £226.86 | No | 301853 | 28-Jul | Yes | | 177(i) | |
| Caerphilly & District Twinning Association | Fin Ass | £40.00 | No | 301878 | 09-Nov | Yes | | 223(i) | |

Bank Account

Reconciled as at 31st March 2020 to £38,686.67

£20,116.65 Instant Access
 £0.01 Select Instant Access
 £20,216.90 Direct Plus account

Unpresented Cheques

| | |
|--------|---------|
| 301890 | £19.98 |
| 301893 | £233.14 |
| 301896 | £233.14 |
| 301902 | £20.00 |
| 301908 | £20.00 |

| | |
|--------|-------------------|
| 301911 | £233.14 |
| 301912 | £20.00 |
| 301913 | £40.00 |
| 301914 | £78.00 |
| 301915 | £274.54 |
| 901916 | £274.95 |
| 301917 | £200.00 |
| | £1,646.89 |
| | £38,686.67 |

Financial Regulations

Adopted Nov-20

Risk Assessment

Adpoted Nov-20

Asset Register

Updated to Year end Nov-20 £21,708.32

Insurance

In place to 16th September 2020 YLL-2720861963 Zurich Municipal

Retention Schedule

Adopted in existence

Standing Orders

Adopted Nov-20

Code of Conduct

Adopted 2016

Precept Agreed

No budget set for 2018/2019 - even though External Audit Report picked this up as an issue.

2019/2020
2020/2021
2021/2022

Presented and Agreed by New Clerk
£33,624 Minute 133 January 2020
£34,018.43 Minute 46 January 2021

General Notes

1. Papers presented to Auditor in an efficient manner

Mike Fisher
2nd June 2021

