



2021 – 2022 Final Internal Audit Report of Newcastle Higher Community Council

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Background

All town and community councils are required by statute to make arrangements for an independent internal audit examination of their accounting records and systems of internal control and for the conclusions to be reported each year in the Annual Return. This is the second year that KLG Internal Auditor has provided this service.

This report set out the work that undertaken in relation to the 2021 - 2022 financial year, the Internal Audit was conducted remotely, with the co-operation of the Community Clerk.

Internal Audit Approach

In undertaking the review for the year, I have regarded the materiality of transactions and their susceptibility to potential misreporting or misrepresentation in the yearend statement of accounts/annual return. The internal audit programme has been designed to cover and afford appropriate assurance that the Council's financial systems remain robust and operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory framework. The programme is also designed to facilitate the completion of the 'Internal Audit Report' in the Council's Annual Governance & Accountability Return, which requires independent assurance over a number of internal controls and objectives.

Overall Conclusion

The last internal audit report 9 recommendations for improvement were made. I am pleased to note that Council have completed 7 out of 9 recommendations. The following recommendations still need to be completed: -

- 1. Periodic spot checks to be carried out on the cashbook and bank statements by a Cllr, who will signed to verify by the Cllr the check has been conducted.**
 - 2. For budget monitoring reports to be presented to Council each quarter.**
- Along with the two uncompleted recommendations from the 2020/21 internal audit, I have made 4 further recommendations for improvement. Council have failed on 2 out of the 11 internal audit objectives.**

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

My objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in the cashbooks or the financial ledgers.

Council have implemented Scribe Accounting Software.

- ❖ Randomly selected purchase invoices verified them to the cash book, Council's minutes for approval and to the bank account.
- ❖ Ensured the accurate disclosure of the combined cashbooks and bank accounts balance as recorded in the detailed yearend accounts and also the Annual Return, which have been prepared by the Clerk.

Conclusions

The Council operated between Cheques and online payments during the year.

Note that payments have been presented to Council for approval.

Note that Council have been presented with bank reconciliations at periodic times throughout the year.

Recommendation

R1. – Periodic spot checks to be carried out on the cashbook and bank statements by a Cllr, who will signed to verify by the Cllr the check has been conducted.

Review of Corporate Governance

My objective here is to ensure that the Council has a robust regulatory framework in place; that Council meetings are conducted in accordance with the adopted Standing Orders and that no actions of a potentially unlawful nature have been or are being considered for implementation. To meet that objective, I have:

- ❖ Extended the review of the Council for the full financial year to ensure that no issues affecting the Council's financial stability existence whereby the Council may either be considering or have taken decisions that might result in ultra vires expenditure being incurred.

Conclusions

Note that Council have reviewed Reserve Policy, Co-option Policy, Social Media Policy and a GDPR Policy.

Note that Council have set up a working group for the review of Standing Orders and Financial Regulations. Council have been informed by One Voice Wales that new Standing Orders will be released in new term. Council have agreed to wait for the model documents to be provided by One Voice Wales.

Recommendation

R2. For Standing Orders to be updated to One Voice Wales Model Standing Orders and Financial regulations once the updated model standing orders and financial regulations have been released.

Review of Expenditure

My aim here is to ensure that:

- ❖ Council resources are released in accordance with the Council's approved procedures and budgets.
- ❖ Payments are supported by appropriate documentation, either in the form of an original invoice from the supplier or other appropriate documentation confirming that payment was due and acknowledgement of receipt.
- ❖ Relevant Financial Regulations and Standing Orders have been met in relation to formal tendering processes.

Here I sampled invoices from various different months and checked that the payments in the cash book can be traced back to the invoice. The invoices must be authorised by councillors at the monthly Council meeting prior to payment being processed. If paid by cheque the cheque is signed by 2 signatures.

Conclusion

- ❖ ***Note that inline with the Council Standing Orders and Financial Regulations, quotes have been sought for various projects that Council has undertaken during the year.***

Assessment and Management of Risk

My aim here is to ensure that the Council has appropriate arrangements in place to identify all potential areas of risk, including those of Health and Safety nature as well as those of a financial nature.

The Risk Assessment was presented to Full Council at the meeting on the 8th February 2022. It was agreed to present this item to the next meeting. However, this is yet to be presented.

Conclusion

The risk assessment document has been updated and is now fit for purpose.

Recommendation

- R3. For Council to implement an action tracker of all resolutions. The purpose of the action tracker is to keep council informed of the progress and to remind the clerk to bring items forward. An example of an action log can be found here**
<https://democratic.bridgend.gov.uk/documents/s25364/Audit%20Committee%20Tracker%20Appendix.pdf>

Precept Determination & Budgetary Control

My objective here is to ensure that the Council has a robust budget setting and budget monitoring procedure in place.

- ❖ The Council has undertaken a Budget Setting process and precept determination exercise, which forms part of the precept request.
- ❖ Regular reports are provided to the Council.

Conclusion

Noted that Council's budget setting process for 2021/2022 financial year was managed by the previous Clerk. (Please see 2020/21 internal audit report)

Note the amount of precept requested matched with the amount received from Bridgend County Borough Council.

Note the £15,000 gratuity payment which was budget for was not paid and has therefore been placed in reserves

Note that Council received a 6-month budget report but could not open it due to the format of the report.

Recommendations

- R4. On a quarterly basis Council should be presented with an Income and Expenditure Report and a Budget vs Actual expenditure report. Members should scrutinise these reports and formally note and approve the reports in the minutes of their meetings.**

Review of Income

My aim here is to ensure that robust systems are in place to ensure the correct identification of all income due to the Council, to ensure that income is recorded in a timely manner. I have therefore examined the following:

- ❖ Noted that income is received in the following forms, the precept, bank interest, and allotment income.
- ❖ Checked the Payment confirmation from Bridgend County Borough Council for payment of the precept and confirmed that the amount received matched the amount requested as per the formal agreement signed off by Council.

Conclusion

I am pleased to note that there are no matters for concern with regards to the review of income.

Petty Cash

I note that the Council does not hold Petty Cash, however this has still should be recorded on the Annual Risk Assessment.

Conclusion

I am pleased to report that there are no issues to report in this area.

Wages and Salaries

Here my aim is to ensure that effective controls are in place for the processing of salaries and wages. The only employee of the Council is the Community Clerk. The salary owing to the Clerk for the month is then calculated and presented to Council for approval along with the cheques for approval. The payroll is outsourced to an external payroll provider.

- ❖ Checked payslips provided by Clerk for approval by Council and then traced back to bank statement to confirm payment.
- ❖ Also checked the salary agreed by Council agreed to appropriate NALC pay scale.

Conclusion

I am pleased to report that there have been no issues with the identified in this area.

Fixed Asset Register

My aim here is to ensure that the Council has a register in place and that it is comprehensive, and it contains all the basic information that it should do.

Inspected the Fixed Asset Register and noted that there were additions of £6,700.00 in the year.

Note that the fixed asset register contains very little information.

Conclusion

The Fixed Asset Register should contain the following information date of acquisition, cost of acquisition, basis of valuation, date of last valuation, useful life estimate, location and responsibility. Further guidance can be found in Chapter 3 of the Governance & Accountability for Local Council's in Wales a practitioner's guide. A link to the guide can be found here [Governance and Accountability A Practitioners Guide Wales 2019.pdf](https://onevoicewales.org.uk/Governance%20and%20Accountability%20A%20Practitioners%20Guide%20Wales%202019.pdf) (onevoicewales.org.uk)

Recommendations

- R5. For Council to implement a fixed asset register policy**
- R6. For Council to undertake a review of the fixed asset register and to update the register to include all information as per the Governance and Accountability A Practitioners Guide Wales.**

Insurance

My aim here is to ensure that the Council has adequate insurance in place.

Note that Public Liability has been set at £250,000.00

Conclusion

I am pleased to note that the Council has suitable insurance.

Investments & Loans

None held by the Council.

Reserves

At the end of the year, the Councils reserves amounted to £72,677.00 note that Council have opted to use reserves to offset 2022/23 precept requirement.

Statement of Accounts and Annual Return

I have verified the accuracy of the data contained in Annual Return and I have examined and confirmed that there is an undelaying audit trail from the financial records.

Conclusion

I have duly signed off the Internal Audit Report in the Annual Return.