



2022 - 2023 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 report set outs the work that undertaken in relation to the 2022 - 2023 financial year.

## **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**

I have made six recommendations for improvement.

## **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.

A single cashbook is in place to reflect the transactions through the Co-operative current account.

- ❖ Randomly selected purchase invoices verified them to the cash book and to the Council's minutes for approval.
- ❖ 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 use Scribe Software accounting package. 128 payments have been made in the year, upon reviewing the minutes only 119 payments have been approved by Council.***

### **Recommendations**

**R1 Identify the 9 payments which have not been approved by Council and bring them forward to retrospective approval at the earliest opportunity.**

## **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 vire expenditure being incurred.

## ***Conclusions***

***Standing Orders and Financial Regulations have not been reviewed during the year. The Tender threshold is set at £60,000 which is higher than the annual precept.***

## **Recommendations**

**R2 For Standing Orders and Financial Regulations to be reviewed and presented to Council.**

**R3 For the tender threshold limit to be reduced to £25,000 which is in line with the One Voice Wales Model Financial Regulations.**

## **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.

## ***Conclusion***

***I have noted that all payments are supported by the appropriate documentation, however I also note that 9 payments were not submitted to full Council in order to be verified. Please see recommendation 1***

### **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.

#### ***Conclusion***

***Whist the Financial Risk Assessment is adequate, it has not been approved during the financial year by Council***

#### **Recommendation**

**R4 The Financial Risk Assessment should be reviewed and approved by Council on a yearly basis. For the review to be undertaken and presented to Council at the earliest available meeting.**

### **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.

Noted that Council have not received the appropriate financial reports during the year.

#### ***Conclusion***

***The budgetary reporting to Council was not at an acceptable level for the 2022-2023 Financial year. As a minimum at least every quarter the 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.***

#### **Recommendations**

**R5 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.

### ***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.

- ❖ 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***

***Members allowances are not being processed through payroll.***

### **Recommendation**

***R6 For members allowances to be processed through payroll.***

### **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 totalling £5,165.00 during the 2022- 23 year.

### ***Conclusion***

***The Fixed Asset Register remains up to date.***

### **Insurance**

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

### ***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 Council's reserves amounted to £71,610.

### **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. I note that due to the size of the Council no accounting software is used and the income and expenditure is recorded in a manual ledger.

### ***Conclusion***

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