

**DRAETHEN WATERLOO & RUDRY
COMMUNITY COUNCIL**

**INTERNAL AUDIT REPORT
AUDIT REVIEW 2019/20**

Date of Fieldwork	<i>April 2020</i>
Date of Report Issue	<i>24th April 2020</i>
Report Status	<i>Final</i>
Issued by:	<i>Michael Fisher, Internal Auditor</i>
Copy to	<i>Val Steel – Clerk to 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, however minor recommendations are made as follow:

- a) All policies and regulations etc have been adopted by the Council since November 2018. However these have not been brought back to Council for adoption on an annual basis – this is recommended as good practise and should be undertaken as soon as possible and thereafter on an annual basis.

4 ACKNOWLEDGEMENTS

The co-operation of the Clerk to the Council during the review was much appreciated. It is also noted how much improvement there has been over the last 18 months of the Councils affairs.

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 DWR 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 DWR 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.

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.

Minor 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, where held.
- 4.2. All documents were found to be agenda items and minuted signed accordingly.
- 4.3. Precept and Budget documentation was prepared and approved by Council

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.
- 5.2. Precept income could be matched to approved minutes.

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 limited 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 following last audit recommendations.

Weakness:

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

Strengths:

9.1. Periodic bank balance taken to Council as part of each cycle meetings, as discussed in objective 4 above. Reconciliations are taken to Council for approval.

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.