

Final Internal Audit Report Grosmont Community Council 2021-2022



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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, 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 internal audit 2021 - 2022 financial year.

## **Internal Audit Approach**

In undertaking the internal audit, 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 several internal controls and objectives.

## Areas of Testing

<b>Determination</b>	<b>Findings 2021-2022</b>	<b>Recommendations 2021-2022</b>
1. Appropriate books of account have been properly kept throughout the year.	Based on my review, it appears that appropriate books of account have been retrospectively reconstructed and entered into the Scribe accounting software for the 2021–2022 financial year. While there is some supporting evidence for the entries, the documentation suggests that books of account were not maintained consistently throughout the reporting period. The reconstructed records—primarily based on bank statements and limited supporting documentation—appear complete. However, the retrospective nature of their preparation will be taken into consideration.	R1. Council to ensure that accurate records of accounts are maintained throughout the year.
<b>Determination</b>	<b>Findings 2021-2022</b>	<b>Recommendations 2021-2022</b>
2. Financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	Financial regulations have not been met. During the year, 56 payments were made: 41 related to transactions and 15 to salaries. Of the 41 transaction payments, only 31 were supported by invoices and 19 had evidence of council approval. This indicates a failure to comply fully with requirements for supporting documentation and approval. While VAT was not appropriately accounted for.	<p>R2 All invoices must be retained and approved by Council.</p> <p>R3 Payment schedules to be produced with a clear numbering system, the Chair to sign each payment schedule at the meeting after approval.</p> <p>R4 For Financial Regulations to be followed with regards to payments, including direct debits and bank transfers.</p> <p>R5 For VAT to be accounted for in the correct manner.</p>

Determination	Findings 2021-2022	Recommendations 2021-2022
<p>3. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</p>	<p>Minutes indicate that the previous year's Financial Risk Assessment was adopted at the AGM in May 2021 with no changes.</p>	<p>R6 For the Financial Risk assessment to be reviewed each year by the Clerk, before being presented to Council for sign off.</p>
<p>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.</p>	<p>The budgetary process was <i>partially adequate</i> but lacked timely consultation and clear justification for significant proposed expenditure. Budget proposals were provided to councillors only two days before the meeting, and a material change — increasing the Grosmont Futures request from £5,000 to £14,000 — was submitted the day before the meeting. This late change limited councillors' ability to fully consider or challenge the financial implications. While the final precept of £19,500 was agreed through a majority vote after extensive discussion, the original proposal would have resulted in a 185% increase — indicating a lack of forward planning and community consultation. Concerns were raised by councillors regarding the affordability, lack of costing detail, and insufficient public engagement on the Grosmont Futures project.</p>	<p>R7 For the Clerk to ensure that the budget proposals are circulated at least 7 days prior to the meeting. This will enable Councillors the time to read, and ask questions on the budget.</p> <p>R8 Ensure the budget setting process complies with Standing Orders and Financial Regulations.</p> <p>R9 Budget monitoring reports to be provided to Council in line with Financial Regulations and to be clearly minuted.</p> <p>R10 To create a reserves policy to assist with the management of reserves.</p>

	<p>Progress monitoring and the state of reserves were considered during the meeting, with the Clerk estimating a £5,000 year-end balance and suggesting earmarked funds. However, the reserves policy and long-term financial planning were not clearly documented or evidenced.</p> <p>Given these factors, I conclude that the process did <b>not</b> fully meet the standard of an adequate budgetary process as required under financial regulations.</p>	
<p><b>5.</b> Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for.</p>	<p>Income is received from Precept, VAT returns, Hall Hire and Grants. Due to Covid 19 Pandemic expected income was not fully received. Which was beyond Councils control. No Sales Invoices were provided for the audit and receipts have been entered as exempt on the software.</p>	<p>R11 – Prior to the budget setting process, Council need to consider the ratable charge of hire of the hall.</p>
<p><b>6.</b> Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.</p>	<p>There was one payment through petty cash. The receipt has not been provided for auditing.</p>	<p>R12 Ensure that all receipts for petty cash claims are retained.</p>

<p><b>7.</b> Salaries to employees and allowances to members were paid in accordance with minuted approvals, and PAYE and NI requirements were properly applied.</p>	<p>Salaries paid to the Clerk and Caretaker were approved in all the Council meeting minutes provided for this audit.</p> <p>No payments to members were made. No payments to HRMC made.</p> <p>However, no payroll information provided for the audit.</p> <p>There were two Clerks employed during the year. Contract but no salary supporting documents provided for C Preece.</p> <p>Invoices for Salary provided by R Wade and the Councils Cleaner</p>	<p>R13 Council to ensure that all employees have contracts of employment in place.</p> <p>R14 For payroll to be processed and supporting documentation to be maintained to evidence if NI &amp; Tax were due to HMRC.</p>
<p><b>8.</b> Asset and investment registers were complete, accurate, and properly maintained.</p>	<p>No assets register provided for audit purposes. Nil entered on the annual return.</p>	<p>R15 For an up-to-date asset register to be produced by the Clerk.</p>
<p><b>9.</b> Periodic and year-end bank account reconciliations were properly carried out.</p>	<p>While Council minutes indicate that periodic and year-end bank account reconciliations were reviewed and approved throughout the financial year, the original reconciliation documents were not provided for audit. Instead,</p>	<p>R16 The Council should implement a formal process for preparing, reviewing, and retaining monthly and year-end bank reconciliations. Reconciliations should be:</p> <ul style="list-style-type: none"> <li>• Prepared promptly after each month-end,</li> <li>• Verified and signed by the Clerk and a designated Councillor,</li> <li>• Retained in original form (digitally or in hard copy),</li> </ul>

	retrospective reconciliations were generated from the accounting software. As a result, there is insufficient original evidence to confirm that reconciliations were carried out contemporaneously in accordance with financial regulations.	<ul style="list-style-type: none"> <li>Made available for future audit and inspection.</li> </ul> This will ensure compliance with financial regulations and strengthen financial governance.
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.	The Council's accounting statements for the year ended 31 March 2022 were retrospectively prepared on a <b>receipts and payments basis</b> , which is appropriate for a Council of this size. The figures presented reconcile with bank balances and are consistent with a receipts and payments framework.	<p>R17 Council should ensure that accounts are prepared within the financial year they relate to.</p> <p>R18 Council should be aware of the timelines for the completion, signing off and submission of accounts for auditing purposes.</p>
11. Trust funds (including charitable trusts). The Council has met its responsibilities as a trustee.	N/A	