

Final Internal Audit Report Grosmont Community Council 2022-2023



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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 2022 - 2023 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

Determination	Findings 2022-2023	Recommendations 2022-2023
1. Appropriate books of account have been properly kept throughout the year.	The Council's financial records were ultimately compiled and balanced; however, they were prepared retrospectively. Underlying financial reports were not consistently presented at meetings. While authorisation of payments was documented, there is limited evidence that books were maintained throughout the year.	R1. Council should ensure that accurate records are maintained throughout the year and shared with members for review and oversight at regular intervals.
Determination	Findings 2022-2023	Recommendations 2022-2023
2. Financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	Expenditure was regularly approved and VAT was recorded. However, only 9 of 17 non-salary payments had invoices. VAT was prepared retrospectively and not reclaimed during the year.	R2 Council should ensure all non-salary payments are supported by invoices and VAT is recorded and reclaimed in the appropriate financial year.
Determination	Findings 2022-2023	Recommendations 2022-2023
3. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	The Council had a risk policy and historical register in place and managed specific risks (e.g., Covid, Hall projects). However, the Risk Register was not reviewed or adopted in 2022–23, and the Health & Safety Statement was overdue for review.	R3 The Council should carry out an annual review of its Risk Register and Health & Safety documents, and minute this review.

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.	A proposed budget was located and the precept was requested and received in full. However, budget monitoring was not evident during the year. Reserves were healthy but lacked a documented breakdown until provided retrospectively.	R4 Council should monitor progress against the budget during the year and ensure reserve balances are reviewed and categorised as general or earmarked.
5. Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for.	Income (precept, grants, hall hire) was correctly received, recorded, and banked promptly. VAT was not applicable to income received.	
6. Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.	No petty cash was in use during 2022–23 and no records were submitted for audit.	
7. Salaries to employees and allowances to members were paid in accordance with minuted approvals,	Salaries were approved and paid, but the Clerk and Cleaner were paid via invoices rather than PAYE. This may not meet Financial Regulations or HMRC requirements if they are deemed employees.	R5 The Council should clarify the employment status of these roles and ensure PAYE payroll is used if they are not genuinely self-employed.

and PAYE and NI requirements were properly applied.		
8. Asset and investment registers were complete, accurate, and properly maintained.	No asset register was provided for audit and no annual review was minuted.	R6 The Council should maintain an up-to-date asset register and conduct a documented annual review.
9. Periodic and year-end bank account reconciliations were properly carried out.	Reconciliations were completed for each month and year-end, but they were prepared retrospectively and not reviewed or signed off by a council member.	R7 Council should complete reconciliations monthly, present them to a council member for review, and minute the sign-off as required by Financial Regulations.
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.	Statements were correctly prepared on a receipts and payments basis and figures reconciled. Most transactions were traceable. The accounts were completed after the year end.	R8 Council should ensure that the accounts are prepared in the year they relate to.

<p>11. Trust funds (including charitable trusts). The Council has met its responsibilities as a trustee.</p>	<p>N/A</p>	
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