

Final Internal Audit Report Grosmont Community Council 2023-2024



Prepared by Kerry-Leigh Grabham

## **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 2023 - 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

| <b>Determination</b>   | <b>Findings 2023-2024</b>  | <b>Recommendations 2023-2024</b>  |
|--|--|---|
| 1. Appropriate books of account have been properly kept throughout the year.   | The Council produced a Receipts and Payments Account for 2023–24, and financial matters were regularly discussed in meetings. However, records were compiled retrospectively and not consistently presented to the Council during the year, as required by Financial Regulation 2.2. | R1 Council should maintain up-to-date accounting records throughout the year and present quarterly financial summaries to members for review and minuting.  |
| <b>Determination</b>   | <b>Findings 2023-2024</b>  | <b>Recommendations 2023-2024</b>  |
| 2. Financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for. | 43 payments were made; only 13 were supported by invoices. The remaining payments, including salary, lacked proper documentation. Salaries were paid by invoice rather than through payroll. VAT was accounted for retrospectively.  | R2 All non-salary payments should be supported by invoices. Salaries must be paid via PAYE unless HMRC-recognised self-employment is proven. VAT should be tracked and reclaimed within the year. |
| <b>Determination</b>   | <b>Findings 2023-2024</b>  | <b>Recommendations 2023-2024</b>  |
| 3. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.              | While project-specific risks (e.g. Town Hall) were discussed, no formal risk assessment or Risk Register review took place. Existing policies (Risk Management, Lone Working, Health & Safety) were not reviewed or re-adopted in 2023–24.   | R3 The Council should review and adopt its Risk Register and key governance policies annually, with any updates formally minuted.   |

|   |  |  |
|---|--|--|
| 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. | The Council received a £30,000 precept. The budget was produced late and criticised by councillors for lacking clarity. No budget monitoring was evidenced during the year. Reserves were healthy but not categorised. | R4 Prepare and approve the budget early. Monitor actual vs budget performance regularly, and categorise reserves into general and earmarked funds at year-end.       |
| 5. Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for.   | Income (precept, hall hire, external fees) was received in full, correctly recorded, and promptly banked. VAT was not charged on income.   |  |
| 6. Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.   | No petty cash system was in use. All transactions were processed via the bank account.   |  |
| 7. Salaries to employees and allowances to members were paid in accordance with minuted approvals,  | The Clerk was offered employment under a formal contract dated July 2023 but continued to be paid via invoice. No payroll system or PAYE compliance was evidenced. No member allowances were paid.                     | R5 The Council must process salary payments through PAYE for employees. Immediate implementation is required to comply with Financial Regulation 7.1 and HMRC rules. |

|   |   |   |
|---|---|---|
| and PAYE and NI requirements were properly applied.   |   |   |
| <b>8.</b> Asset and investment registers were complete, accurate, and properly maintained.  | No asset register was provided or reviewed in 2023–24. A valuation was obtained for the Town Hall for insurance purposes, showing some awareness of asset management.   | R6 Produce and maintain a full asset register, review it annually, and record adoption in council minutes.  |
| <b>9.</b> Periodic and year-end bank account reconciliations were properly carried out.   | Monthly and year-end reconciliations were completed, but they were prepared retrospectively. There is no evidence that reconciliations were reviewed or signed off by a member.   | R7 Reconciliations should be prepared monthly, reviewed and signed by a councillor, and the review should be minuted to comply with Financial Regulation 2.2. |
| <b>10.</b> 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. | Accounts were prepared on a receipts and payments basis and reconciled to the year-end balance. However, records were prepared retrospectively and the audit trail was incomplete, with only 13 of 43 payments supported by invoices. | R8 Ensure all payments are supported by retained documentation, and improve real-time bookkeeping and VAT tracking throughout the year.                       |
| <b>11.</b> Trust funds (including charitable  | The Council is not a trustee of any charitable or trust fund.   |   |

|   |  |  |
|---|--|--|
| trusts). The Council has met its responsibilities as a trustee. |  |  |
|---|--|--|