JDH Business Services Ltd

Chirk Town Council

Internal Audit 2023/24

CHIRK TOWN COUNCIL 2023/24

INTERNAL AUDIT REPORT

The internal audit is carried out by the following testing of the internal controls specified on the Annual Return for local councils in Wales:

* Checking that books of account have been properly kept throughout the year
* Checking a sample of payments to ensure that the Council’s financial regulations have been met, payments are supported by invoices, expenditure is approved, and VAT is correctly accounted for
* Reviewing the Council’s risk assessment and ensuring that adequate arrangements are in place to manage all identified risks
* Verifying that the annual precept request is the result of a proper budgetary process; that budget progress has been regularly monitored and that the council’s reserves are appropriate
* Checking income records to ensure that the correct price has been charged, income has been received, recorded and promptly banked and VAT is correctly accounted for
* Reviewing petty cash records to ensure payments are supported by receipts, expenditure is approved and VAT is correctly accounted for
* Checking that salaries to employees have been paid in accordance with Council approvals and that PAYE and NI requirements have been properly applied
* Checking the accuracy of the asset and investments registers
* Testing the accuracy and timeliness of periodic and year-end bank account reconciliation(s)
* Year-end testing on the accuracy and completeness of the financial statements
* Where the Council is sole trustee of a charity, checking that the Council has procedures in place to meet its responsibilities as a sole trustee

**Conclusion**

On the basis of the internal audit work carried out, which was limited to the tests indicated above, in our view the council’s system of internal controls **is NOT in place**, adequate for the purpose intended and effective, and the issues reported in the action plan overleaf should be implemented. As part of the internal audit work for the next financial year we will follow up all recommendations included in the action plan.

**JDH Business Services Limited 12/06/2024**

**ACTION PLAN**

|  | **ISSUE** | **RECOMMENDATION** | **FOLLOW UP** |
| --- | --- | --- | --- |
| 1 | Bank statements were not provided for the following bank accounts as at 31/3/24:  HSBC - Community Account 31/03/2024 8,388.20 -***provided for 28/3/24***  HSBC - Business Money Manager 50,000.00 -***provided for 27/3/24***  Hampshire Trust Bank 31/03/2024 74,705.12 -***provided for 7/7/23***  Cambridge & Counties Bank 78,214.33 ***-Provided for 27/6/23***  Skipton Building Society 31/03/2024 84,362.71 - ***provided for 10/10/23***  The bank reconciliation contains a reconciling item that is an online payment from 15/11/23 and appears to be an error:  V285 £256.50 | *The Council must request up to date statements showing balances as at 31st March.*  *The Council must ensure that any interest relevant to 2023/24 is reflected in the accounts.*  *Errors should be corrected in the ledger and reconciling items in the bank reconciliation should only be genuine reconciling items.* |  |
| 2 | The accounts include a creditor of £10,549.60 for consultancy fees. A review of 2024/25 invoices identified that this is understated as it doesn’t include the March 2024 charge of £2409.60. | *The accounts should be amended to include a creditor for the March 2024 costs.* |  |
| 3 | The Council have not carried out a risk assessment in 23/24. The risk assessment was last approved in March 2023. | *The risk assessment should be carried out annually and formally approved by Council.* |  |
| 4 | The VAT reclaim submitted as at 31/3/24 is for 8976.46. this differs from the VAT debtor in the accounts that shows £9022.13.  This appears to be due to additional adjustments made to Scribe after the VAT return was submitted. | *The submitted VAT return should be reconciled to Scribe to ensure all VAT due is reclaimed.* |  |
| 5 | We have not seen evidence of regular budgetary control throughout 2023/24. Quarter 1 and quarter 2 reports were reported to the December 2023 meeting but there doesn’t appear to have been any other reporting relating to 2023/24. | *Council should review quarterly budgetary reports for each quarter as per their financial regulations.* |  |
| 6 | During the year the Council made online payments but there is no evidence that these were approved by two signatures before authorisation.  We are informed by Council that the procedure in the year was for payments to be authorised by full Council before payment.  In previous years a schedule of payments to be authorised at a Council meeting was circulated to Councillors with the agenda. This does not appear to have taken place during 2023/24.  There is no signed schedule of payments showing which payments were approved at Council meetings although the minutes do state that payments were approved.  Payments approved in January were listed within the minutes. | *The Council must ensure that they evidence that payments have been authorised by two signatures by either retaining evidence of which payments were approved by Council at each meeting, having a separate schedule signed by two signatures or listing the payments within the minutes.*  *This control appears to have been introduced for 2024/25.*  *If payments are not listed within the minutes, any supporting schedule should be referred to in the minutes with the total amount approved recorded in the minutes.* |  |
| 7 | We have not seen evidence that three quotes were obtained before a painting contract was awarded for a value of £10,228.  The RFO informed us that this was funded by a grant company who selected the quotes. We have not seen any evidence of what quotes were obtained. | *The Council must ensure that all contracts are awarded as per their financial regulations.*  *Any decision to suspend financial regulations for the awarding of a contract must be recorded within the minutes along with the reason.* |  |
| **2022/23 year-end internal audit** | | | |
| 1 | The bank statements for the following accounts have not been provided as at 31/3/22:  Skipton Building Society account statement dated 10/10/22  Cambridge & Counties Bank statement dated 22/6/21  Hampshire Trust Bank statement dated 8/7/22 | *The Council must request up to date statements.*  *The Council must ensure that any interest received on these accounts is reflected in the accounts.* | Outstanding |
| **2022/23 interim internal audit** | | | |
| 1 | A review of the bank reconciliations carried out during 22/23 found that they contained reconciling items amounting to £1709.47. £1591.57 relates to the EDF payments direct debits that have not yet been collected by direct debit. The Clerk will review this before the year-end.  The remaining £117.90 appears to relate to payments made in 21/22 and may be an error rather than a genuine reconciling payment. | *These items should be reviewed before the 31/3/23 bank reconciliation takes place to ensure that the year-end reconciliation only includes genuine reconciling items.* | Implemented |
| 2 | Online payments are approved by two councillor signatories by email before payment.  The emailed approval for the payment of £4500 for fire exit improvements approves the payment to the contractor but does not state the amount of the payment.  We checked whether payments had been approved by Council in the minutes. This was evidenced by emailed schedules sent out to Councillors prior to Council meetings. For payments made between 1/9/22 and 24/11/22 that were approved at the November meeting, the schedule was not sent out before the meeting but was presented at the meeting. | *The amount of the payment to be made must be approved by two signatories before the payment is made.*  *When the Council approve a schedule of payments at a meeting that was not circulated prior to the meeting, the Chair should sign the schedule of payments to evidence that they were approved.*  *The Chair should sign this schedule retrospectively to evidence that these were the payments approved.* | It is noted that the payment to the contractor relating to the fire exit was authorised by Council before the work commenced and retrospectively approved in the payment lists. |
| 3 | A review of income within the SCRIBE accounts package found that the following amounts remained due to the Council at the time of the interim audit.  2020/21 invoices £645 (burial fees)  2021/22 invoices £203.33 (£150 burial fees, £53.33 hall hire).  The Council do not appear to have a debt collection policy which would state the action to be taken for outstanding debts. | *The Council should follow up these invoices and ascertain the reasons for none payment and assess the likelihood of payment.*  *The Council should introduce a debt collection policy stating the action to be taken for outstanding debts.* | As at the year end, the debtors had reduced:  20/21 debtors £375 (burial fees)  21/22 debtors £160 (cemetery fees) |
| 4 | We have not seen evidence that three quotes were received for the grounds maintenance contract as required by the financial regulations. The contract was awarded in 2020 for a period of three years. | *Contracts must be awarded as per the financial regulations of the Council.* | The Council has stated that this was due to no other quotes being received and will endeavour to seek quotes during 23/24. |