

Black Rose Solutions Ltd

Internal Audit - Report

Name of Council - **Hednesford Town Council**

Date of Audit - **8th May and 22nd February 2024**

Annual Return - Internal Control Objectives

A. Appropriate accounting records have been properly kept throughout the financial year.	YES
Is the cashbook maintained and up to date?	yes
Is the cashbook arithmetic correct?	yes
Is the cashbook regularly balanced?	yes
The council uses the Scribe accounting system - no issues noted.	
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	YES
PG Authorities should refer to Para 5.34 to 5.41	
PG.B.2 • Ensure that consistent values are in place for the acquisition of formal tenders between SOs and FRs (frequently different limits are recorded in the two documents)	25k/60k
Are payments supported by invoices?	yes
Is all expenditure approved?	yes
Is VAT appropriately accounted for?	yes
Does the Council hold Power of Competence?	no
If not, does the council monitor s137 expenditure against limit?	yes*
During the year there has been a large tender for the heating system. Due to the specialist nature of the work it was not possible to obtain 3 quotes. The Standing orders and Financial Regulations are not consistent in the value above which a "light touch" version of the public contracts 2015 procedures need to be followed (£25k/£60k) - this would have required publication of the tender on the Government "contracts finder" website. As NALC issue updated templates it may be beneficial to review the tender provisions and limits to ensure that they are consistent and meet the council's needs.	note
The council was not monitoring s137 spend, but a list was quickly prepared upon enquiry from IA.	note

C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	YES
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PG Authorities should refer to Para 5.89 to 5.102

PG.C.2● Ensure that appropriate levels of insurance cover are in place for land, buildings, public, employers' and hirers' (where applicable) liability, fidelity / employees (including councillors) liability, business interruption and **cyber security** ok*

Does a review of the minutes identify any unusual financial activity?	no
Do minutes record the council carrying out an annual risk assessment?	yes
Is Insurance cover appropriate and adequate?	yes*
Are internal financial controls documented and regularly reviewed?	yes
	Review
Risk Assessment	07/02/2024
Financial Regulations	16/05/2023
Standing Orders	16/05/2023

The council has a comprehensive insurance policy, however a number of specific items are not easy to confirm values back to the Asset Register.
 There are a number of items on the asset register which may fall into categories not covered (e.g. Street furniture, TV & Audio equipment)
 There is a historically significant desk, which may not be adequately valued or insured.
 It is recommended that the council reviews the Insurance policy and makes any appropriate amendments.

note

D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	YES
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Has the council prepared an annual budget in support of its precept? yes
 Is actual expenditure against the budget regularly reported to the council? yes
 Are there any significant unexplained variances from budget? no
 Does the precept recorded agree to the Council Tax authority's notification? yes
 Are reserves appropriate? yes

Earmarked Reserves	232,142
General Reserves	108,229
Months of Income	4
Months of expenditure	5

The council holds general reserves within guideline levels of 3 to 12 months of Income/Expenditure

E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	YES
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Is income properly recorded and promptly banked? yes
 Are security controls over cash and near-cash adequate and effective? yes
 Is the council VAT registered? yes
 Are returns submitted in a timely manner? yes
 Is VAT reclaimed on exempt business activities reviewed and considered insignificant? yes
 Are receipts for business activities within the registration threshold? n/a

F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	N/a
The council does not hold petty cash	

G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	YES
Do all employees have contracts or employment with clear terms and conditions?	yes
Do salaries paid agree with those approved by the council?	yes
Are other payments to employees reasonable and approved by the council?	yes*
Have PAYE/NIC been properly operated by the council as an employer?	yes*
Does line 4 include only Salary, NI & Pension	yes
Does the council monitor off payroll working (IR35)	n/a
The council sometimes pays employees mileage from home to work for additional journeys for attending meetings. HMRC Employment Income manual - EIM32056 states that this is considered commuting (even though it is outside of normal working hours) so it will be a taxable as a benefit in kind. The council should ensure that the correct returns are made regarding this.	note

H. Asset and investments registers were complete and accurate and properly maintained.	YES*
PG.H.1 • Ensure that the Authority is maintaining a formal asset register and updating it routinely to record new assets at historic cost price, net of VAT and removing any disposed of / no longer serviceable assets	ok*
PG.H.6 • Compare the asset register with the insurance schedule to ensure that all assets as recorded are appropriately insured or "self-insured" by the Authority	***
Does the council maintain a register of all material assets owned or in its care?	yes
Are the assets and investments registers up to date?	yes*
Do asset insurance valuations agree with those in the asset register?	no*
The council has restated the value of fixed assets this year (previously the council depreciated the value of assets) The council has now created a Fixed Asset Register, where possible, items have been included at cost, where a cost was not available items have been included at £1. <i>(This is in line with PG 2.27 Authorities need to apply a reasonable approach to asset valuation which is consistent from year to year)</i>	note
Upon comparison to the Insurance schedule some items have been missed from the register (including civic regalia). It is recommended that the asset register is reviewed, and compared to the insurance schedule, to help ensure completeness. Where possible it would be beneficial to include an "insurance" value alongside "original cost" on the asset register to help ensure appropriate insurance and other risk measures are in place.	REC

I. Periodic and year-end bank account reconciliations were properly carried out.	YES
PG.I.3 • Where the authority has bank balances in excess of £100,000 it has an appropriate investment strategy.	no
Is there a bank reconciliation for each account?	yes
Is a bank reconciliation carried out regularly and in a timely fashion and approved by council?	yes
Are there any unexplained balancing entries in any reconciliation?	no
Is the value of investments held summarised on the reconciliation?	yes
The council does not have a reserves and/or investment policy.	
PG 1.11 <i>Investments — Arrangements need to be in place to ensure that the authority's funds are managed properly and that any amounts surplus to requirements is invested appropriately, in accordance with an approved strategy which needs to have regard to DLUHC's statutory Guidance on local government investments. If total investments are to exceed the threshold specified in DLUHC's statutory guidance at any time during a financial year [£100,000], the authority needs to produce and approve an annual Investment Strategy in accordance with the DLUHC guidance.</i>	note
See also PG 5.28 to 5.38	
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	YES
Are year end accounts prepared on the correct accounting basis (receipts and payments or income and expenditure) ?	I&E
Are debtors and creditors properly recorded?	yes
Do accounts agree with the cashbook?	yes
Is there an audit trail from underlying financial records to the accounts?	yes
K. If the authority certified itself as exempt from a limited assurance review in 22/23, it met the exemption criteria and correctly certified itself exempt	N/a
The council did not certify itself exempt	

L. The authority publishes information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.	YES
All councils - Accounts and Audit Regulations 2015	yes
Accounts remain published for 5 years	yes*
Community Infrastructure Levy Return	
Transparency Code for Larger Authorities (income/expenditure >£200k)	
Quarterly:-	
All items of expenditure above £500	yes
Government Procurement Card transactions	n/a
Procurement information (initiations to tender > £5k)	no
Annually:-	
local authority land	n/a
social housing assets	n/a
grants to voluntary, community and social enterprise organisations	no
organisation chart	no
trade union facility time	n/a
parking account	n/a
parking spaces	n/a
senior salaries (>£50k)	n/a
constitution (standing orders)	yes
pay multiple	no
social housing fraud	n/a
One off:-	
Waste contracts	n/a
The council falls into the large authority thresholds for Transparency requirements so the code details what should (not must) be published. Freedom of Information regulations may also be relevant.	
At the time of the interim audit The Community Infrastructure Levy return (22/23) was not published on the council's website in line with The Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2019 (3) <i>The parish council must— (a)publish the report— (i)on its website;</i>	note
UPDATE THIS HAS BEEN PUBLISHED BEFORE FINAL AUDIT	

M. The authority has demonstrated that during summer 2023 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations. (Evidenced by website or minutes)	NO
PG.M.1 - IAs should acquire / examine a copy of the required "Public Notice" ensuring that it clearly identifies the statutory 30 working day period when the Authority's records are available for public inspection.	no
The given period for exercise of public rights was 31 days. The document confirms <i>The Parish Council must inform the electorate of an exact 30 working day period during which public rights may be exercised. This is inclusive of the start and finish dates.</i>	REC

N. The authority has complied with the publication requirements for 2022/23 AGAR.	YES
Notice of Period for Exercise of Electors Rights	yes
Section 1 Annual Governance Statement	yes
Section 2 Accounting Statements	yes
Notice of Conclusion of Audit	yes
Section 3 External Audit Report & Certificate	yes
Internal Audit Report	yes

O. Trust funds (including charitable) – The council met its responsibilities as a trustee.	N/a
The council is not a trustee	