

INTERNAL AUDIT REPORT – YEAR END WEM TOWN COUNCIL 2024/2025

The internal audit of Wem Town Council is carried out by undertaking the following tests as specified on the AGAR Annual Return for Local Councils in England:

- 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

The interim internal audit provides evidence to support the annual internal audit conclusion on the Annual Return for local councils.

Conclusion

On the basis of internal audit work carried out, which was limited to the tests above, in our view the council's system of internal controls is in place, adequate for the purpose intended and effective, subject to the recommendations reported in the action plan. 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

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ACTION PLAN

	ISSUE	RECOMMENDATION	FOLLOW UP
1	<p>The Council have not approved a risk assessment in 2024/25.</p> <p>A risk assessment was carried out in March 2025 but it was not approved by council until April 2025.</p>	<p><i>The risk assessment should be carried out and formally approved annually by Council.</i></p>	
2	<p>The Council installed a solar panel system on the swimming pool at a cost of £102,523. The final invoice was paid in October 2024 but the solar panel system has not been included in the asset register as a final grant relating to the funding had not been received by 31/3/25 (this is correctly included in the accounts as a debtor).</p>	<p><i>As the solar panel system has been fully installed and is owned by the Council, it should be included in the asset register as at 31/3/25 and adequately insured.</i></p>	<p>The annual return and asset register were both updated to add the solar panels prior to internal audit signing the annual return.</p>
2024/25 interim audit recommendations			
1	<p>Budgetary Control:</p> <p>The newly adopted Financial Regulations do not contain any controls over budget virements or budgetary control reporting as currently the new FRs state only the following:</p>	<p><i>The council should ensure that appropriate internal controls over virements and budgetary control reporting are incorporated into the adopted Financial Regulations.</i></p>	<p>The Council have added an amendment to the 2025 update.</p>

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	<p><i>4.10. The agreed budget provides a basis for monitoring progress during the year by comparing actual spending and income against what was planned.</i></p> <p>The previous model Financial Regulations contained both detailed controls for virement authorisations and budgetary control reporting as follows:</p> <p><i>4.2. No expenditure may be authorised that will exceed the amount provided in the revenue budget for that class of expenditure other than by resolution of the council, or duly delegated committee. During the budget year and with the approval of council having considered fully the implications for public services, unspent and available amounts may be moved to other budget headings or to an earmarked reserve as appropriate ('virement').</i></p> <p><i>4.8. The RFO shall provide quarterly the council with a statement of receipts and payments to date under each head of the budgets, comparing actual expenditure to the appropriate date against that planned as shown in the budget. These statements are to be prepared at least at the end of each financial quarter and shall show</i></p>		

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	<i>explanations of material variances. For this purpose “material” shall be in excess of £xxx or xx% of the budget.</i>		
2	The Council do not have a signed data processing agreement with the payroll agent.	<i>The Council should ensure that a data processing agreement is in place with the payroll agent.</i>	To be considered at the June 2025 finance committee.
2023/24 internal audit recommendations			
1	No issues identified in the review of the year-end accounts.	<i>No recommendations</i>	
2023/24 interim internal audit recommendations			
1	Testing of a sample of payments identified that £1842.55 of VAT paid on the Christmas Lighting Contract (14/11/23 ref 158.23) had not been coded to the VAT account within the ledger but had been included within the Christmas lighting code. This could lead to the VAT not being claimed on this payment.	<i>An adjustment should be posted to the Rialtas ledger and if this hasn't been included within the quarterly VAT return, an adjustment should be made to the next VAT return.</i>	Implemented
2	Section 6.14 of the financial regulations require: <i>The council, and any members using computers for the council's financial business, shall ensure that anti-virus, anti-spyware and firewall software with</i>	<i>The Council need to ensure robust cyber security measures are in place that meet the requirements of s6.14 of the financial regulations.</i>	The Council have resolved that checks are made to ensure that all bank signatories who have authority to access the Town

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	<i>automatic updates, together with a high level of security, is used.</i> The Clerk has obtained information relating to 3 of the 4 bank signatories who use computers for the council's financial business.		Council's bank accounts via the internet can meet Financial Regulation 6.14 prior to becoming approved as a signatory.
3	The Council do not include income sampling in their internal control checks.	<i>The periodic checks carried out by members should include income sampling. The sample items should be agreed to price lists.</i>	Scrutiny of income has been added to monthly checks.