

INTERNAL AUDIT REPORT - INTERIM

WEM TOWN COUNCIL 2023/2024

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

ACTION PLAN

	ISSUE	RECOMMENDATION	FOLLOW UP
1	<p>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.</p> <p>This could lead to the VAT not being claimed on this payment.</p>	<p><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></p>	<p>Clerks notes – staff inputting error adjustment made and outstanding amount added to VAT for 4th Quarter.</p> <p>To prevent future errors copy of cash book scrutinised for coding and inputting errors by Town Clerk prior to month rollover</p>
2	<p>Section 6.14 of the financial regulations require:</p> <p><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 automatic updates, together with a high level of security, is used.</i></p> <p>The Clerk has obtained information relating to 3 of the 4 bank signatories who use computers for the council's financial business.</p>	<p><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></p>	<p>All signatories contacted awaiting response from 1</p>
3	<p>The Council do not include income sampling in their internal control checks.</p>	<p><i>The periodic checks carried out by members should include income sampling. The sample items should be agreed to price lists.</i></p>	<p>Scrutiny of income to be added to future monthly checks</p>

	ISSUE	RECOMMENDATION	FOLLOW UP
2022/23 internal audit recommendations			
1	Pay increases are notified to the payroll agent via a letter from the Town Clerk.	<i>The Chair should notify the payroll agent of annual officer pay rise information.</i>	Follow up at year-end - implemented
2022/23 interim internal audit recommendations			
1	A review of payments identified a payment in Month 10 that had been entered in the nominal ledger for funding to the swimming pool was incorrect. The payment had not yet been made and the payment schedule was corrected during the interim audit.	<i>A correction must be posted to the ledger. Invoices received should be checked to ensure they are for the expected amount before being processed for payment.</i>	Implemented
2	The Council now have a corporate credit card available for the Clerk to use. The Council documentation on internal controls and the financial regulations do not state the monthly and individual transaction limits in place, controls over physical security and the reporting of transactions to Council.	<i>The Council should review the internal controls in place over the use of the credit card and ensure that internal controls documentation is updated accordingly.</i>	Implemented