

The internal audit of Wem Town Council is carried out by undertaking the following tests as specified on the 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

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 in place, adequate for the purpose intended and effective, subject to the recommendations reported in the action plan overleaf.

We will follow up all recommendations included in the action plan in the next financial year.

JDH Business Services Limited

ACTION PLAN

	ISSUE	RECOMMENDATION	FOLLOW UP
1	Staff costs includes the purchase of PPE (£137.91).	<i>In future PPE costs should be included in 'All other payments' rather than 'Staff costs'.</i>	
2	The risk assessment does not address the risks of supplier (procurement) fraud.	<i>The risk assessment should be updated to include supplier (procurement) fraud including the adequacy of supplier onboarding controls.</i>	
2020/21 interim internal audit recommendations			
1	<p>Testing of payments found for the following payment the exact bank details of the payment had not been printed out and therefore could not be checked to the invoice:</p> <ul style="list-style-type: none"> • Wem Town Hall Community Trust £22,000 <p>The following grant payment was not supported by a letter or email of receipt and the recipient had not provided their bank details in the grant application form:</p> <ul style="list-style-type: none"> • Wem Tennis Club £1000 <p>Unity Trust Bank has not yet implemented 'confirmation of payee' so only allocates</p>	<p><i>Bank remittance advice should be printed off for each bank payment in order that the payment details can be verified.</i></p> <p><i>Receipts should be requested for grant payments. This is particularly important when a payment is made online as the bank do not currently use 'confirmation on payee'.</i></p> <p><i>Evidence of bank details should be retained to enable a councillor or auditor to verify the bank payment.</i></p>	

	ISSUE	RECOMMENDATION	FOLLOW UP
	payments using the account number and sort code.		
2	The minutes of the meeting of 28/5/20 (virtual) state that the Council approves payments made prior to the meeting under delegated authority but does not list the payments.	<i>In order to demonstrate the Council has approved the payments made under delegated authority, these should either be listed within the Council minutes or in a supporting schedule signed by the Chair with the total approved stated within the minutes.</i>	Implemented
Follow up of 2019/20 audit recommendations			
1	The fidelity cover at £609,000 does not cover the maximum projected cash balance of £747,000 (this is calculated as the year end bank balance plus first precept instalment).	<i>The Council should review the adequacy of the level of the fidelity cover.</i>	Implemented
2019/20 interim audit recommendations			
1	The internal controls require that for any new payees, the Clerk scans a copy of the invoice and emails to councillors in order that they can check the bank details. Currently the details of the bank payment are not printed off so we were unable to	<i>In order to improve the audit trail, the bank details (account number and sort code) should be printed off for all online bank payments. These can then be checked when required by Councillors or auditors. The requirement to do this can be reviewed when the bank informs them that 'Confirmation of payee' controls have been implemented.</i>	Implemented

	ISSUE	RECOMMENDATION	FOLLOW UP
	<p>check the bank details used to allocate a payment to the invoice.</p> <p>Current banking practice is to allocate payments using only the account number and the sort code and not the account name. Banks are introducing changes to this practice and 'Confirmation of payee' will be introduced.</p>		
2	<p>The Council awarded a contract to a supplier for the purchase of playground equipment without obtaining three quotes as required in the financial regulations.</p> <p>The financial regulations require that 'when applications are made to waive financial regulations relating to contracts to enable a price to be negotiated without competition the reason shall be embodied in a recommendation to the Council'.</p> <p>The minutes do state that no other quotes were obtained and the reason why but do not state that the Council has made the decision to waive financial regulations.</p> <p>A contract was awarded for floral planter maintenance and only one quote was obtained. The minutes do not state the reasons for this when approving the quote.</p>	<p><i>The minutes should state when the Council have made a decision to waive financial regulations relating to contracts with reference to the clause in the financial regulations that allows this. They should also record the reasons for making this decision.</i></p>	Implemented

	ISSUE	RECOMMENDATION	FOLLOW UP
Follow up of 2018/19 audit recommendations			
1	The fidelity cover at £609,000 does not cover the maximum projected cash balance of £639,000 (this is calculated as the year end bank balance plus first precept instalment).	<i>The Council should review the adequacy of the level of the fidelity cover.</i>	Implemented
2	Toilet income of £64.40 relating to 2018/19 that was banked on 29/3/19 (but had not cleared the bank account by 31/3/19) has not been included within the 2018/19 accounts.	<i>Year end procedures should ensure that amounts relating to the financial year in question are posted to the correct year.</i>	Implemented
<p>IMPORTANT GUIDANCE NOTE</p> <p>INTERNAL AUDIT CERTIFICATE in the AGAR</p> <p>There is a new internal control objective (Objective L) in the 2018/19 internal audit certificate that requires internal audit to conclude on whether the Public Rights Notice during the previous Summer was compliant with the Regulations. This is pre-filled for 2018/19 but in order to test this and conclude YES or NO for the 2019/20 internal audit we would need to receive with the 2019/20 books and records:</p> <ul style="list-style-type: none"> - A copy of the completed 2018/19 Notice of Public Rights and Publication of the Unaudited Annual Governance and Accountability Review - A dated photograph showing the first day of the Notice of Public Rights on the noticeboard or similar for 2018/19 			

	ISSUE	RECOMMENDATION	FOLLOW UP
	<p>Our approach to this new requirement will be to tick NO if we have not received the above evidence and explain on the AGAR that we received no evidence to be able to conclude YES, we would also tick NO if the dates advertised were not compliant with the Regulations.</p> <p>This will be an ongoing requirement for internal audit.</p>		
2018/19 interim audit recommendations			
1	The Council minutes for the meeting on 28/6/18 have been signed by the Chair when approved, however, they have not been initialled on each page.	<i>Loose-leaf minutes should be initialled on each page by the Chair when approved by Council. The June minutes should be initialled retrospectively.</i>	Implemented