

Black Rose Solutions Ltd

Internal Audit - Report

Name of Council - **Hednesford Town Council**

Date of Audit - **20th February 2025 & 8th May 2025**

Annual Return - Internal Control Objectives

A. Appropriate accounting records have been properly kept throughout the financial year.	YES
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Authorities should refer to Para 5.10 to 5.27

• Ensure the correct roll forward of the prior year cashbook balances to the new financial year ok

• Check a sample of financial transactions in cashbooks to bank statements, etc: the sample size dependent on the size of the authority and nature of accounting records maintained ok

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
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Authorities should refer to Para 5.34 to 5.41

• Review the procedures in place for acquisition of formal tenders and quotes, ensuring they are in line with the SOs and FRs which should be based on the latest version. ok

• 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

• Review the procedures for receipt of invoices, agreement of invoice detail and confirmation of goods /services delivery and approval for payment: ideally, a suitably designed certification stamp should be in place providing for evidencing of these checks and payment authorisation ok

• Check that there is effective segregation between the writing of cheques or the setting up of online payments, and physical release of payments ok

• Check that VAT reclaims are prepared and submitted in a timely manner in line with the underlying records and in accordance with current HMRC requirements ok

• Where debit / credit cards are in use, establish the total monthly and individual transaction limits and ensure appropriate controls over physical security and usage of the cards are in place ok

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

Re adopted? n/a

If not, does the council monitor s137 expenditure against limit?	yes
Cheque stubs initialled?	n/a

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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Authorities should refer to Para 5.89 to 5.102

- Ensure that authorities have prepared, and formally adopted, at least once annually, an appropriate and comprehensive register of assessed risks, both regular and ad hoc
- 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
- Ensure that appropriate arrangements are in place for monitoring play areas, open spaces and sports pitches: such reviews should be undertaken by appropriately qualified external inspectors or, if by officers or members, that they have received the appropriate training and accreditation

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
	18/03/2025
	17/06/2024
	01/05/2024

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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Authorities should refer to Para 5.7 to 5.9

• Ensure that the full Authority, not a Committee, has considered, approved and adopted the annual precept in accordance with the required parent Authority timetable	ok
• Ensure that budget reports are prepared and submitted to Authority / Committees periodically during the year with appropriate commentary on any significant variances	ok
• Review the budget performance either during the year or at the financial year-end seeking explanations for any significant or unanticipated variances	ok
• Ensure that the Authority has considered the establishment of specific earmarked reserves and, ideally, reviews them annually as part of the budget assessment process	ok
• Ensure that the precept in the accounts matches the submission form to the relevant authority and the public record of precepted amounts	ok

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	81,688
General Reserves	63,339
Months of Income	3
Months of expenditure	2
The council holds general reserves below the recommended 3 to 12 months of Net Revenue Expenditure	note

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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Authorities should refer to Para 5.44 to 5.47

• Review "Aged debtor" listings to ensure appropriate follow up action is in place	ok
• Allotments: ensure that appropriate signed tenancy agreements exist, that an appropriate register of tenants is maintained identifying, that debtors are monitored.	n/a
• Burials: ensure that a formal burial register is maintained that it is up-to-date and that a sample of interments and memorials are appropriately evidenced, that fees have been charged at the correct approved rate and been recovered within a reasonable time: (Authorities should also acquire and retain copies of Burial / Cremation certificates)	n/a
• Hall hire: ensure that an effective diary system for bookings is in place identifying the hirer, hire times and ideally cross referenced to invoices raised	ok
• Leases: ensure that leases are reviewed in a timely manner in accordance with the terms of the lease and rents similarly reviewed appropriately at the due time	n/a
• Other variable income streams: ensure that appropriate control procedures and documentation are in existence to provide a clear audit trail through to invoicing and recovery of all such income	n/a
• Where amounts are receivable on set dates during the year, ensure that an appropriate control record is maintained duly identifying the date(s) on which income is due and actually received / banked	n/a

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
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Authorities should refer to Para 5.42 to 5.43

- A number of Authorities are now running down and closing their petty cash accounts and using debit / credit cards for ad hoc purchases. Consequently, a “Not covered” response is frequently required in this area.
- Review the systems in place for controlling any petty cash and also cash floats (used for bar, catering, etc)
- Check a sample of transactions during the financial year to ensure appropriate supporting documentation is held
- Review the existence of evidenced periodic independent verification of the petty cash and any other cash floats held
- Ensure that VAT is identified wherever incurred and appropriate
- Physically check the petty cash and other cash floats held
- Where bar or catering facilities are in place, ensure that appropriate cashing-up procedures are in place reconciling the physical cash takings to the till “Z” total readings

Is all petty cash spent recorded and supported by VAT invoices/receipts?
Is petty cash expenditure reported to each council meeting?
Is petty cash reimbursement carried out regularly?
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
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Authorities should refer to Para 5.48 to 5.54

- Ensure that, for all staff, a **formal employment contract** is in place together with a confirmatory letter setting out any changes to the contract ok
- Ensure that appropriate procedures are in place for the payment of **members allowances** and deduction of any tax liability n/a
- PG.G.3 • Ensure that, for a sample of staff salaries, gross pay due is calculated in accordance with the **approved spinal point on the NJC scale** or hourly rate, if off-scale, and also with the contracted hours ok*
- Ensure that appropriate tax codes are being applied to each employee ok
- Where free or paid for software is used, ensure that it is up to date. rcced - mor
- For the test sample of employees, ensure that tax is calculated appropriately ok
- Check the correct treatment of Pension contributions ok
- For NI, ensure that the correct deduction and employer’s contributions are applied: NB. The employers allowance is not available to councils but may be used by other authorities ok
- Ensure that the correct **employers’ pension percentage** contribution is being applied ok
- Ensure that for the test sample, the correct net pay is paid to the employee with tax, NI and pension contributions correctly paid to the respective agencies. ok

Do all employees have contracts or employment with clear terms and conditions?	yes
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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
Payroll is outsourced.	note
It appears that the method used to pro-rata annual salaries has resulted in small monthly underpayments to some staff.	
This has been resolved in the March payroll.	

H. Asset and investments registers were complete and accurate and properly maintained.	YES
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Authorities should refer to Para 5.28 to 5.30

Authorities should refer to Para 5.57 to 5.63

Tangible Fixed Assets

- 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
- Physically verifying the existence and condition of high value, high risk assets may be appropriate
- Ideally, the register should identify for each asset the purchase cost and, if practicable, the replacement / insured cost, the latter being updated annually and used to assist in forward planning for asset replacement ok
- Additions and disposals records should allow tracking from the prior year to the current ok
- Ensure that the asset value to be reported in the AGAR at Section 2, Box 9 equates to the prior year reported value, adjusted for the nominal value of any new acquisitions and / or disposals ok
- Compare the asset register with the insurance schedule to ensure that all assets as recorded are appropriately insured or “self-insured” by the Authority ok

Fixed asset investments

- Ensure that all long-term investments (i.e., those for more than 12 month terms) are covered by the “Investment Strategy” and reported as Assets in the AGAR at Section 2, Box 9.

Authorities should refer to Para 5.64 to 5.67

Borrowing and Lending

- Ensure that the authority has sought and obtained appropriate DMO approval for all loans acquired
- Ensured that the authority has accounted for the loan appropriately (i.e., recorded the full value of the loan. Any arrangement fee should be regarded as an admin expense) in the year of receipt
- Ensure that the combined principal loan repayment and interest for the year is correctly recorded in the AGAR at Section 2 Box 5
- Ensure that the outstanding loan liability as at 31st March each year is correctly recorded in the AGAR at Section 2, Box 10 (value should be verified via the DMO website)

- Where the Authority has issued loans to local bodies, they should ideally seek signed indemnities from the recipient body, or their members, agreeing to underwrite the loan debt

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?	yes

I. Periodic and year-end bank account reconciliations were properly carried out.	YES
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Authorities should refer to Para 5.10 to 5.27

- PG.I.1 • Ensure that bank reconciliations are prepared routinely, are subject to independent scrutiny and sign-off by members ok*
- Verify the accuracy of the year-end bank reconciliation detail and ensure accurate disclosure of the combined cash and bank balances in the AGAR, Section 2, Box 8. ok

• Where the authority has bank balances in excess of £100,000 it has an appropriate investment strategy.	ok
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Is there a bank reconciliation for each account?	yes
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Is a bank reconciliation carried out regularly and in a timely fashion and approved by council?	yes*
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Are there any unexplained balancing entries in any reconciliation?	no
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Is the value of investments held summarised on the reconciliation?	yes
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Are bank statements initialled?	no
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Bank recs signed by who?	RFO & CO
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The bank reconciliation is prepared monthly by the RFO and signed off by the CO. Financial regulations also require this to be reviewed and approved by council biannually. Since the interim audit the Jan, Feb & March reconciliations have been approved the March & April meetings.	note
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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
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Authorities should refer to Para 5.122 to 5.160

Whilst IAs are not required to verify the accuracy of detail to be disclosed in the AGAR, this assertion, together with the expectation of most Authorities, effectively requires IAs to ensure that the financial detail reported at Section 2 of the AGAR reflects the detail in the accounting records maintained for the financial year.

Consequently, IAs should

• Ensure that, where annual turnover exceeds £200,000, appropriate records are maintained throughout the year on an Income and Expenditure basis to facilitate budget reporting in that vein	ok
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• Ensure that appropriate accounting arrangements are in place to account for debtors and creditors during the year and at the financial year-end	ok
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Are year end accounts prepared on the correct accounting basis (receipts and payments or income and expenditure) ?	I&E
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Are debtors and creditors properly recorded?	yes
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Do accounts agree with the cashbook?	yes
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Is there an audit trail from underlying financial records to the accounts?	yes
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K. If the authority certified itself as exempt from a limited assurance review in 23/24, it met the exemption criteria and correctly certified itself exempt	N/a
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IAs should ensure that, all relevant criteria are met (receipts and payments each totalled less than £25,000)

- the correct exemption certificate was prepared and minuted in accordance with the statutory submission deadline
- that it has been published, together with all required information on the Authority's website and noticeboard

Receipts < £25k

Payment < £25k

Required Documents Published (2024)

Certificate of Exemption

Annual Internal Audit Report
Section 1 - Annual Governance Statement
Section 2 - Accounting Statements
Analysis of Variances
Bank Reconciliation
Notice period - exercise of public rights
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
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This test applies only to those councils covered by the £25,000 External Audit exemption
 IAs should review the Authority's website ensuring that all required documentation is published in accordance with the Transparency Code

All councils - Accounts and Audit Regulations 2015	yes
Accounts remain published for 5 years	
Community Infrastructure Levy Return	yes
Transparency Code for Smaller Councils (income/expenditure under £25k)	
All items of expenditure above £100	
End of Year Accounts (5 years)	
Annual Governance Statement	
Internal Audit Report	
List of Councillor or member responsibilities	
Location of public land and building assets	
Minutes, Agendas and papers of formal meetings	
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)	n/a
Annually:-	
local authority land	no
social housing assets	n/a
grants to voluntary, community and social enterprise organisations	yes
organisation chart	yes
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.	

M. The authority has demonstrated that during summer 2024 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations. (Evidenced by website or minutes)	YES
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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.

IAs may also check whether councils have minuted the relevant dates at the same time as approving the AGAR

Approval Date (meeting)	04/06/2024
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Publication Date (announcement date)	12/06/2024
Date from (commencement date)	13/06/2024
Date to	24/07/2024
30 days?	ok
first 10 days of July?	ok
exactly 1 day before?	ok
as soon as practical?	es - holidat

N. The authority has complied with the publication requirements for 2023/24 AGAR.	YES
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IAs should ensure that the statutory disclosure / publication requirements in relation to the prior year's AGAR have been met as detailed on the front page of the current year's AGAR.

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
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- Confirm that all charities of which the council is a Trustee are up to date with CC filing requirements
- that the council is the sole trustee on the Charity Commission register
- that the council is acting in accordance with the Trust deed
- that the Charity meetings and accounts recorded separately from those of the council
- review the level and activity of the charity and where a risk based approach suggests such, review the Independent Examiners report

The council is not a trustee
