Cowbridge (Ancient Borough) with Llanblethian Town Council

Internal Audit 2022/23

JDH BUSINESS SERVICES LTD

The internal audit of Cowbridge (Ancient Borough) with Llanblethian Town Council is carried out by undertaking the following tests as specified in the Annual Return for Local Councils:

- 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 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 overleaf. 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 Ltd
May 2nd, 2023

ACTION PLAN

	ISSUE	RECOMMENDATION	FOLLOW UP
1	The risk assessment was not reviewed, updated and approved during the 2022/23 financial year.	*The risk assessment should be reviewed, updated and approved every financial year.*	
2	Review of the draft accounts provided identified that year end procedures had not been correctly applied to produce income and expenditure accounts as no accruals, creditors, non-VAT debtors, prepayments or receipts in advance had been included in the trial balance and balance sheet. This was rectified by the clerk and the final accounts and the final Annual Return included appropriate debtors and creditors.	*The council is an income and expenditure council and must apply year end procedures to completely and accurately capture all accruals, creditors, non VAT debtors, prepayments and receipts in advance for inclusion in the year end trial balance and balance sheet and income and expenditure accounts.*	
3	A comprehensive asset register is a key management tool for managing fixed assets effectively. The current register does not contain all the information necessary, for instance, there is no information to indicate the valuation method used for each asset or date of acquisition/disposal to enable annual movements on fixed assets to be reconciled, and no custodian or location is identified. The format of the fixed asset	*The council should improve the format of the asset register by including at least the following key information where relevant:* • *Valuation method* • *Confirm whether insured or not and insurance value* • *dates of acquisition, upgrade and disposal (it is useful to keep a record*	

	ISSUE	RECOMMENDATION	FOLLOW UP
	register should be improved to include key headings as described in the Practitioners' Guide.	*of disposed assets as an asset management tool);* • *costs of acquisition and any expenditure which increases the life of the asset;* • *if proxy cost is used for first valuation, a note of the method used for valuation and details of any professional advice received;* • *useful life estimate;* • *location;* • *responsibility/custodian);* • *any available indications of asset value and condition; any regular charges for usage or occupancy.*	
4	A £5000 Debit Card fraud was committed against the council during the year but officers are not clear exactly how the fraud was perpetrated. The bank has refunded the monies in full so there has been no loss to the council.	*The council should review the Debit Card fraud prevention actions listed in the Action Fraud website and ensure they are all implemented. As a debit card gives a fraudster direct access to the council bank account to enable fraudulent payments, the council could consider other forms of payment such as a Prepaid card with strict*	

	ISSUE	RECOMMENDATION	FOLLOW UP
		monthly limits or a Credit Card with transactional and monthly limits..	
5	The risk assessment does not address the risks of supplier fraud. Most standard local council insurance policies do not cover third party/supplier fraud. The supplier fraud risks can be managed via appropriately robust policies and procedures. Examples of prevention actions include: - training for staff to alert them to the potential risks of providing sensitive company information, by phone or other means, especially contract and account information. - establish a rigorous change of supplier details procedure - where a supplier has purported to have changed their bank details always call the supplier to check the veracity of a request, using details in your system, rather than those on any associated letter or email. A person should be authorised to approve a supplier bank account change after having reviewed the process undertaken to verify the supplier details change	*The risk assessment should be updated to include supplier fraud including the adequacy of supplier onboarding controls.*	

	ISSUE	RECOMMENDATION	FOLLOW UP
	- periodic review of supplier accounts should also be undertaken to remove any dormant accounts. This reduces the likelihood of any old supplier information being used to secure fraudulent payments. - checking address and financial health details with Companies House - checking samples of online payments to supplier invoices to ensure the payment has been made to the supplier bank account		
6	There is no Investment Strategy and Treasury Management strategy established in accordance with the requirements of the LGA 2003 and Welsh guidance regarding investments which states: *'All other town and community councils and charter trustees whose investments are not expected to exceed £250,000 shall have due regard to this guidance and give priority to security and liquidity rather than to yield for any investments they undertake. The level of detail and specific requirements outlined in this guidance will therefore not apply but all Town and Community Councils or Charter Trusts should;* *(i) agree a Capital Strategy before the start of the financial year as a minimum; this can be undertaken as a part of the budget setting process;* *(ii) agree appropriate limits for each category of investments it plans to carry out;*	*The council should consider establishing an Investment Strategy and Treasury Management strategy with reference to the requirements of the Local Government Act 200 and Welsh guidance regarding investments and strategies.*	

	ISSUE	RECOMMENDATION	FOLLOW UP
	(iii) agree a process that effectively monitors the strategy in year, and; *(iv) ensure that all investments are in Sterling;*		
7	A checklist review of governance identified that policies for gifts and hospitality, and expenses, have not been adopted by council.	*The council should establish a gifts and hospitality policy, and an expenses policy.*	
8	Town Hall hire charges and cemetery fees are reviewed annually by the relevant committees. However, Section 9.3 of the Financial Regulations require that *'The council will review all fees and charges at least annually, following a report of the Clerk\RFO or duly delegated staff member.'*	*Fees and charges should be reviewed and approved annually by council in accordance with the Financial Regulations.*	
9	The following established working groups do not have an adopted terms of reference: • Coronation Working Group • Community Plan Working Group	*All working groups should be established with an approved terms of reference, making it clear that the working group has no decision making authority.*	
10	There is no income collection/debt write off policy to ensure there is an agreed consistent approach to income collection and the procedures to follow with older debts including write offs.	*The council should consider establishing an income collection/debt write off policy to ensure a consistent approach to debtors.*	