

INTERNAL AUDIT REPORT  
HAWARDEN COMMUNITY COUNCIL 2019/2020 – Interim Audit

The internal audit is carried out by the following testing of the internal controls specified on the Annual Return for local councils in Wales:

- 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.

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**

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ISSUE	RECOMMENDATION	FOLLOW UP
<p>1</p> <p>The Council purchased new groundsman equipment to the value of £5800 in October 2019.</p> <p>During the audit, we could not locate within the minutes where the commitment to spend was authorised. We saw signed authorisation from the Chair and Vice-Chair and evidence that three quotes were obtained but as the purchase was in excess of £5000, we would expect to see a commitment within the minutes as required by the Financial Regulations.</p>	<p><i>Commitments to spend should be recorded in the minutes as per the financial regulations of the Council.</i></p> <p><i>To improve the audit trail, reference to the minutes that authorise the commitment to spend should be recorded on the accounts voucher or on a budget monitoring document.</i></p>	<p>This is recorded in the Budget monitoring report for October as it was taken from the Council's "holding account" and was an 'emergency spend' i.e. not budgeted for.</p> <p>Noted.</p> <p>However, the Financial Procedures for Hawarden allow for spend up to £5000 and for B&amp;B it is £1,500 with the authorisation of the Chair of the Council and the Chair of the Finance Committee. (the respective net amounts are HCC £3,758 and B&amp;B £1,751)</p>
<p>2</p> <p>Testing of online payments found that bank remittance advice showing the bank account details of each payment are not routinely printed out and attached to the invoice enabling this to be checked against the invoice.</p>	<p><i>To ensure that the actual account numbers and sort codes paid can be checked, the bank remittance advice should be retained and attached to paid invoices.</i></p>	<p>Noted.</p> <p>Although this has been the current practice since the introduction of on-line payments in 2016/17. This will generate an excessive amount of paper which goes against the Council's aim to become paperless.</p>

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			<p>During follow-up discussions with the Internal Auditor apparently the banks (i.e. Lloyds bank) are looking to amend their bank statements in order to rectify this (and prevent Fraud).</p>
3	<p>A review of a monthly joint agreement calculation schedule found the audit trail was difficult to follow.</p> <p>A monthly accounts for payment schedule is used to provide the balances for the calculation but this does not detail whether a payment is for only Hawarden CC or whether it is a joint cost. There is no description on the spreadsheet as to what the balances are.</p>	<p><i>The audit trail for the joint agreement should be improved in order that monthly invoices can easily be reconciled to source documents.</i></p>	<p>Noted and implemented.</p>