INTERNAL AUDIT REPORT – INTERIM AUDIT
HAWARDEN COMMUNITY COUNCIL 2021/2022

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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ACTION PLAN

	ISSUE	**RECOMMENDATION**	**FOLLOW UP**
1	As part of the interim audit, we reviewed the calculation of October's joint agreement charge to Shotton Town Council and Broughton & Bretton Community Council. We found that a payment of £750 was incorrectly included within the Central Administration charge.	*An adjustment should be made to the next joint agreement invoices for the overcharge.*	**Correction will be made in March**
2	The financial regulations require: *6.18. Any Debit Card issued for use will be specifically restricted to the Clerk and RFO [and the Senior Maintenance Officer or Administrative Assistant on behalf of the Clerk/RFO] and will also be restricted to a single transaction maximum value of [£500] unless authorised by Council or finance committee in writing before any order is placed.* The Council purchased a ride on mower at a cost of £1699 using the debit card. We have not seen evidence of Council or finance committee authorisation before the order was	*The debit card should be used as per the financial regulations of the Council.*	**Noted; possibly consider a change to the value of £500?**

	placed, although we note the minutes record the decision to purchase a ride-on mower.		
3	The Council paid a contractor £5817 (excl VAT) to carry out a lighting inspection. We were informed that three quotations were not obtained as the service is a specialist service. We could not locate Council minutes regarding the awarding of the contract that stated why the financial regulations did not apply and gave authority to spend.	*Contracts should be awarded as per the financial regulations. Unless this service cannot be provided by any other companies, it cannot be considered specialist.* *Any reasons as to why a contract is awarded without quotations should be documented in the council minutes.*	**Noted; Clerk and Financial Officer to establish whether there are any other suppliers that can undertake this work.**
Follow up of 2020/21 internal audit recommendations			
1	The Council has not carried out a risk assessment in 20/21.	*The Council must carry out an annual risk assessment and this should be approved annually.*	**Implemented**
2	A review of the Joint maintenance income found the following: - Expenditure recharged to other councils under the agreement amounting to £2723.22 had been netted off income. - A review of the income received found that the September invoice to Shotton Town Council for £6223.86	*Expenditure should not be netted off income.* *The accounts should be amended to include a debtor in the accounts for the outstanding Shotton TC balance.* ***The annual return should be amended as follows:*** ***Total other receipts = £134,499*** ***Total other payments = £104,612***	**Amended.**

	remained outstanding, however a debtor had not been included in the accounts.	***Balances cf = £342,583*** ***Debtors = £9001 (includes a rounding of 1 adjustment)*** ***Balances cf = £342,583*** *A reconciliation should be carried out regularly to ensure that all income invoiced has been received and the ledger balances are correct.*	
3	The fidelity cover of £391,000 does not cover the maximum projected cash balances as at 31/3/21 of approximately £430,000.	*The Council should review the adequacy of the fidelity cover as part of their annual risk assessment.*	**Fidelity cover reviewed and adequate.**
4	At the time of the internal audit, the Council had not completed the trust funds disclosure note on the accounting statement. The Council are in the process of ascertaining the trustee status of the Herbert Gladstone Recreation Ground Charity. Please see issue 1 in the 20/21 interim internal audit recommendations.	*As the Council has not completed the trust funds disclosure note, we have selected 'not covered' in the Annual Internal Audit Report section of the annual return.*	**Still outstanding; awaiting legal advice.**