



RHOSLLANNERCHRUGOG COMMUNITY COUNCIL

Internal Audit 2025/26

Interim Report

JDH BUSINESS SERVICES LTD

The internal audit is carried out by the following testing of the internal controls specified in 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)
- Review of year-end 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

Action Plan

	ISSUE	RECOMMENDATION	FOLLOW UP
2025/26 interim internal audit			
1	<p>The following salary payment includes expenses, however, the cashbook codes the full payment amount to “community agent”:</p> <ul style="list-style-type: none"> Tn 307 Wages/Salaries Month 6, 25/248, £1,436.38 	<p><i>The council should ensure that all expenses at the year-end that are not benefits in kind are not included in the ‘Staff costs’ disclosure in the Annual Return accounts.</i></p>	
2	<p>For the following income transaction, only an income analysis was provided:</p> <ul style="list-style-type: none"> TN 85, 299, Bingo, £800.00 	<p><i>The council should ensure that robust internal controls over bingo receipts are in place including ensuring:</i></p> <ul style="list-style-type: none"> - <i>accurate documentation and reconciliation information is retained including detailed records of all sales, transactions, and payouts.</i> - <i>appropriate segregation of duties,</i> - <i>cash security – cash should be held in a locked box or safe until it is deposited at the bank</i> 	

	ISSUE	RECOMMENDATION	FOLLOW UP
2024/25 year end internal audit			
1	<p>Year end accounts issues:</p> <ul style="list-style-type: none"> Debtors are incorrectly recorded in the Annual Return as £7,833. The correct figure from the debtors analysis is £7,884. The correct total in box 11 should be £188,233 using the correct rounded debtors figure. The 2023/24 comparative figure in the Annual Return accounts for the precept is incorrectly recorded as £302,430. The actual precept figure for 2023/24 was £302,438. The incorrect total of £188,832 is disclosed in box 7. of the Annual Return 2024/25 accounts. The correct total is £188,233. Recurring Issue - Staff costs for the draft Annual Return had been calculated using staff cost payments from the cashbook. The council prepares accounts on an income and expenditure basis so the staff costs calculations should have accounted for opening and closing HMRC and pensions creditors. 	<p><i>The correct figures should be disclosed in the 2024/25 Annual return accounts and 2023/24 comparatives as noted.</i></p> <p><i>Staff costs disclosed in the Annual Return must be calculated on an income and expenditure basis.</i></p>	<p>To be followed up at 2025/26 year end internal audit</p>

	ISSUE	RECOMMENDATION	FOLLOW UP
2024/25 interim internal audit			
1	Due to the method of accounting for bingo income on a net receipt basis, purchases made out of cash received are not recorded in expenditure, therefore, a purchase of £220 for blinds for the centre is not included in expenditure as the net bingo receipts have been recorded in the cashbook.	<i>Income should not be netted down for expenditure paid out of cash receipts as this understates both income and expenditure in the accounts.</i>	Implemented
2	The following payments could not be matched with approval in the minutes: <ul style="list-style-type: none"> • 278, DPC, Griffiths Hire Shops, 24/220, £1,635.07 We were informed that this was due to the final row of the payments schedule to be approved by council being omitted, and that this will be rectified in the next council meeting.	<i>All payments should be approved by council.</i>	No further approval issues identified in 2025/26 interim internal audit
3	The council currently has one strategic plan, the Annual Report, however, the council does not link any decision making in the minutes to the aims and objectives of the strategic plan.	<i>Where appropriate, the council should consider linking resolutions in the minutes with key aims and objectives in the current strategic plan to evidence that decision making is driven by strategic planning.</i>	Recommendation Outstanding

	ISSUE	RECOMMENDATION	FOLLOW UP
4	<p>The Accounts and Audit Regulations require the council to conduct a financial year review of the effectiveness of the system of internal control. Although there are internal controls in place as evidenced by the Financial Regulations and a risk assessment review, the council has not conducted a formal annual review of the effectiveness of internal controls and documented this in the minutes.</p>	<p><i>The council should conduct an annual review of the effectiveness of the system of internal controls and document this review in the minutes.</i></p>	Implemented
5	<p>The budgetary control report presented to council for the June 2024 quarter does not identify those variances in excess of the threshold in the Financial Regulations requiring written explanation.</p> <p>Financial Regulations state the following:</p> <p><i>4.8. The RFO shall regularly provide the Council with a statement of receipts and payments to date under each head of the budgets, comparing actual expenditure to the appropriate date against that planned as shown in the budget. These statements are to be prepared at least at the end of each financial quarter and shall show explanations of material variances. For this purpose "material" shall be in excess of £100 or 15% of the budget.</i></p>	<p><i>The budgetary control information provided to council should comply with Financial Regulation requirements by highlighting those variances in the report which are in excess of the threshold set in the Financial regulations where a written explanation is needed.</i></p>	Implemented

	ISSUE	RECOMMENDATION	FOLLOW UP
2023/24 year end internal audit			
1	The extended trial balance provided for the year end internal audit did not include the creditor of £7862.5 for running costs of the Johnstown Community Centre from WCBC. The year end accounts included in the Annual Return were correct and incorporated this creditor.	<i>The extended trial balance should be updated to reflect the creditor of £7862.50 to ensure this document agrees to the annual return accounts.</i>	Implemented
2	Recurring Issue Staff costs for the draft Annual Return had been calculated using staff cost payments from the cashbook. The council prepares accounts on an income and expenditure basis so the staff costs calculations should have accounted for opening and closing HMRC and pensions creditors.	<i>Staff costs disclosed in the Annual Return must be calculated on an income and expenditure basis.</i>	Recommendation Outstanding
2023/24 interim internal audit			
1	A debit card payment was made in June 2023 for £644.34 to Morrisons. The Financial Regulations set a maximum transaction limit of £500 as follows: <i>6.18. Any Debit Card issued for use will be specifically restricted to the Clerk and the RFO</i>	<i>The council must comply with the card transaction limits in the Financial Regulations.</i>	No further debit card issues identified in 2024/25 interim internal audit.

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	<p><i>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.</i></p> <p>Therefore, the council has breached its Financial Regulations in terms of transaction limits for the debit card.</p>		
2	<p>Income sampling identified two income categories where the receipts did not match the invoice:</p> <p>1.) Receipt 129 for £168 from the Guides did not equal the total of the two invoices of £192 that the receipt related to (Invoices 491 and 498).</p> <p>2.) The September 2023 burial receipt number 126 of £300 did not include the £69 admin fee included in the invoice issued.</p>	<p><i>The council should review these items and ensure any further amounts due are received. Credit control documentation should record amounts overdue on sales invoices.</i></p>	<p>These issues have been reviewed by the clerk and the income process is to be changed with the clerk reviewing monthly all invoicing to ensure correct prices have been charged.</p>
3	<p>There is no income collection/debt write off policy to ensure there is an agreed consistent approach to income collection and the</p>	<p><i>The council should consider establishing an income collection/debt write off policy to ensure a consistent approach to debtors.</i></p>	<p>Implemented</p>

	ISSUE	RECOMMENDATION	FOLLOW UP
	<p>procedures to follow with older debts including write offs.</p> <p>Aged debtor reports are not provided periodically to council or the finance committee to provide management information about the age profile of debtor balances.</p>	<p><i>Management information provided to council could be improved by providing aged debtor information at least annually so council can review income risks in terms of whether the levels of older debtors is significant.</i></p>	<p>2024/25 follow up - no further feedback received from council regarding this issue.</p>
4	<p>A review of governance and policies identified that an expenses policy covering both officers and members is not in place.</p>	<p><i>The council should establish an expenses policy.</i></p>	<p>Implemented</p>
<p>2022/23 year end internal audit</p>			
1	<p>Review of draft accounts identified the following issues:</p> <ul style="list-style-type: none"> - Creditors included an amount of £11,597.35 for CCTV installation. However, this had not been delivered by March 31st 2023 and was due for completion in Summer 2023. Therefore, the amount actually relates to 2023/24 	<p><i>NB The clerk amended the draft accounts to correct for the issues we highlighted for the final council year end accounts.</i></p> <p><i>Creditors should only be established for goods and services received during the financial year.</i></p>	<p>Implemented</p>

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	<p>financial year and should not have been included in 2022/23 creditors.</p> <ul style="list-style-type: none"> - Petty cash transfers of £1000 had not been accounted for correctly in the draft year end bank reconciliation. 	<p><i>Petty cash transfers must be accounted for correctly in the year end bank reconciliation.</i></p>	
2	<p>Staff costs for the draft Annual Return had been calculated using staff cost payments from the cashbook. The council prepares accounts on an income and expenditure basis so the staff costs calculations should have accounted for opening and closing HMRC and pensions creditors.</p>	<p><i>Staff costs disclosed in the Annual Return must be calculated on an income and expenditure basis.</i></p>	<p>Recommendation outstanding – see 2023/24 issues</p>
3	<p>The bank statements for the Skipton and Cambridge and Counties building society year end balances were not provided for internal audit</p>	<p><i>All year end bank statements must be provided for internal audit. Councillors should ensure they agree the year end bank reconciliation balances for the building societies to the year end statements to agree that the funds are held as stated in the reconciliation.</i></p>	<p>Implemented</p>

	ISSUE	RECOMMENDATION	FOLLOW UP
2022/23 interim internal audit			
1	<p>The project to replace the pathways in the cemetery was above the £25,000 threshold for tendering in the Financial Regulations, however, three quotations were sought for the contract rather than the formal tender process required by the Financial Regulations as follows:</p> <p>11 b. The full requirements of The Public Contracts Regulations 2015 (“the Regulations”), as applicable, shall be followed in respect of the tendering and award of a public supply contract, public service contract or public works contract which exceed thresholds in The Regulations set by the Public Contracts Directive 2014/24/EU (which may change from time to time)</p> <p>d. Such invitation to tender shall state the general nature of the intended contract and the Clerk shall obtain the necessary technical assistance to prepare a specification in appropriate cases. The invitation shall in addition state that tenders must be addressed to the Clerk in the ordinary course of post. Each tendering firm shall be supplied with a specifically marked envelope in which the tender is to be sealed</p>	<p><i>The council must comply with the procurement requirements of the Financial Regulations for contracts in excess of £25000, including advertising the tender on the Contracts Finder website.</i></p>	<p>No further procurement issues identified in 2023/24.</p>

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	<p>and remain sealed until the prescribed date for opening tenders for that contract.</p> <p>e. All sealed tenders shall be opened at the same time on the prescribed date by the Clerk in the presence of at least one member of Council.</p> <p>f. Any invitation to tender issued under this regulation shall be subject to these financial regulations and shall refer to the terms of the Bribery Act 2010.</p>		
2	<p>The budgetary control statement provided to council for the first quarter does not provide all the variance information required by the Financial Regulations as follows:</p> <p>‘4.8. The RFO shall regularly provide the Council with a statement of receipts and payments to date under each head of the budgets, comparing actual expenditure to the appropriate date against that planned as shown in the budget. These statements are to be prepared at least at the end of each financial quarter and shall show explanations of material variances. For this purpose “material” shall be in excess of £100 or 15% of the budget.’</p>	<p><i>The council should be provided with budgetary control reports that reflect all the requirements of the Financial Regulations, including written explanations for material variances.</i></p>	Implemented

	ISSUE	RECOMMENDATION	FOLLOW UP
3	<p>The meeting of Johnstown Community Centre Committee on July 11th 2022 reviewed hire fees, however, the Financial Regulations require full council to review and approve all fees and charges annually as follows:</p> <p>‘9.3. The Council will review all fees and charges at least annually, following a report of the Clerk.’</p>	<p><i>Full council should review and approve all fees and charges each financial year as required by the Financial Regulations.</i></p>	<p>Finance Committee approves fees and charges</p>
4	<p>We note there has been significant expenditure on procuring community based CCTV cameras in 2022/23.</p>	<p><i>The council should adopt a CCTV policy, and apply the Surveillance Privacy Impact Assessment to the cameras to ensure personal data protection risks and issues are identified and addressed.</i></p> <p><i>(NB the clerk has already identified this as an issue and a comprehensive CCTV policy is to be put to council shortly for adoption.)</i></p>	<p>2023/24 follow up - CCTV policy now adopted</p>
5	<p>A £100 fine was incurred for the late submission of a return to HMRC.</p>	<p><i>All required returns to HMRC should be submitted within deadlines.</i></p>	<p>No further HMRC submission issues identified in 2023/24</p>