

**INTERNAL AUDIT REPORT
MARCHWIEL COMMUNITY COUNCIL
2022/2023**

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)
- Review of year-end financial statements
- Where the Council is sole trustee of a charity, checking that the Council has procedures in place to meet its responsibilities as a sole trustee

Conclusion

On the basis of the internal audit work carried out, in our view the council's system of internal controls **is NOT in place**, adequate for the purpose intended and effective, and the issues reported in the action plan overleaf must be addressed.

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 Limited 14/03/2025

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ACTION PLAN

	ISSUE	RECOMMENDATION	FOLLOW UP
1	<p>No evidence has been provided that the prime books and records and accounts were maintained up to date throughout the financial year. The current locum clerk has recently populated 2022/23 transactions onto the Scribe accounting system.</p> <p>Financial Regulations require:</p> <p><i>1.2 'The RFO shall ensure that the accounting control systems are observed and that the accounting records of the council are maintained and kept up to date in accordance with proper practices.'</i></p>	<p><i>Complete and accurate prime books of record and supporting accounts must be maintained up to date throughout the financial year.</i></p>	
2	<p>We are informed the Council do not have minutes for any of the meetings that took place in 2022/23. Therefore there is no formal record of any of the council resolutions for the 2022/3 financial year.</p> <p>Councils are legally required by the Local Government Act 1972 to keep minutes of meetings held. These minutes</p>	<p><i>The council must maintain complete and accurate adopted minutes which should be published on the council website in accordance with legislative requirements.</i></p>	

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	<p>have to be made available to the public for inspection.</p> <p>They are also required by The Local Government (Democracy)(Wales) Act 2013 to publish electronically the minutes of their meetings.</p> <p>NB Minutes are published on the Council website from February 2024 onwards.</p>		
3	<p>Due to the absence of minutes, there is no record that full Council approved a budget and precept request for 2023/24. The agenda for January 2023 is available and refers to the precept but the calculation and the detailed budget have not been provided for internal audit. Due to the absence of any minutes there is no record of the budget setting process. Financial Regulations require:</p> <p><i>2.1 At the November meeting Councillors will be given the opportunity to submit proposals to the Council in respect of revenue and capital including the use of reserves and sources of funding for the following financial year.</i></p> <p><i>2.2 Detailed estimates of all receipts and payments including the use of reserves and all sources of funding for the year shall be prepared</i></p>	<p><i>The council must comply with the budget setting and budgetary control requirements of the adopted Financial regulations. A full audit trail of the budget setting process and the detailed budget documents must be retained.</i></p> <p><i>The amount of precept requested must be stated in the council resolution of the minutes where the precept was decided.</i></p> <p><i>Regular budgetary control reports of actual spend against budget must be provided to Council.</i></p>	

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	<p><i>each year by the RFO in the form of a budget to be considered by the Council.</i></p> <p><i>2.3 The Council all review the budget by the December meeting each year and shall fix the Precept to be levied for the ensuing financial year. The RFO shall issue the precept to the billing council and shall supply each councillor with a copy of the approved budget.</i></p> <p>Due to the absence of any minutes for the year there is no evidence of regular budgetary reporting to council. Financial Regulations require:</p> <p><i>3.3 The RFO shall regularly provide the Council with a budget statement comparing actual expenditure to the appropriate date against that planned as shown in the budget. These statements are to be prepared monthly.</i></p>		
4	As there are no minutes available for the year, there is no evidence that the council formally approved an annual risk assessment in 2022/23. We note that the March 2023 agenda contains an agenda item to 're-approve risk assessments'.	<i>The risk assessment should be reviewed, updated and approved by council each financial year.</i>	
5	As there are no minutes available for the entire financial year there is no evidence that regular bank reconciliations were completed and reported to council.	<i>Regular bank reconciliations must be completed and reported to council.</i>	

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6	<p>We have not been provided with any evidence that payments made in 2022/23 have been authorised and approved by Council either by detail in the minutes of the meeting or in a separate schedule of payments initialed by the Chair of the meeting.</p>	<p><i>The Council must ensure that payments are authorised and approved in accordance with the requirements of the adopted Financial Regulations.</i></p>	
7	<p>Testing of payments identified the following:</p> <ul style="list-style-type: none"> - A payment to AVOW on 30/3/23 (chq 3122) was for £1558.20 which did not correspond to the invoice which was for £1536.08 resulting in an overpayment of £22.12. 	<p><i>The Council should ensure that the overpayment resulted in a credit on a later invoice or has been repaid.</i></p>	
8	<p>Testing of receipts identified the following:</p> <ul style="list-style-type: none"> - As we have not been provided with the Council's burial register, we have seen no evidence that the registers are being maintained up to date. - For one receipt (10/2/23 £325), we could not verify the charge to the 'burial ground charges' schedule. Email correspondence 	<p><i>The council must ensure that a burial register is maintained and is up to date.</i></p> <p><i>The council should issue invoices or receipts that provide an analysis of the burial charges.</i></p>	

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	was provided but as invoices/receipts have not been issued the additional charge of £25 had not been identified.		
9	The financial regulations for contracts are not consistent with the standing orders. The standing orders state the de minimis level for quotations is £5,000 and a formal tender process for contracts over £10,000. The financial regulations only state a tender level of £10,000 and then state the same level for obtaining quotations.	<i>The Council must ensure that the procurement requirements of the Standing Orders and Financial Regulations are consistent.</i>	Draft financial regulations show that they have been amended to state a level of £5,000 for obtaining quotations. These are due to adopted by Council in the March 2025 meeting.
10	Due to the absence of any minutes for the financial year there is no record of authorisation and approval of any salary payment or changes to salaries.	<i>All payroll payments and changes to salaries must be approved in the council minutes.</i>	
Follow up of 2021/22 internal audit recommendations			
1	The bank reconciliation provided for internal audit was incorrect and out of balance due to the following: - Balance brought forward of £47,769,13 had been rounded down.	<i>Exact balances should be used in the bank reconciliation.</i>	Correct balance brought forward 1/4/22

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	<ul style="list-style-type: none"> - Total payments was incorrect as cheque 3036 had been entered in the cash book as £539.17, actual payment was £531.17. <p>The bank reconciliation also includes an adjustment of £1,510.42 for the write off of out of date unpresented cheques from 2020/21. The Clerk has informed us that these payments are to be reissued in 2022/23.</p>	<p><i>The cash book should be amended and the total payments of £44,200.04 should be used in the amended bank reconciliation.</i></p> <p><i>The correct balance carried forward is £45,748.44.</i></p>	
2	<p>A review of the annual return identified it was incorrect due to the following:</p> <ul style="list-style-type: none"> - It did not include an adjustment for the out of date unpresented cheques (these had been written off in the bank reconciliation). - The cash book error of £8 identified in issue 1 above. - Total other receipts rounded down. - Staff costs was incorrect as it included an administration charge from the payroll agent. - Total borrowing has been stated as nil for both 20/21 and 21/22, the Council have a SALIX loan that should be disclosed as borrowing. 	<p><i>The annual return should be amended as follows:</i></p> <p><u>Year ending 31/3/22</u> <i>Total other receipts: £8,077</i> <i>Staff costs: £15,269</i> <i>Loan interest/ capital repayments: £1,973</i> <i>Total other payments: £25,448</i> <i>Balances carried forward: £45,748</i> <i>Total cash & investments: £45,748</i> <i>Total borrowing £7893</i></p> <p><u>Year ending 31/3/21</u> <i>Total borrowing £9,866</i></p>	Implemented

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	<ul style="list-style-type: none"> - Loan interest/capital repayments is shown as NIL for 21/22 when £1973 of loan repayments were made during 21/22. 		
3	<p>A review of the minutes for 2021/22 identified the following issues:</p> <ul style="list-style-type: none"> - The April 2021 – January 2022 minutes on file were not signed by the Chair. - There were two versions of the March 2022 minutes on file, one produced by the Clerk that was unsigned and one completed by a Councillor that had been signed by the Chair. - None of the minutes were displayed on the website. - None of the payments schedules approved in the meetings had been signed. - None of the monthly payment schedules referred to in the minutes had been signed by the Chair. - The April 2021 schedule of payments was not included in the minutes file. - There were no minutes available in the file between September 2021 and December 2021. 	<p><i>The Council must ensure that the minutes for each meeting are accurate and are signed by the Chair when approved.</i></p> <p><i>Approved minutes should be published on the Council website.</i></p> <p><i>When payments schedules are approved by Council, they should be signed by the Chair.</i></p> <p><i>The Council should ensure that they have procedures in place to approve minutes and supporting finance reports when the meetings are carried out by Zoom.</i></p>	Outstanding – see issue 2 in 22/23

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	<ul style="list-style-type: none"> - The minutes on file do not approve payments for the period 1/7/21- 16/11/21. 		
4	<p>The signed minutes for March 2022 do not approve the annual risk assessment. The risk assessment document has been signed by the Chair as approved by Council at the March 2022 meeting. The minutes for the March meeting that have been prepared by The Clerk and have not been approved by Council include the approval of the risk assessment.</p>	<p><i>Approval of the annual risk assessment by Council must be carried out annually and recorded as approved in the Council minutes.</i></p>	Outstanding
5	<p>Testing of a sample of payments identified the following:</p> <ul style="list-style-type: none"> - The two invoices on file for monthly payments to the payroll agent AVOW do not agree to the actual amounts paid. - Invoices/supporting documentation could not be located for the following payments: <ul style="list-style-type: none"> o 9/7/21 Leon Hughes ref 33 chq 2955 £600 o 18/8/21 St Marcella & Deiniol church grounds maintenance cq 2960 ref 44 £800 	<p><i>Invoices/receipts should be retained for all payments.</i></p> <p><i>A letter of receipt should be requested for donations/ grants.</i></p>	Invoices provided for requested payments.

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6	The payments section of the cashbook does not record VAT in a separate column.	<i>The cashbook should record the VAT element of payments which should then correspond to the VAT reclaim for the year.</i>	Implemented. The Council are now using Scribe.
7	The asset register for 21/22 includes the street lighting purchased in 20/21 at the incorrect value of £9888.60 rather than £9866.60. The total of £21,027.09 (which is record on the annual return) does not include this asset.	<i>The asset register should be amended to record the asset at the correct valuation and to total correctly. The annual return should be amended to state fixed assets as £30,894.</i>	Implemented
8	The balance held as at 31/3/22 is £45,748. Minutes during 21/22 note ear-marked funds of £17,500 for a play area and nature reserve funding of £10,000. It also appears that there is backpay due to the Clerk and the pension fund of £7428 which is not in the 22/23 budget. This leaves a general reserve of £10,820 as at 31/3/22 which is an adequate general reserve. The March 2022 minutes record the Council discussing having a £50k balance in their reserve account and considering how this money should be spent. This does not correspond with the general reserve of £10,820 held as at 31/3/22.	<i>The Council should be aware through regular budgetary reporting as to what their available funds are and what funds are held as ear-marked reserves for specific projects.</i>	Outstanding

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Follow up of 2020/21 internal audit recommendations			
1	<p>The annual return provided for internal audit was incorrect due to the following:</p> <ul style="list-style-type: none"> - Staff costs was incorrect as it included an administration charge from the payroll agent. - Total other payments was incorrect and therefore the annual return did not add up. - A balance of £9866 had been included for Debtors. This is incorrect as the Council produce their accounts on a receipts and payments basis. 	<p><i>The annual return should be amended as follows:</i></p> <p><i>Staff Costs £15,603</i></p> <p><i>Total other payments £40,349</i></p> <p><i>Debtors £nil</i></p>	11/08/21 The annual return was amended
2	<p>Audit Wales have notified the Councils of the following:</p> <p>If councils cannot meet the 30 June deadline, they must publish a notice (in a prominent place in the community AND on their website) setting out the reasons why they have not approved the accounts by 30 June.</p> <p>The Council has published a statement on the website and have given the reason why as 'The Council has been unable to meet to approve the accounts as awaiting the completion of the annual internal audit'.</p>	<p><i>The Council must ensure that any statements published on their website in relation to why they have not approved their accounts by the 30th June are factually correct.</i></p> <p><i>The internal audit can only be carried out when the accounts and supporting records are provided.</i></p>	Implemented for 22/23

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	This is incorrect as the records were not provided for internal audit until 29/07/2021 and the annual return was not provided until 05/08/2021.		
3	<p>We did not see evidence during the audit that three quotations were obtained for the cemetery maintenance contract (cost £5720).</p> <p>The Council awarded a contract for replacement of street lighting (cost £9867). The Clerk informed us that quotes were obtained from two other suppliers in the last couple of years but evidence of these quotes were not provided for internal audit.</p>	<p><i>Contracts should be awarded as per the financial regulations of the Council.</i></p> <p><i>A contracts file should be maintained retaining details of quotes received.</i></p>	<p>2021/22 update: Financial regulations have been updated to state level for quotations as £10,000.</p> <p>2022/23 update :Draft financial regulations show that they have been amended to state a level of £5,000 for obtaining quotations. These are due to adopted by Council in the March 2025 meeting.</p>
4	<p>The minutes provided for internal audit (from June 2020 to March 2021) had not been signed and also had not been published on the website (with the exception of the March 2021 meeting).</p> <p>The supporting 'monthly finance report' referred to in the minutes had not been signed by the Chair.</p>	<p><i>The Council should ensure that they have procedures in place to approve minutes and supporting finance reports when the meetings are carried out by Zoom.</i></p>	Outstanding
5	The balance of funds held as at 31/3/21	<i>Council should ensure the level of</i>	Ear-marked reserves reduced in 21/22,

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	is £47,769, which includes sums earmarked for projects of £42,500. This gives a general reserve of £5269. This is below the recommended general reserve of between 3 and 12 months operating expenditure.	<i>general reserve is adequate.</i>	however see issue 8 in 21/22.
6	The Council purchased LED street lighting at a cost of £9867 in 20/21. This has not been added to the asset register. Previously the street lighting had been valued at £1 each.	<i>The asset register should be updated for the street lighting. If the lighting replaces the previous lighting in the asset register, these should be deducted.</i>	Implemented
Follow up of 2019/20 internal audit recommendations			
1	The financial regulations provided for audit in 2018/19 stated the level at which three quotations should be obtained was £1000. The minutes of 26 th June 2019 state that the Council had previously agreed this should be £10,000 but the financial regulations had not been amended. In March 2020 the minutes state that the financial regulations were amended in year to change this level to £5000, however the wording in the financial regulations states that for contracts over £10k there should be a formal tender process and for contracts less than 5k	<i>The financial regulations should be corrected to state the correct procedure for contracts between £5k and £10k.</i>	Financial regulations updated but not consistent with standing orders.

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	<p>the clerk shall obtain three quotations.</p> <p>We did not see evidence during the audit that three quotations were obtained for the cemetery maintenance contract (value £5500).</p>	<p><i>Contracts should be awarded as per the financial regulations of the Council.</i></p>	<p>Outstanding</p>
2	<p>A review of the financial regulations found that:</p> <p>The Financial Regulations relating to the procurement process include accountants, surveyors and planning consultants as specialist services that can be excluded from the Council's standard procurement processes. The Wales Audit Office has taken the view that these services cannot be classed as specialist.</p> <p>Section 10 of the Financial regulations refers to a Purchase Order system:</p> <p><i>'An official order or letter shall be issued for all work, goods and services unless a formal contract is to be prepared or an official order would be inappropriate. Copies of orders shall be</i></p>	<p><i>The Council should amend their financial regulations as per the 2019 model financial regulations issued by One Voice Wales to state the following for section 11.1 a. ii:</i></p> <p><i>'...for specialist services such as are provided by legal professionals acting in disputes;'</i></p> <p><i>The Council should ensure that orders for works, goods and services are made as per the financial regulations of the Council.</i></p>	<p>Draft financial regulations show that they have been amended as per the model financial regulations. These are due to adopted by Council in the March 2025 meeting.</p>

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	<p><i>retained.</i></p> <p>This does not reflect the current practice where a purchase order system is not in place.</p>		
3	<p>The draft annual return provided for audit was incorrect due to the following:</p> <ul style="list-style-type: none"> - Staff costs of £7060 did not reflect the total for salaries and pension stated in the cash book which amounted to £7178. - Total other payments of £27,033 needed to be adjusted for the staff costs error and for the £71 out of date unrepresented cheques written out of the accounts. 	<p><i>The annual return should be amended as follows:</i></p> <p><i>Box 4 Staff costs £7,178</i></p> <p><i>Box 6 Total other payments £26,844</i></p> <p><i>Box 7,9 and 11 £55,789</i></p>	Implemented