

**INTERNAL AUDIT REPORT  
MARCHWIEL COMMUNITY COUNCIL  
2024/2025**

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, 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 issues 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 Limited 24/06/2025**

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**ACTION PLAN**

	<b>ISSUE</b>	<b>RECOMMENDATION</b>	<b>FOLLOW UP</b>
1	<p>The Council have introduced payments by online banking and prepaid debit card. The financial regulations have not been updated to include these as payment methods and to include the internal controls in place over both payment methods.</p>	<p><i>The financial regulations should be updated to include payments by online banking and pre-paid debit card.</i></p>	
2	<p>The risk assessment does not address the risks of supplier fraud. The supplier fraud risks can be managed via robust policies and procedures including prevention actions such as:</p> <ul style="list-style-type: none"> <li>- 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.</li> <li>- 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</li> </ul>	<p><i>The risk assessment should be updated to include supplier fraud including the adequacy of supplier onboarding controls.</i></p>	

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	<p>supplier bank account change after having reviewed the process undertaken to verify the supplier details change</p> <ul style="list-style-type: none"> <li>- 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.</li> <li>- checking address and financial health details with Companies House</li> <li>- checking samples of online payments to supplier invoices to ensure the payment has been made to the supplier bank account</li> </ul>		
3	Testing of a sample of receipts identified that burial records have not been updated for burials in 2024/25.	<i>The council must ensure that a burial register is maintained and is up to date.</i>	
4	Included within staff costs on the annual return is an amount related to a settlement agreement.	<i>The Council should seek clarification from One Voice Wales or Audit Wales on whether a settlement payment should be classed as 'staff costs' or 'total other payments' in the accounting statement on the annual return.</i>	
5	Testing of a sample of payments identified that for the following	<i>A VAT invoice/receipt should be obtained in order that VAT can be</i>	

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	<p>payment, VAT was shown on the order but a VAT invoice/receipt had not been obtained and VAT was not recorded in the cash book:</p> <ul style="list-style-type: none"> <li>105, 30/10/2024, £85.00, 31/10/2024, Lamp post Poppies x 20, Royal British Legion</li> </ul>	<i>reclaimed.</i>	
<b>Follow up of 2023/24 internal audit recommendations</b>			
1	<p>We are informed the Council do not have minutes for any of the meetings that took place between April 2023 and January 2024. Therefore there is no formal record of any of the council resolutions during this period.</p> <p>Councils are legally required by the Local Government Act 1972 to keep minutes of meetings held. These minutes 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</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>	<b>Minutes available for 2024/25</b>

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	onwards.		
2	<p>Due to the absence of 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>	<p><i>Regular budgetary control reports of actual spend against budget must be provided to Council.</i></p>	<b>Implemented for 2024/25</b>
3	<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 2023/2024 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>	<b>Implemented for 2024/25</b>

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4	We have not seen evidence that the Council carried out a risk assessment in 2023/24.	<i>The risk assessment should be reviewed, updated and approved by council each financial year.</i>	<b>Implemented for 2024/25</b>
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>	<b>Implemented for 2024/25</b>
6	We have not been provided with any evidence that payments made in 2023/24 prior to February 2024 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.	<i>The Council must ensure that payments are authorised and approved in accordance with the requirements of the adopted Financial Regulations.</i>	<b>Implemented for 2024/25</b>
7	Testing of a sample of receipts identified that burial records have not been updated for burials in 2023/24.	<i>The council must ensure that a burial register is maintained and is up to date.</i>	<b>Outstanding</b>
<b>Follow up of 2022/23 internal audit recommendations</b>			
1	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	<i>Complete and accurate prime books of record and supporting accounts must be maintained up to date throughout the financial year.</i>	<b>Implemented for 2024/25</b>

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	<p>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>		
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 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</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>	<p><b>Implemented for 2024/25</b></p>

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	Council website from February 2024 onwards.		
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 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</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>	<p><b>Implemented for setting of 24/25 budget</b></p> <p><b>Implemented</b></p> <p><b>Implemented for 2024/25</b></p>



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	<p>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	<p>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'.</p>	<p><i>The risk assessment should be reviewed, updated and approved by council each financial year.</i></p>	<b>Implemented for 2024/25</b>
5	<p>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.</p>	<p><i>Regular bank reconciliations must be completed and reported to council.</i></p>	<b>Implemented for 2024/25</b>
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>	<b>Implemented for 2024/25</b>
7	<p>Testing of payments identified the following:</p>		<b>Implemented</b>

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	<ul style="list-style-type: none"> <li>- 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.</li> </ul>	<i>The Council should ensure that the overpayment resulted in a credit on a later invoice or has been repaid.</i>	
8	<p>Testing of receipts identified the following:</p> <ul style="list-style-type: none"> <li>- 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.</li> <li>- For one receipt (10/2/23 £325), we could not verify the charge to the 'burial ground charges' schedule. Email correspondence was provided but as invoices/receipts have not been issued the additional charge of £25 had not been identified.</li> </ul>	<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>	<b>Outstanding</b>
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	<i>The Council must ensure that the procurement requirements of the Standing Orders and Financial Regulations are consistent.</i>	<b>Draft financial regulations show that they have been amended to state a level of £5,000 for obtaining quotations.</b>

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	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.		<b>These were adopted by Council in the March 2025 meeting.</b>
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>	<b>Implemented</b>