

Annual Internal Audit Report 2023/24

ENTIT Stone Town Council RITY

www.stonetowncouncil.gov.uk PUBLICLY AVAILABLE WEBSITE/WEBPAGE ADDRESS

During the financial year ended 31 March 2024, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2023/24 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for. NO PETTY CASH HELD	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
H. Asset and investments registers were complete and accurate and properly maintained.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I. Periodic bank account reconciliations were properly carried out during the year.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
K. If the authority certified itself as exempt from a limited assurance review in 2022/23, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2022/23 AGAR tick "not covered")	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
M. In the year covered by this AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations (during the 2023-24 AGAR period, were public rights in relation to the 2022-23 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
N. The authority has complied with the publication requirements for 2022/23 AGAR (see AGAR Page 1 Guidance Notes).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

Name of person who carried out the internal audit

20/02/2024 21/05/2024 DD/MM/YYYY

ENR MORRIS AQUA

Signature of person who carried out the internal audit

 SIGNATURE REQUIRED

Date 21/05/2024

*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned; or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).



Black Rose Solutions Limited

74 Leacroft Road
Penkridge
Staffs
ST19 5BU

0781 321 7576
sandie.morris@blackrosesolutions.co.uk

21st May 2024

Dear Les,

Stone Town Council – Internal Audit 2023/24

I confirm that I have carried out an examination of your accounts and procedures, in line with the Practitioners Guide 2023 and in accordance with the requirements of the Accounts and Audit Regulations 2015. (See additional note on next page about the role of internal audit.)

I can state that I found no material errors, omissions or irregularities in your financial records and I have no significant concerns about your internal control procedures.

Please refer to the enclosed report for further details of the audit work covered.

I would also confirm that I am totally independent of your Council and have no contact with any Member or employee.

Yours sincerely,

S Morris

Mrs Sandra Morris ACMA

Enc
Note about Scope of Internal Audit
Full Internal Audit Report

Summary of Findings

Comments marked **REC** denote an issue recommended for action as it may affect the Internal Audit response on the AGAR (Annual Governance and Accounting Return).

Comments marked **note** are included for reference or information.

Items referenced **FR** – relates to clause in the council's financial regulations.

Items reference **PG** – relates to a clause in the practitioners Guide.



Black Rose Solutions Limited

Note about purpose and scope of Internal Audit and improving councillor oversight.

I would draw your attention to the Practitioners Guide

4.4. It is not the purpose of either internal or external audit to detect or prevent fraud.

4.8. essential competencies to be sought from any internal audit service should include: understanding the role of internal audit in reviewing systems rather than undertaking detailed checks that are more appropriately the responsibility of management.

As your Internal auditor I review and test the systems of control, this will be through examining procedure documents, discussion with staff and examining a selection of transactions, reconciliations, approvals, publications etc.

I examine, test and report on risks based on my understanding of the council's operations, my knowledge of statutory requirements, best practice and issues that have arisen elsewhere – and anything else that my instincts lead me towards. The Practitioners Guide contains a lot of information about this.

This means there is a chance that I will detect errors and frauds, but there can be no guarantee. There is a better chance that I will identify an opportunity to improve your control procedures.

For example - the only way for me to detect that a councillor who has approved an invoice or a reconciliation has not *properly* checked it (perhaps just signed on trust or a brief glance) is if I find a discrepancy. If I do not find a discrepancy, it does not guarantee that it was checked properly – but I have to trust that the signature is in line with the policy.

The best chance of a council detecting errors and frauds is by councillors and staff being vigilant and maintaining an enquiring mind about all financial transactions.

It is never an act of mistrust to ask for clarification or to seek further assurance.

It is too easy to “leave it to the expert” and feel silly for asking. It is essential that enough councillors understand the financial operations of the council and training should be sought if this is not the case.

Some simple examples of things that I check – and could also be checked by councillors (even occasional check of this nature can assist in detecting fraud or error).

Opening/Closing Balances - When reviewing accounts, bank statements, reconciliations, you should check the closing balance on the previous statement matches the opening balance on this one. Check that the balances agree to an official document from the bank, print from the system etc. Check back to an online statement if you have access.

Sequential Numbering - for sales receipts, invoices, cheques – verify that there are no numbers missing from the sequence – if so, seek explanation.

Transaction details – make sure that invoice details match the payment details and the bank statement details. For new/unknown/irregular suppliers also verify the details from a secondary source – website, companies house, VAT number checker etc.

Black Rose Solutions Ltd

Interim Internal Audit - Report

Name of Council - **Stone Town Council**

Date of Audit - **21st May & 20th February 2024**

Annual Return - Internal Control Objectives

A. Appropriate accounting records have been properly kept throughout the financial year.	YES
Is the cashbook maintained and up to date?	yes
Is the cashbook arithmetic correct?	yes
Is the cashbook regularly balanced?	yes
The council uses the Sage accounting system, no errors or omissions were noted	

B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	YES
Are payments supported by invoices?	yes
Is all expenditure approved?	yes
Is VAT appropriately accounted for?	yes
Does the Council hold Power of Competence?	yes
If not, does the council monitor s137 expenditure against limit?	n/a

C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	YES
Does a review of the minutes identify any unusual financial activity?	no
Do minutes record the council carrying out an annual risk assessment?	yes
Is Insurance cover appropriate and adequate?	yes
Are internal financial controls documented and regularly reviewed?	yes
	Review
Risk Assessment	Mar-24
Financial Regulations	Mar-24
Standing Orders	Mar-24

D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	YES
Has the council prepared an annual budget in support of its precept?	yes
Is actual expenditure against the budget regularly reported to the council?	yes
Are there any significant unexplained variances from budget?	no
Are reserves appropriate?	yes

E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	YES
Is income properly recorded and promptly banked?	yes
Does the precept recorded agree to the Council Tax authority's notification?	yes
Are security controls over cash and near-cash adequate and effective?	yes
Is the council VAT registered?	yes
Are returns submitted in a timely manner?	yes
Is VAT reclaimed on exempt business activities reviewed and considered insignificant?	yes
Are receipts for business activities within the registration threshold?	n/a

F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	N/a
The council holds no petty cash	

G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	YES
Do all employees have contracts or employment with clear terms and conditions?	yes
Do salaries paid agree with those approved by the council?	yes
Are other payments to employees reasonable and approved by the council?	yes
Have PAYE/NIC been properly operated by the council as an employer?	yes
Does line 4 include only Salary, NI & Pension	yes
Does the council monitor off payroll working (IR35)	yes

H. Asset and investments registers were complete and accurate and properly maintained.	YES
Does the council maintain a register of all material assets owned or in its care?	yes
Are the assets and investments registers up to date?	yes
Do asset insurance valuations agree with those in the asset register?	yes

I. Periodic and year-end bank account reconciliations were properly carried out.	YES
Is there a bank reconciliation for each account?	yes
Is a bank reconciliation carried out regularly and in a timely fashion and approved by council?	yes
Are there any unexplained balancing entries in any reconciliation?	no
Is the value of investments held summarised on the reconciliation?	n/a

J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	YES
Are year end accounts prepared on the correct accounting basis (receipts and payments or income and expenditure) ?	I&E
Are debtors and creditors properly recorded?	yes
Do accounts agree with the cashbook?	yes
Is there an audit trail from underlying financial records to the accounts?	yes

K. If the authority certified itself as exempt from a limited assurance review in 22/23, it met the exemption criteria and correctly certified itself exempt	N/a
The council did not certify itself exempt	

L. The authority publishes information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.	YES
All councils - Accounts and Audit Regulations 2015 Accounts remain pulished for 5 years	ok
Transparency Code for Larger Authorities (income/expenditure >£200k) Quarterly:- All items of expenditure above £500 Government Procurement Card transactions Procurement information (initiations to tender > £5k)	yes n/a yes
Annually:- local authority land social housing assets grants to voluntary, community and social enterprise organisations organisation chart trade union facility time parking account parking spaces senior salaries (>£50k) constitution (standing orders) pay multiple social housing fraud	yes n/a yes yes n/a n/a n/a n/a yes n/a n/a
One off:- Waste contracts	n/a
The council falls into large authority thresholds for Transparency Code guidelines, so the code details what advised to be published. But this is not a legal requirement.	

M. The authority has demonstrated that during summer 2023 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations. (Evidenced by website or minutes)	YES

N. The authority has complied with the publication requirements for 2022/23 AGAR.	YES
Notice of Period for Exercise of Electors Rights	yes
Section 1 Annual Governance Statement	yes
Section 2 Accounting Statements	yes
Notice of Conclusion of Audit	yes
Section 3 External Audit Report & Certificate	yes
Internal Audit Report	yes

O. Trust funds (including charitable) – The council met its responsibilities as a trustee.	YES
The council has oversight of two charities Town Hall Charity (505718) - Sole Trustee Richard Vernon Trust (236666) - 3 councillors appointed Filings for both are up to date, finances and meetings are separate from the council.	