



Black Rose Solutions Limited

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23<sup>rd</sup> May 2024

Dear Melanie,

**Rugeley 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

## Internal Audit - Report

Name of Council - **Rugeley Town Council**

Date of Audit - **22nd May & 16th November 2023**

### Annual Return - Internal Control Objectives

<b>A. Appropriate accounting records have been properly kept throughout the financial year.</b>	YES
Is the cashbook maintained and up to date?	yes*
Is the cashbook arithmetic correct?	yes
Is the cashbook regularly balanced?	yes
During the year the council moved from RBS to Scribe - this move was not reviewed at depth, but no irregularities were noted from brief inspection.	note
There has been an interim period due to staff changes where the system was not kept up to date. It was brought up to date before the interim audit, but the information had not been presented to council with the usual frequency. It is accepted that these were exceptional circumstances, but the council may wish to consider whether a contingency plan is needed for such circumstances.	note

<b>B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.</b>	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
Re adopted?	14/06/2023
A small value invoice had been paid twice during the staff transition period. This will be corrected.	note
A larger invoice had not been included on approval sheets - though it had been initialled by two councillors.	note
Upon discussion with the FO - it was agreed that an approval sheet can be printed directly from the finance system which should reduce workload and the risk of such errors. This will be trialled before the old system is discarded.	note
UPDATE approval sheets are now printed direct from Scribe.	
A few recently approved cheque stubs had not been initialled in line with financial regulations <b>FR 6.5</b> <i>To indicate agreement of the details shown on the cheque or order for payment with the counterfoil and the invoice or similar documentation, the signatories shall each also initial the cheque counterfoil.</i>	REC

<b>C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</b>	YES*
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PG.C.1 • Ensure that authorities have prepared, and formally adopted, at least once annually, an appropriate and comprehensive register of assessed risks, both regular and ad hoc  
 PG.C.2 • Ensure that appropriate levels of insurance cover are in place for land, buildings, public, employers' and hirers' (where applicable) liability, fidelity / employees (including councillors) liability, business interruption and cyber security

Does a review of the minutes identify any unusual financial activity?	no
Do minutes record the council carrying out an annual risk assessment?	no*
Is Insurance cover appropriate and adequate?	yes*
Are internal financial controls documented and regularly reviewed?	yes*
	<b>Review</b>
Risk Assessment	May-24
Financial Regulations	May-24
Standing Orders	May-24
Due to the staffing situation the council did not review Financial Regulations, Standing Orders or the Risk Assessment during the year. They were all reviewed in May 24. It is important that these key documents are reviewed and approved at least annually.	REC
See note H re Assets and Insurance valuations	

<b>D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.</b>	YES
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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
Does the precept recorded agree to the Council Tax authority's notification?	yes
Are reserves appropriate?	yes
Earmarked Reserves	95,646
General Reserves	241,145
Months of Income	7
Months of expenditure	5
Expenditure v budget is normally reported to each finance and resources meeting - however due to the staffing issues, and new finance system this has been delayed. Not further reviewed at year end	note

<b>E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.</b>	YES
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Is income properly recorded and promptly banked?	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
An external advisor helped to resolve the historic VAT issues regarding exempt supplies, secured a significant refund and set up processes to correctly monitor this going forward.	note

<b>F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.</b>	YES
Is all petty cash spent recorded and supported by VAT invoices/receipts?	yes
Is petty cash expenditure reported to each council meeting?	yes
Is petty cash reimbursement carried out regularly?	yes
There are 3 petty cash floats, managed on an imprest system. Top ups are supported by receipts, and regularly reported to council.	
<b>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.</b>	YES
PG.G.7 • Check the correct treatment of Pension contributions	
Do all employees have contracts of 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)	n/a
Payroll is outsourced. There was an issue with calculation of pension contributions. The RFO had already flagged this and it is pending correction.	note
<b>H. Asset and investments registers were complete and accurate and properly maintained.</b>	YES
PG.H.3 • Ideally, the register should identify for each asset the purchase cost and, if practicable, the replacement / insured cost, the latter being updated annually and used to assist in forward planning for asset replacement	ok
PG.H.6 • Compare the asset register with the insurance schedule to ensure that all assets as recorded are appropriately insured or "self-insured" by the Authority	ok*
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?	no*
The council has a comprehensive insurance policy, but it was not easy to verify insurance values between the asset register and the insurance schedule. The council could consider adding "insurance category" and "insurance value" columns to the asset register to help ensure that insurance is adequate.	note
<b>I. Periodic and year-end bank account reconciliations were properly carried out.</b>	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?	yes

<b>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.</b>	YES
PG.J.2 • Ensure that appropriate accounting arrangements are in place to account for debtors and creditors during the year and at the financial year-end	ok
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
Due to the change of accounting systems there are a number of older invoices that appear outstanding on the debtors list, but are likely to need to be cancelled due to a transfer error. They have (correctly) not been included in the year end figures. This in the process of being reviewed and corrected.	note
<b>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</b>	N/a
The council did not certify itself exempt	
<b>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.</b>	YES
<b>All councils - Accounts and Audit Regulations 2015</b>	yes
<b>Accounts remain published for 5 years</b>	
<b>Community Infrastructure Levy Return</b>	yes*
<b>Transparency Code for Larger Authorities (income/expenditure &gt;£200k)</b>	
<b>Quarterly:-</b>	
All items of expenditure above £500	yes*
Government Procurement Card transactions	n/a
Procurement information (initiations to tender > £5k)	yes
<b>Annually:-</b>	
local authority land	n/a
grants to voluntary, community and social enterprise organisations	yes
organisation chart	yes
senior salaries (>£50k)	n/a
constitution (standing orders)	yes
<b>One off:-</b>	
Waste contracts	n/a
The council is a larger authority, so the Transparency code details what should (not must) be published.	
Payments over £500 are published as part of the minutes, these have been affected by the staffing issues and system change.	note
At the time of interim audit, the Community Infrastructure Levy (CIL) return (21/22) was not published.	note
UPDATE the required CIL documents are now properly published.	

<b>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)</b>	YES*
Approval Date (meeting)	03/05/2023
Publication Date (announcement date)	22/06/2023
Date from (commencement date)	23/06/2023
Date to	03/08/2023
It required to publish your annual report as soon as practical. It is not clear (due to staff changes) why the publication was not made on the earliest possible date, and whether it would have been practical to have published earlier. It would be good practice in the future to make a note in the minutes explaining the reason for any delay in publication.	note
<b>N. The authority has complied with the publication requirements for 2022/23 AGAR.</b>	NO
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	no
Section 3 External Audit Report & Certificate	yes
Internal Audit Report	yes
At the time of the interim audit the external audit report and notice of conclusion of audit were not published. UPDATE the external audit report (audited AGAR) has now been published, but not the Notice of Conclusion of Audit.	note
<b>O. Trust funds (including charitable) – The council met its responsibilities as a trustee.</b>	N/a
The council is not a trustee	

