



Birchwood Town Council

Internal Audit 2025/26

Interim Report

The internal audit of Birchwood Town Council was carried out by undertaking the following tests as specified in the AGAR Annual Return for Local Councils in England:

- 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 authority has complied with the publication requirements for the prior year AGAR.
- The authority correctly provided for a period for the exercise of public rights for the prior year AGAR
- The authority published required information on a website up to date at the time of the internal audit in accordance with relevant legislation.

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 any recommendations 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

ACTION PLAN

	ISSUE	RECOMMENDATION	FOLLOW UP
2025/26 interim internal audit			
No issues arising – a robust set of internal controls has operated during the period covered by the interim internal audit.			
2024/25 year end internal audit			
No further issues arising – a robust set of year end records have been maintained with a comprehensive audit trail to supporting information.			
2024/25 interim internal audit			
1	The council currently has one overarching strategic plan entitled Birchwood Town Council Strategic Plan 2024-2028 as well as a Climate plan. However, the council does not currently link any decision making in the minutes to the aims and objectives of key strategic plans.	<i>Where appropriate, the council should consider linking resolutions in the minutes with key aims and objectives in the current strategic plans to evidence that decision making is driven by strategic planning. This could be carried out by, for instance, ensuring reports to council with recommendations in the</i>	Implemented

	ISSUE	RECOMMENDATION	FOLLOW UP
		<i>agenda documents link to strategic objectives.</i>	
2	Procurement – feedback for the interim internal audit indicated the council only received one quote for a high value lighting contract after a valid process seeking quotations from providers:	<i>The council should review whether there are further methods that could be implemented to reach a wider number of the providers for its services to ensure effective market testing is carried out for high value contracts. The council could also consider commencing procurement exercises earlier to give providers optimal time to consider whether to tender and for completion of the tender documents.</i>	Noted by council
2023/24 year end internal audit			
1	The draft accounts presented for internal audit were incorrect as follows: <ul style="list-style-type: none"> - The ‘balances carried forward’ and ‘other payments’ in the AGAR were incorrect as the balances per the bank reconciliation had been inserted in box 7. and payments instead of expenditure in box 6. 	<i>The year end accounts preparation should be subject to a review before finalising the AGAR figures to ensure the audit trail is accurate from the receipts and payments accounts through to the extended trial balance, the balance sheet and the income and expenditure accounts.</i>	Implemented

	ISSUE	RECOMMENDATION	FOLLOW UP
	<ul style="list-style-type: none"> - The supporting analysis to expenditure was incorrect as the total included payments, rather than expenditure as adjusted via the extended trial balance. 	<p><i>NB The draft account were amended to include the corrected figures in the final AGAR accounts.</i></p>	
2023/24 interim internal audit			
1	<p>We could not identify the following information published on the council website as prescribed in the Transparency Code:</p> <p><i>PUBLICATION 32. Local authorities must also publish details of any contract, commissioned activity, purchase order, framework agreement and any other legally enforceable agreement with a value that exceeds £5,000. For each contract, the following details must be published:</i></p> <ul style="list-style-type: none"> - <i>reference number</i> - <i>title of agreement</i> - <i>LA department responsible</i> - <i>description of the goods and/or services being provided</i> - <i>supplier name and details</i> 	<p><i>The council should ensure the website is maintained up to date and that it complies fully with the publication requirements of the Local Authority Transparency Code 2015.</i></p>	2024/25 follow up - Implemented

	ISSUE	RECOMMENDATION	FOLLOW UP
	<ul style="list-style-type: none"> - sum to be paid over the length of the contract or the estimated annual spending or budget for the contract - Value Added Tax that cannot be recovered - start, end and review dates - whether or not the contract was the result of an invitation to quote or a published invitation to tender, and - whether or not the supplier is a small or medium sized enterprise and/or a voluntary or community sector organisation and where it is, provide the relevant registration number 		
2	The council purchased a tipper truck which was just below the tendering threshold but above the requirements for three quotations in the Financial Regulations. However, the procurement was not underpinned by three quotations as required by the Financial Regulations where no exemption has been applied and the minutes do not reference which exemption(s) in the Financial Regulations have been applied.	<i>Minutes should record exemption(s) relied upon in the Financial Regulations where standard required procurement procedures have not been applied. If no exemptions are relied upon then the standard contracting requirements of the Financial Regulations should be applied.</i>	2024/25 follow up – no further issues regarding use of exemptions from procurement in the Financial Regulations identified in 2024/25 interim internal audit.
3	We note there was no formal adopted budget timetable in place evidencing the	<i>A comprehensive formal budget timetable should be established annually</i>	Implemented

	ISSUE	RECOMMENDATION	FOLLOW UP
	key milestones leading to the agreement of the 2023/24 precept request for the year and approval of the annual budget.	<p><i>covering the main elements of the Council's budget setting process together with key dates and responsibilities.</i></p> <p><i>NB The council is already addressing this issue with the adoption of a formal timetable for the 2024/25 precept and budget setting process.</i></p>	
2022/23 year end internal audit			
No further issues arising – a robust set of year end records have been maintained with a comprehensive audit trail to supporting information.			
2022/23 interim internal audit			
1	<p>A review of governance and policies identified that the following were not in place at the time of the interim internal audit:</p> <ul style="list-style-type: none"> • Investment Strategy and Treasury Management strategy • Expenses Policy 	<p><i>None - The council has already resolved to address these policy/strategy gaps at the January 2023 meeting.</i></p>	Implemented

	ISSUE	RECOMMENDATION	FOLLOW UP
	<ul style="list-style-type: none"> Income Collection / Debts Write Off policy Gifts and Hospitality policy 		
2	Pay rises are notified to the payroll agent via an email from officers.	<i>The Chair should email the annual officer pay rise information to the payroll agent.</i>	Implemented
2021/22 year end internal audit			
1	<p>The council did not evidence whether it carried out an annual physical verification of fixed assets recorded in the asset register as required by the following Financial Regulation:</p> <p>14.6. The continued existence of tangible assets shown in the (Asset) Register shall be verified at least annually, possibly in conjunction with a health and safety inspection of assets.'</p>	<i>The Financial Regulations for fixed assets should be complied with and evidence should be retained for the annual asset verification check for audit purposes.</i>	Implemented
2021/22 interim internal audit			

	ISSUE	RECOMMENDATION	FOLLOW UP
1	Sample testing of payments identified that quotations for contracts as required by the Financial Regulations are not centrally held in a quotations file. As a result for some sample items individual searches of electronic/manual information were required to identify the relevant documentation.	<i>A separate file should be maintained to evidence all contract procurement market testing exercises.</i>	Implemented an electronic and hard copy quotations folder is now maintained.