



Macclesfield Town Council

Internal Audit 2024/25

Interim report

JDH BUSINESS SERVICES LTD

The internal audit of Macclesfield Town Council is 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 in the AGAR Annual Return for larger 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 the recommendations reported in the action plan overleaf.

J D H Business Services Ltd

ACTION PLAN

	ISSUE	RECOMMENDATION	FOLLOW UP
<i>2024/25 interim internal audit</i>			
1	The Accounts and Audit Regulations require the council to conduct a financial year review of the effectiveness of the system of internal control. Although there are internal controls in place as evidenced by the Financial Regulations and member checks, the council has not conducted an annual review of the effectiveness of internal controls and documented this in the minutes.	<i>The council should conduct an annual review of the effectiveness of the system of internal controls and document this review in the minutes.</i>	<i>This will be planned with the Chair of Finance and be completed and reported to Finance Committee 3rd March 2025.</i>
2	The council currently has one overarching strategic plan, the Macclesfield Town Council Strategy 2023-2027. However, the council does not link any decision making in the minutes to the aims and objectives of these 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.</i>	<i>This has been trialed from Dec 2nd 2024 at Services.</i>
3	Financial Regulations require the following with respect to budgetary control: <i>4.9. The RFO shall regularly provide the Finance Committee with a statement of income and expenditure to date under each head of the budgets, comparing actual expenditure to the appropriate date against that planned</i>	<i>The council should ensure the requirements for budgetary control reporting the Financial regulations are complied with.</i>	<i>The Financial Regulations have been updated to state: The RFO shall regularly provide the Finance Committee with a statement of income and expenditure to date under each</i>

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	<p><i>as shown in the budget. These statements are to be prepared at least every second month and shall show explanations of material variances. For this purpose, "material" shall be in excess of £100 or 15% of the budget.</i></p> <p>The budgetary control reports from the Rialtas accounting system provided to council do not contain explanations of significant variances as defined in the FR's.</p>		<p><i>head of the budgets, comparing actual expenditure to the appropriate date against that planned as shown in the budget. These statements are to be prepared for every Finance Committee meeting and shall show commentary by the RFO to explain significant variances or overspends exceeding £1000.</i></p>
4	<p>For the following payment, there is a difference between the amount stated on the invoice (£3171.48) and the amount per the cashbook (£3083.38):</p> <p>12/04/2024, BACS Cashbook, Heritage Consultancy Services, £3,083.38</p>	<p><i>The council should review the payment to ensure the correct amount has been paid</i></p>	<p><i>Payment has been reviewed and completed.</i></p>
<p><i>2023/24 year end internal audit</i></p>			
1	<p>Year end accounts review:</p> <ul style="list-style-type: none"> The 'balances brought forward' figure in the 2023/24 AGAR accounts was stated as £1,026,598. The correct figure for 'balances brought forward' is £1,206,598. 	<p><i>The 2023/24 AGAR accounts should be amended as noted.</i></p>	<p><i>Corrected</i></p>

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	<ul style="list-style-type: none"> The 2022/23 comparative accounts in the 2023/24 AGAR discloses ‘balances carried forward’ as £1,028,598. The correct figure for ‘balances carried forward’ is £1,206,598. 		
<i>2023/24 interim internal audit</i>			
1	<p>The Pavilion and other projects:</p> <ul style="list-style-type: none"> The council is currently reviewing application for PWLB to support the Pavilion project. Undertaking major projects requires ongoing risk management. 	<p><i>The council should ensure they comply with the requirements for loans as detailed in section 8. of the adopted Financial Regulations.</i></p> <p><i>The council should continue to identify, monitor and mitigate key project risks.</i></p>	<i>Implemented</i>
2	<p>There is no current adopted Investment Strategy and Treasury Management strategy displayed with the council website policies, although there is some coverage of Investments in section 8.) of the Financial Regulations. Guidance on Local Government Investments is issued under section 15(1)(a) of the Local Government Act 2003. The guidance applies to all local authorities in England and applies to Town & Parish Councils providing their total investments exceed or are expected to exceed</p>	<p><i>The council should consider establishing an Investment Strategy and Treasury Management strategy with reference to the requirements of the Local Government Act 2003.</i></p>	<i>Implemented</i>

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	£100,000 at any time during the financial year.		
3	<p>The Financial Regulations require the following with respect to fixed assets:</p> <p><i>14.6 'The continued existence of tangible assets shown in the Register shall be verified at least annually, possibly in conjunction with a health and safety inspection of assets.'</i></p> <p>The fixed asset register is not currently reported to council as part of the year end process.</p>	<p><i>The council should ensure that a complete annual inspection and verification of fixed assets is implemented.</i></p> <p><i>The fixed asset register should be reported to Council as part of the year end process as the fixed asset total is included in the AGAR accounts approved by council.</i></p>	<i>Implemented</i>
4	<p>Review of Policies:</p> <ul style="list-style-type: none"> - The current procedures for gifts and hospitality requirements at the council are those included in the adopted Code of Conduct which covers members only. - There is no overarching expenses policy in place covering officers, volunteers and members. 	<p><i>The council should establish a gifts and hospitality policy that covers officers as well as members.</i></p> <p><i>The council should consider establishing an expenses policy that covers officers, volunteers and members.</i></p>	<i>Implemented</i>
<i>2022/23 year end internal audit</i>			

	ISSUE	RECOMMENDATION	FOLLOW UP
<p><i>No further issues arising over and above those relating to the Pavilion project in the interim report below. The council has also earmarked £500,000 towards the Pavilion project at the year end.</i></p> <p><i>A robust set of year end records have been maintained with a comprehensive audit trail to supporting information.</i></p>			
<p><i>2022/23 interim internal audit</i></p>			
1	<p><u>Pavilion Project</u></p> <p>a.) VAT issues</p> <p>Although the council has received preliminary information that the Pavilion scheme is zero rated for VAT it has not received direct confirmation of the VAT status of the entire construction project. This is important as if VAT is incurred on the scheme the council will need to review the impact of the VAT partial exemption rules and to clarify whether any of the VAT incurred on the project is recoverable.</p> <p>We understand the council has had initial communication with a VAT consultant regarding the project. The partial exemption VAT rules may also be a factor for the ongoing operations of the Pavilion as it is likely significant VAT exempt activity will be provided in the form of room hires.</p>	<p><i>The council need to ensure they have received definitive clarification as to the VAT status of the Pavilion construction project, the recoverability of any VAT incurred on the scheme, and that any partial exemption VAT implications both for the construction project and the ongoing operations are confirmed through a review by the council's VAT consultant.</i></p>	<p><i>The council have engaged a VAT consultant to provide ongoing advice for the Pavilion project.</i></p>

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	<p>b.) Risk Assessment</p> <p>The risk assessment does not currently incorporate a full operational, business and corporate risk assessment of the Pavilion project taking into account latest information available. This is important to ensure that project and ongoing risks can be managed effectively.</p> <p>c.) Financial Planning</p> <p>Council needs to ensure a medium term business plan is established for the Pavilion detailing projections for income receivable from services to be delivered and all operational and other expenditure to ensure accurate projections can be included in the council annual budgets.</p> <p>d.) Financial Regulations and Standing Orders</p> <p>We understand some aspects of the procurement will be carried out by appointed architects. It is important that any third parties managing procurement on behalf of the council follow the council requirements for tendering or</p>	<p><i>A comprehensive risk assessment should be completed of the corporate, business and operational risks of the Pavilion project.</i></p> <p><i>A comprehensive medium term financial plan should be established for the Pavilion.</i></p>	<p><i>2023/24 follow up – a separate risk assessment has been completed for the Pavilion Project.</i></p> <p><i>Regular reports are being provided to council to update on progress, identify issues and secure key decisions regarding the project.</i></p> <p><i>The council has secured support with identifying and projecting the medium term</i></p>

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	quotations specified in the council Financial Regulations and Standing Orders.	<i>A copy of the procurement requirements in the most recently adopted council Financial Regulations and Standing Orders should be provided to all third parties undertaking any procurement exercises on behalf of the council.</i>	<i>income streams for the Pavilion and associated expenditure.</i> <i>The council has secured guidance to support the procurement process.</i>
<i>2021/22 year end internal audit</i>			
1	An 'Investment' earmarked reserve for £39,559 has been set aside. There is no medium term plan for projects or schemes to expend the earmarked reserve and we were informed the reserve is purely and investment as described by the council investment policy.	<i>Investments are not earmarked reserves and the council should review the recommendations in the Practitioner's Guide as to how to correctly treat long term investments. If the £39559 is to be an earmarked reserve the council should determine the medium term projects/schemes to which it is set aside for.</i>	<i>Implemented - This reserve has now been removed and the funds allocated to specific earmarked reserves.</i>
2	The council is only reclaiming VAT once per annum, however, the amount of VAT due to be reclaimed has risen significantly in recent years.	<i>The council should reclaim VAT quarterly to improve cashflow.</i>	<i>Implemented – quarterly reclaims</i>
<i>2021/22 interim internal audit</i>			
1	The current risk assessment does not include the risks and mitigation actions relating to the	<i>The risk assessment for 2021/22 should identify the risks and mitigation actions relating to the</i>	<i>Implemented</i>

	ISSUE	RECOMMENDATION	FOLLOW UP
	potential asset/service transfers to the council from the unitary authority.	<i>transfer of assets/services from the unitary authority.</i>	
2	A duplicate payment was made during the year for laptops totalling £998 as the amount was paid based on the purchase order rather than on receipt of the invoice.	<i>Supplier payments should only be made upon receipt of a valid invoice.</i>	<i>Implemented</i>
3	The council is party to a number of contracts and SLAs with varying lengths and conditions.	<i>The council should establish a contracts register which should be regularly reviewed to identify those contracts/SLAs where the upcoming end date signifies that a tender or quotation process is required, or whether a decision is needed regarding an extension which is provided for in the contract terms.</i>	<i>Implemented</i>