Royal Sutton Coldfield Town Council

Internal Audit Report 2024-25: Final

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For and on behalf of
Auditing Solutions Ltd

Background

Statute requires all town and parish councils to arrange for an independent internal audit examination of their accounting records and system of internal control and for the conclusions to be reported each year in the AGAR.

This report sets out the work undertaken in relation to the 2024-25 financial year. We have undertaken our review for the year on 6th November 2024 and 16th April 2025: we wish to thank the Chief Executive Officer and Finance Officer in assisting the process, providing all necessary additional documentation to facilitate completion of our review. We have examined the accounts and the management processes ensuring governance and financial controls remain effective.

Internal Audit Approach

In undertaking our reviews for the year, we have had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts/AGAR. We have employed a combination of selective sampling techniques (where appropriate) and 100% detailed checks in a number of key areas in order to gain sufficient assurance that the Council's financial and regulatory systems and controls are appropriate and fit for the purposes intended.

Our programme of cover has been designed to afford appropriate assurance that the Council's financial systems are robust and operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory regulatory framework. The programme is also designed to facilitate our completion of the 'Annual Internal Audit Report' in the Council's AGAR, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We are pleased to confirm that, in the areas examined for the year, the Council continues to have effective systems in place to help ensure that transactions are free from material misstatement.

We are pleased to acknowledge that the accounts are well managed and cash books clearly define the investments maintained by the Council. We note that Council members and officers continue to operate a sound, pro-active approach to risk management and corporate governance issues, together with the development and management of effective internal controls and procedural documentation.

We have completed and signed the 'Annual Internal Audit Report' in the year's Annual Governance and Accountability Return, having concluded that, in all significant respects, the control objectives set out in that report were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Council has undertaken its accounts, for this year, utilising RBS Rialtas Omega software. There is one cashbook for the current bank account operated at Unity Bank together with separate cash books for petty cash, charge card and deposits/investments.

Our objective in this area is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. In order to satisfy ourselves that effective controls are in place, we have reviewed the effectiveness of associated financial control systems and undertaken the following detailed testing during the year: -

- Checked and verified that the opening Omega Trial Balance for 2024-25 has been rolled forward accurately from 2023-24;
- We have confirmed that an appropriate cost centre and nominal ledger structure is in place;
- We have checked and agreed three months receipts and payments transactions (April 2024 and September 2024 and March 2025) from the Unity Bank current account to the Omega cashbook; and
- Finally, in this area we have checked and agreed the bank reconciliations on all the accounts as at April and September 2024 and March 2025, noting that there were no issues of significance in relation to any long-standing uncleared effects or other anomalous entries.

Conclusions

We are pleased to report that no issues have been identified in this area warranting formal comment.

Review of Corporate Governance

Our objective is to ensure that the Council has a robust regulatory framework in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are able to ascertain, no actions of a potentially unlawful nature have been, or are being, considered for implementation.

- We note that the Financial Regulations and Standing Orders were reviewed and approved by The Council in May 2024 and the Financial Regulations were reviewed again by Strategy and Resources Committee in July 2024, following the release of new model regulations which were subsequently approved by Full Council in September 2024; and
- We have completed our examination of the minutes of Full Council and its Standing Committee meetings (with the exception of Planning) to March 2025.

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Conclusions

There are no matters arising in this area to warrant formal recommendation.

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Appropriate procedures are in place to ensure compliance with the Council's Standing Orders and Financial Regulations with regard to tendering and quotation action;
- Payments are supported by appropriate documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and/or an acknowledgement of receipt, where no other form of invoice is available;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have completed our testing of payments at this interim review, examining a small sample of items to 31st March 2025. We are pleased to confirm that all the above criteria were properly met.

Finally, in this area, we have examined and sampled the content of the VAT reclaim submitted, to HMRC to March 2025 and reviewed the entries for VAT in the September control account, with no issues arising.

Conclusions

We are pleased to report that no issues have been identified in this area warranting formal comment.

Assessment and Management of Risk

Our objective in this area of review is to ensure that the Council has taken appropriate action to assess all potential areas of financial risk to which it may be exposed; also ensuring that appropriate insurance cover is in place.

- Noted that the Council's Operational Risk assessments and Financial Risk Register were reviewed and were submitted to and approved by Full Council at the September 2024 meeting following the review and approval by Strategy and Resources Committee; and
- We note that insurance cover is provided by Zurich and we have obtained a copy of the current year's policy schedule (to September 2025): Public Liability is at £15

million, Employer's Liability is at £10 million, with Fidelity Guarantee cover set at £5,000,000.

Conclusions

We are pleased to report that no issues have been identified in this area warranting formal comment.

Precept Determination and Budgetary Control

We aim in this area of our work to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the amount of the precept placed on the Unitary Authority, that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans.

We note that the Council, at its December 2024 meeting, approved a precept of £2,250,599 for 2025-26.

We are pleased to note that members continue to receive regular budget monitoring reports with over/under-spends and the level of earmarked reserves the subject of regular review.

Conclusions

No issues have been identified in this area warranting formal comment or recommendation.

Review of Income

Our aim here is to ensure that all income due to the Council is appropriately identified in a timely manner and, where appropriate, is invoiced accordingly with recovery pursued to ensure that income is received within an appropriate time period.

The Council currently has allotments and grants together with the precept and bank and investment interest as sources of income.

We have reviewed a sample of the grant applications and approvals and have at the year end audit completed a review of the expenditure of the grant applicants and ensured that the funds spent are in accordance with the approved proposals.

Conclusions

There are no matters arising in this area to warrant formal recommendation.

Petty Cash Accounts

The Council has a petty cash account with an Imprest of £200 in operation currently. As the Council comes under the "limited assurance regime", we are required, as part of the Internal

Audit Certificate within the Annual Governance and Accountability Return, to provide assurance that controls over petty cash expenditure are operating effectively. We have checked that each payment is supported by an appropriate supplier invoice / till receipt, that goods and services were relevant for Council activities and that any cheque encashments and deposits in the period were properly recorded in the cashbooks.

Conclusions

The Petty Cash has been checked. No issues arise in this area to warrant formal comment or recommendation.

Review of Staff Salaries

The Council outsources its payroll to Birmingham City Council. The Council employs a number of staff on a full time basis, all earnings being paid monthly. The bureau provider prepares the Council's payroll based on basic permanent data on pay rates, basic working hours, pensionable status, etc, together with monthly detail of any overtime or other enhanced hours payable or charges deductible.

Payslips and other summary level data are provided to the Council and, on that basis, staff are paid their monthly salary by BACS. We note that the data received from Birmingham City Council (BCC) is checked both by the Chief Executive Officer and the Finance Officer before the salaries are paid to the staff and subsequently reimbursed to BCC.

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed and the requirements of HM Revenues and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme, as further revised with effect from 1st April 2023. To meet these objectives, we have: -

- Examined this month's pay records for September 2024 and agreed the amounts paid to individuals by reference to the approved pay scale and the monthly contracted hours worked;
- Ensured that tax and NI deductions have been made applying the appropriate PAYE code and NI Table for the financial year;
- Ensured that the appropriate employee and employer contributions to the pension scheme have been determined using the correct percentage banding and are being paid over to the Pension Fund Administrators in a timely manner each month; and
- Again noted that Ellis Whittam remain as HR advisors on a five-year contract

Conclusions

There are no matters arising in this area to warrant formal recommendation.

Fixed Asset Register

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We have checked and agreed the principles used in the detail, as recorded in the Council's Asset Register, noting that it has been prepared using purchase cost values or where that value is unknown at the previous year's Return level or uplifted or decreased to reflect the acquisition or disposal of assets.

Conclusion

No issues require formal comment or recommendation.

Investments and Loans

Our objectives here are to ensure that the Council is "investing" surplus funds, either temporarily or on a longer-term basis in appropriate banking and investment institutions, that an appropriate investment policy is in place, that the Council is obtaining the best rate of return on any such investments made, that interest earned is brought to account correctly and appropriately in the accounting records. Where appropriate we also aim to ensure that any loan repayments due to or payable by the Council are transacted in accordance with appropriate loan agreements.

The Council has specific investments, with "surplus" funds being held with Lloyds Bank in a term deposit a CCLA deposit, UK Debt Management (DMADF) and Blackrock.

We note that a comprehensive Investment Strategy has been approved at the Full Council.

We have been advised that The Council has provided an unsecured loan to Royal Sutton Coldfield Community Town Hall Trust on which default interest may be charged if repayment terms are in breach of the loan agreement.

The Council has no outstanding loan liability currently.

Conclusions

There are no matters arising in this area to warrant formal recommendation. We will undertake further work at our final review.

Annual Governance and Accountability Return

The Accounts and Audit Regulations required that all Councils prepare a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council's financial affairs.

We have examined the Council's procedures in relation to the preparation of the year-end detailed Annual Governance and Accountability Return data, also reviewing the arrangements for the identification of year-end debtors and creditors with no issues arising.

Conclusions

No issues have arisen in this review area and, on the basis of work undertaken during the year, we have duly signed off the Internal Audit Report of the Annual Governance and Accountability Return, assigning positive assurances in each relevant area.