

**Ilminster Town Council
Financial Year 2022-23**



IAC Audit and Consultancy Ltd

Audit date: 14 November 2022

Interim Internal Audit Observations

A Appropriate accounting records have been properly kept throughout the financial year.

No.	Audit Test	Observation	Recommendation	Priority	Comments
1	Accounting system opening balances agree to prior year Annual Return	<i>It was not possible to verify that the Accounting System balances have been correctly brought forward as the Edge Accounting system is not able to produce a Trial Balance, or Balance Sheet, during the financial year. These reports may only be run at year end.</i>	Council to contact the software supplier and establish how a Trial Balance may be run on the system during the financial year for audit purposes.	Medium	This is being looked into and a trial balance has now been produced. A copy has been sent to Mr Rose to confirm acceptability

B This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

No.	Audit Test	Observation	Recommendation	Priority	Comments
1	Is Clerk CILCA qualified?	<i>The Clerk is not CiLCA qualified.</i>	The Council should consider whether the Clerk should be CiLCA qualified.	Medium	This is ongoing and the clerk will be taking 5 days study leave in December 2022 to assist with completion.
2	Was VAT correctly accounted for on expenditure transactions?	<i>It was noted that VAT had not been accounted for on Clerks expenses to attend Judicial Review.</i>	Council to review this transaction and ensure that VAT is accounted for.	Medium	This is being amended to allow VAT to be reclaimed.

C *This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.*

No.	Audit Test	Observation	Recommendation	Priority	Comments
1	The Council, as a body, has undertaken a formal review of risk (this cannot be delegated to sub-committee) - Interim Audit	<i>As at the date of the Interim Audit the Council had not formally Minuted a review of Risk (this was last reviewed by Council in March 2022)</i>	The review of Risk is a key requirement of both the Annual Governance Statement and the Annual Internal Audit Report. The Council MUST ensure that it Minutes a formal review of Risk prior to the end of the financial year.	Advisory	This is planned to be brought to members at the January or February 2023 Full Council meetings thereby ensuring that compliance is met.
2	The value of the Councils Fidelity Insurance covers the value of the Councils cash & bank holdings	<i>The value of the Councils Fidelity Insurance, at £500,000, does not cover the value of the Councils cash & bank holdings.</i>	The Council to review the level of its Fidelity insurance and consider whether it is adequate to cover the value of cash and bank balances held.	Medium	This has been upgraded to £750,000 for the balance of 2022-23 Financial year. When the Insurance Cover is reviewed for the 2023-24 year and a new three year deal is put before members we will look at increasing this to £1 Million in order to take into account the Full Precept being paid in April 2023

D *The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.*

No.	Audit Test	Observation	Recommendation	Priority	Comments
1	Does the budget recorded in the Councils accounting system agree to the budget set by Council?	<i>The budget working paper submitted to Council includes two possible budgets for 2022-23 one headed 'Proposed 2022/23' and another headed '4% increase 2022/23' It is not clear from the Minutes of the meeting of 21st December 2021 (Minute ref 1105) which of these two budgets was the one approved by Council. The budget on the Councils Edge system agrees to the '4% increase 2022/23' budget.</i>	The Council should consider how, in future, Minutes record approval of the budget so that it is clear which of the budget options were approved by Council.	High	For 2023-24 we will make sure that the budget column selected is more easily identified on the Spreadsheet presented to members and recorded in the minutes.

E *Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.*

No.	Audit Test	Observation	Recommendation	Priority	Comments
1	Has the Investment Strategy been published on the Councils website?	<i>The Council has not published its Investment Strategy on the Councils website as required by the Statutory Guidance on Local Council Investments.</i>	Council to ensure that its Investment Strategy is published on its website in accordance with statutory guidance.	Medium	This has now been corrected.
2	Is income due on investments subject to regular check and verification? (Is investment performance regularly reported to Council?)	<i>It was noted that the Council is earning relatively low returns on its bank deposits. Interest rates have risen significantly recently and it should be expected that interest income should increase accordingly.</i>	The Council should review the returns it is receiving on its bank balances and consider how it may improve these returns within the framework of its investment policy.	High	With the full precept being provided in April 2023, a revised Investment strategy is due to be presented to members that will allow for 6 months of its precept to be placed in a higher account. Likewise the other long term holdings will also be looked at to ensure a higher rate of return is maximised.