

**INTERNAL AUDIT REPORT**  
**FINANCIAL YEAR**  
**2025/2026**

**PREPARED ON BEHALF OF**

**DRAETHEN, WATERLOO AND RUDRY COMMUNITY COUNCIL**

**BY**

**MICHAEL FISHER**

Date of Fieldwork *April/May 2026*

Date of Report Issue *21<sup>ST</sup> May 2026*

Report Status *Final*

Issued by: *Michael Fisher, Internal Auditor*

Copy to *Jessica Thomas, Clerk to the Council*

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## 1. PURPOSE OF THE AUDIT

- 1.1. The purpose of the audit was to review the financial propriety and governance arrangements of the Council in accordance with proper practices as set out in the One Voice Wales/SLCC publication “Governance and accountability for local councils in Wales – A Practitioners’ Guide (as amended December 2014)”

## 2. INDEPENDENCE AND COMPETENCE

- 2.1. Your audit was conducted by Michael Fisher, a CIPFA qualified accountant, who has over 43 years’ experience in local government. Your auditor is independent from the management of the financial controls and procedures of the council and has no conflicts of interest with the audit client, nor do they provide any management or financial assistance to the client.

## 3. MAIN FINDINGS

- 3.1. The control objectives tested and proved to be satisfactory can be seen in Appendix A.

## 4. AUDIT OPINION

**Assurance** can be expressed in the governance arrangements and the financial statement of **Draethan, Waterloo and Rudry Community Council for the financial year 2025/2026** based on the tests conducted, but there are aspects that could be tightened to mitigate the risks identified as identified within the action plan at Appendix B.

**It is recommended that the Council take appropriate steps to mitigate the following risks:**

- Ensure that the version control for the financial regulations, standing orders and each reviewed policy is updated with correct headings and version controls as to when reviewed and the minute reference. Also recommended is a thorough overhaul of the website to ensure that only relevant and up to date documents are held there.
- VAT Claims are made in an effective manner to ensure all income collected.
- Risk Assessment is approved at Council AGM each year.
- Insurance cover is reviewed and considered at Council each year.

## 5. ACKNOWLEDGEMENTS

The co-operation of the Clerk to the Council and other officers during the review was much appreciated.

## 6. ATTACHMENTS

Appendix 1 – Internal Audit – Work Programme

## Appendix 2 – Internal Audit – Action Plan

## APPENDIX 1 - Internal Audit - Work Programme

Internal Control	Tests	Initial if yes	Working Paper Reference	Comments
Previous Internal Audit Report	Do the minutes record that Council has considered the Internal Audit Report for the previous year and the matters arising addressed?	MF	N/A	Minutes of Council 29 <sup>th</sup> July 2025, minute 7b indicates that the internal audit report had been considered and all audit documents approved and signed off.
Proper bookkeeping	Is the cashbook maintained and up to date?	MF	Cashbook Spreadsheet	Viewed and all payments/receipts in place and recorded for 2025/2026.
	Is the cashbook arithmetically correct?	MF	Cashbook Spreadsheet	Viewed and tested, various reports tested to triangulate information.
	Is the cashbook regularly balanced?	MF	Cashbook Spreadsheet & Committee Minutes	Council minutes indicate that they receive and approve transactions eg: Minute 5, 29 <sup>th</sup> July 2025.
Standing Orders and Financial Regulations	Has the Council formally adopted Standing orders and Financial Regulations?	MF	Council Minutes	Minutes 6&7 Council AGM 20 <sup>th</sup> May 2025  Records on the Council website need updating with version agreed at this meeting. See Internal Audit Action Plan recommendation 1 below.
	Has a Responsible Financial Officer been appointed?	MF	Financial Regulations	Financial Regulations state that the Clerk is the RFO at paragraph 1.8 and one is in employment.
	Have items or services above a de minimis amount been competitively purchased?	MF	Financial Regulations	Delegations and levels of quotations in Financial Regulations Noted.
	Are payments in the cashbook supported by invoices and have they been authorised and minuted?	MF	Invoices and Income Papers	Sample of all documents taken and agreed recorded properly. WP3

	Has VAT on payments been identified, recorded and reclaimed?	MF	Cashbook Spreadsheet	Noted in Expenditure within cashbook that VAT has been recorded, although no evidence of any claims been made in 2025/2026 can be seen. Clerk confirmed no claims made in 2025/2026.
	Is Section 137 expenditure separately recorded and within statutory limits?	MF	Cashbook Spreadsheet & Committee Minutes	Noted that projects and donations are registered within the cashbook and these are approved through Council Minutes where they are made eg; Minute 8f of Council Meeting 28 <sup>th</sup> October 2025. Well within powers and limits on expenditure.
Risk Management Arrangements	Does a scan of the minutes identify any unusual activity?	MF	All Minutes	No issues noted.
	Do the minutes record the Council carrying out an annual risk assessment?	MF	Minutes	Clerk has commented on this as none could be viewed.  The 2025/26 risk assessment was not completed prior to my appointment. I joined the council in July 2025 and have only become aware of this recently. As soon as it was identified, I prepared a risk assessment, and it is being approved in the upcoming AGM. The annual process will be followed going forward.
	Is insurance cover appropriate and adequate?	MF	Minutes	Insurance was in place for 2025/2026 with Gallaher Policy 8187997 and paid in 2024/2025.  Clerk has confirmed cover in place for 2026/2027 and paid on 1 <sup>st</sup> April 2026.
	Are internal financial controls documented and regularly reviewed?	MF	Minutes	These are included within the Financial Regulation documents which can be seen to be reviewed annually at the Council AGM, although the latest versions are not on the website.  Therefore, regular reviews take place.
Budgetary Controls	Has the Council prepared an annual budget in support of its precept?	MF	Minutes	The Precept for 2025/26 was agreed on 28th January 2025 under minute reference 146 at £21,000.  Although the budget was agreed, this appears to have not been entered into the minutes.

				The Precept for 2026/27 was agreed on 27th January 2026 under minute reference 8e with no increase in precept at £21,000.
	Is actual expenditure against the budget regularly reported to Council?	MF	Minutes	Regularly reported through full Council eg Minute 8g for Q2 on 28 <sup>th</sup> October 2025. Q3 on 27 <sup>th</sup> January 2026 Minute 8e.
	Are there any significant unexplained variances from budget?	MF	Minutes	Quarterly reports taken to Council by Clerk, any significant variances noted, references to minutes above where appropriate.  No significant issues noted within the reports.
Income Controls	Is income properly recorded and promptly banked?	MF	Clerk Files and Bank Statements	All receipts noted and recorded – limited access to cash transactions.
	Does the precept recorded in the cashbook agree to the County/City Council's notification?	MF	Clerk Files and Bank Statements	The Precept for 2025/26 was agreed on 28th January 2025 under minute reference 146 at £21,000.  Precept payments paid on 30 <sup>th</sup> April 2025 and 29 <sup>th</sup> August 2025 for £10,500 each.
	Are security controls over cash adequate and effective?	MF	N/A	Minimal exposure to cash therefore not a risk.
Petty Cash Procedures	Is all petty cash spent recorded and supported by VAT invoices/ receipts?	MF	N/A	No petty cash held.
	Is petty cash expenditure reported to Council?	MF	N/A	No petty cash held.
	Is petty cash reimbursement carried out regularly?	MF	N/A	No petty cash held.
Payroll Controls	Do salaries paid agree to those approved by Council?	MF	Contracts Minutes Payroll	Minute 8b Council 30 <sup>th</sup> September 2025 agreed new increment.
	Are other payments to the Clerk reasonable and approved by Council?	MF	Invoice Payments	All found to be correct

	Has PAYE/NIC been properly operated by the Council as an employer?	MF	Invoice Payments	All operated by external provider and appeared to be in order,
Assets Controls	Does the Council keep an Assets Register of all material assets owned?	MF	Asset Register	Yes, register kept by Clerk.
	Is the Register up to date?	MF	Asset Register	Kept up to date with Clerk. Figures on annual return did not match and clerk commented as follows:  Nothing has changed to last year. The figure I have put on the annual return was copied from last year's annual return due to no changes this year, but I can see that this figure must have been inputted incorrectly as the asset register for last year was £20,707.
Bank Reconciliation	Is there a bank reconciliation for each bank account?	MF	Cashbook Spreadsheet and Bank Statements Minutes	Completed by Clerk.
	Is the bank reconciliation carried out regularly on the receipt of statements?	MF	Cashbook Spreadsheet and Bank Statements Minutes	Completed by Clerk.
	Are there any unexplained balancing entries in any reconciliation?	MF	Clerk Files and Bank Statements	None to be reported.
Year-End Procedures	Are year-end accounts prepared on the correct accounting basis?	MF	Cashbook Spreadsheet Annual Return	Completed on an Income and Expenditure basis.
	Do accounts agree with the cashbook?	MF	Cashbook Spreadsheet Annual Return	All agreed and reconciled.
	Is there an audit trail from underlying financial records to the accounts?	MF	Cashbook Spreadsheet Annual Return	Yes, all can be seen to correspond from Clerks records back to the annual return.
	Where appropriate have debtors and creditors been properly recorded?	MF	Cashbook Spreadsheet Invoices and Income Papers	Sample of all documents taken and agreed recorded properly. WP3

## APPENDIX 2 – Internal Audit – Action Plan

	Issue	Recommendation	Follow Up
1	<p><u>Financial Regulations</u></p> <p>Financial Regulations were approved at the Council AGM on 20<sup>th</sup> May 2025.</p> <p>The document held on the Councils Website is headed 'Financial Regulations 2023-2024' and last version number dated 30<sup>th</sup> October 2023, along with another financial regulations document adopted 29<sup>th</sup> November 2018. No version history included</p> <p><u>Standing Orders</u></p> <p>Standing Orders were approved at the Council AGM on 20<sup>th</sup> May 2025.</p> <p>The document held on the Councils Website is headed 'Standing Orders' and adopted on 29<sup>th</sup> November 2018. No version history included</p>	<p>Ensure that the version control for the financial regulations, standing orders and each reviewed policy is updated with correct headings and version controls as to when reviewed and the minute reference.</p> <p>Also recommend a thorough overhaul of the website to ensure that only relevant and up to date documents are held there.</p>	<p>IA to ensure and check that this has been followed through each year.</p>
2	<p><u>VAT Claims</u></p> <p>Could not see any income recorder for any VAT claims in 2025/2026</p>	<p>Claim made as soon as prudently possible.</p>	<p>Check for claims next year audit.</p>
3	<p><u>Risk Assessment</u></p> <p>Could not see within minutes if an Annual Risk Assessment has been carried out by the Council.</p>	<p>Clerk has informed this is to be considered at this year's AGM.</p>	<p>Check if considered at AGM at next years audit.</p>

4	<u>Insurance Cover</u> Cover was noted last year up to 31st March 2026, no cover noted beyond this.	None as in place from 1 <sup>st</sup> April 2026	Continued checks at audit.
5	<u>Asset Register Value</u> Value on Register does not match Annual Return Value.	Value on Annual Return for 2025/2026 to be changed to match register. No significant risk issues from error last year.	Confirm figures changed prior to signing the return and review at next year's audit.
<b>Follow up of 2024-2025 audit recommendations</b>			
1	No issues to follow up.		
2			
3			
4			
5			
6			