INTERNAL AUDIT REPORT
LLANBEDR DYFFRYN CLWYD COMMUNITY COUNCIL – 2024/2025

The internal audit is carried out by the following testing of the internal controls specified on the Annual Return for local councils in Wales:

- 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)
- Year-end testing on the accuracy and completeness of the financial statements
- Where the Council is sole trustee of a charity, checking that the Council has procedures in place to meet its responsibilities as a sole trustee

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, EXCEPT for the issues 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   22/09/2025

ACTION PLAN

	ISSUE	RECOMMENDATION	FOLLOW UP
1	A review of the Annual Return accounting statements identified the following: • The comparative 23/24 balances do not agree to the balances on the 23/24 annual return. • The 23/24 column does not total correctly.	*Explanations should be provided to the external auditors for any balances that are restated relating to the previous year.*	
2	We have not seen evidence that a VAT reclaim has been carried out for 24/25. VAT was reclaimed in 24/25 for the 21/22 period. The Financial Regulations state the following under income: *9.G. The RFO shall promptly complete any VAT return that is required. Any repayment claim due in accordance with the VAT Act 1994 shall be made at least annually coinciding with the financial year end.*	*VAT should be reclaimed annually. Any VAT not reclaimed relating to earlier years should be identified and reclaimed by the Council.*	
3	Testing of a sample of payments identified the following:	*Online bank payments should be authorised by two signatories before*	

	• Online payments are authorised by only one cheque signatory before payment. • From October 2024 onwards, payments are not recorded in the minutes when approved. The minutes refer to a separate finance report. The finance report lists the payments made. • We could not find approval in the supporting finance report or the council minutes for a payment of £760 made in respect of the Christmas dinner.	*payment. This can be either by approving in the council minutes before payment, actual signatures, emailed approval or online bank authorisation if the bank account allows (the Council have recently opened a Unity Trust bank account with this facility).* *If payments are not recorded in the minutes as approved and are listed in a separate schedule, the supporting schedule should be signed by the Chair and the total amount of payments approved should be recorded in the minutes as approved.* *All payments should be approved by council.*	
4	The general reserves that the Council hold as at 31/3/25 of £41,118) are in excess of 100% of the precept. Sector guidance is that councils should aim for a general reserve level of between 25% and 100% of the precept or net operating expenditure. The Practitioners Guide also notes this recommended level of reserves.	*The council should review the level of general reserves during the budget setting process with reference to sector guidance.* *The Council should ear mark any reserves being retained for specific projects.* *The calculation of the precept should*	

		take into account the general reserves of the Council.	
5	We have not seen evidence that a budget was prepared in the calculation of the precept for 2024/25. This has however taken place for 2025/26. The Council minutes do not state the amount of the precept although they do state that it will remain the same. We have not seen evidence that the Council carried out budget monitoring during the year.	*The Council must ensure that a budget is prepared in support of any precept request and that the precept calculation takes into account the general reserves of the Council.* *The amount of precept requested should be stated in the council resolution of the minutes where the precept was decided.* *Regular monitoring of actual spend against budget should take place during the year.*	
6	The Council has not carried out an annual risk assessment in 2024/25.	*A risk assessment should be carried out annually and approval should be recorded within the Council minutes.*	
7	The Clerk in position for the first six months of the year was employed on a self employed basis on production of invoices. This is not compliant with HMRC requirements that all clerks and proper officers are employees and must be paid through the PAYE system. We note that the Clerk that came into position in January 2025 introduced a	*The Council must ensure that they issue the Clerk with a contract of employment.*	

	payroll system and has been correctly paid through PAYE. Neither of the Clerks in post during 24/25 were issued with a contract of employment.		
8	The annual return states a balance of nil for fixed assets. The Council have an asset register in place that details a list of assets that totals £21,200. The asset register does not state the method of valuation for each asset.	*The asset register should be updated to ensure that the method of valuation is recorded for each asset. Guidance on the valuation of fixed assets can be found in the Practitioners Guide.* *The annual return should record the value of fixed assets from the asset register.*	