



Internal Audit Review 2025

Nelson Town Council Memorandum

Where information resulting from audit work is made public or is provided to a third party by the client or by Veritau then this must be done on the understanding that any third party will rely on the information at its own risk. Veritau will not owe a duty of care or assume any responsibility towards anyone other than the client in relation to the information supplied. Equally, no third party may assert any rights or bring any claims against Veritau in connection with the information. Where information is provided to a named third party, the third party will keep the information confidential.



INTRODUCTION AND SCOPE

- 1 Local councils in England must complete an Annual Governance and Accountability Return (AGAR) which includes an Annual Governance Statement, Accounting Statements, and an Annual Internal Audit report.
- 2 Proper practices for Town Councils and the preparation of the AGAR are included in Governance and Accountability for Smaller Authorities (March 2024).
- 3 Internal Audit is a key component of the council's system of internal control. The purpose of internal audit is to review and report to the council whether its systems of financial and other internal controls and procedures are effective.
- 4 As part of the AGAR, the council's internal auditor, acting independently and on the basis of an assessment of risk, carries out assessments of compliance with relevant procedures and controls in operation throughout the financial year.
- 5 We completed some work remotely, and also visited Nelson Town Council during May 2025 to assess the internal controls in operation for 2024/25.
- 6 This work has allowed us to complete the Annual Internal Audit Report and form judgements on the operation and effectiveness of Nelson Town Council's internal control arrangements in 2024/25, prior to the council completing and approving the Annual Governance Statement.



FINDINGS

Overall Assessment

- 7 We have provided a 'Yes' conclusion to all applicable areas of internal control when providing our assessment on arrangements at the council in 2024/25. In respect of Petty Cash, as the council did not use this during the financial year, we have signed that objective as 'not covered'.
- 8 Further information on relevant control objectives A to J is detailed below.

Maintenance of Accounting Records

- 9 The council uses the Rialtas Suite finance system package. There are physical and system controls limiting access to the system only to appropriate people.
- 10 Income and expenditure was coded to individual cost centres. Transactions from April 2024 to March 2025 had been input on to the Rialtas Suite finance system on an ongoing basis. Accurate and up to date records will help to provide complete, accurate and up-to-date financial information through-out the year, for officers and members.

Preparation of Accounting Statements

- 11 The financial statements and the proposed disclosures for the AGAR were supported by detailed information from the electronic accounting system. They were also prepared on the appropriate (income and expenditure) basis. We agreed the figures from the financial system to those proposed to be included in the return.

Payments

- 12 We reviewed 2024/25 total expenditure with previous years and obtained an understanding for all significant year on year variances. We also tested a sample of payments.
- 13 All transactions had been appropriately authorised. All expenditure was consistent to underlying documents. VAT had been appropriately considered. No issues were noted with the payments expenditure we tested.
- 14 In line with the council's financial regulations, the Finance and General Purposes Committee received monthly schedules of all payments made.

Risk Management

- 15 The council has a Risk Assessment Policy & Risk Register, with evidence within the Full Board meeting minutes to suggest a review had been

conducted. The risk registers also reflected this with future action dates and new 'risk owners'.

- 16 The council has insurance in place. Insurance covers expected areas such as fidelity guarantee (loss of money or property sustained as a direct result of acts of fraud, theft or dishonesty by an employee in the course of employment) and public liability.

Budget Setting and Monitoring

- 17 The budget for 2024/25 was approved at Full Council on 12 January 2024. The budget set expenditure at £930,824 which was £225,000 higher than expenditure incurred in 2023/24.
- 18 Actual expenditure in 2024/25 was significantly below the level the council's budget setting process identified, as is shown in the table below:

Figure 1: Expenditure was £293,525 lower than budgeted.

No.	2024/25 Budget (£)	2024/25 Actual (£)
Income	754,674	768,824
Expenditure	930,824	637,299
(Deficit) / Surplus	(176,150)	131,525

- 19 Regular financial information was provided to members during 2024/25 which helped to support regular budget monitoring. Reports produced from the accounting system were reviewed at the Finance and General Purposes Committee at monthly committee meetings.

Reserves

- 20 In respect of reserves, Governance and Accountability for Smaller Authorities (March 2024) says a body should ideally review reserves annually as part of the budget assessment process (section D, page 29). This is helpful, especially, for example, when incurring expenditure which is funded by reserves, to inform the budget and precept setting process.
- 21 At our audit in 2024 we recommended sufficient information be provided to ensure existing revenue reserve balances are formally considered as part of future budget setting processes. In conversation with the Assistant Town Clerk, he explained that as part of the 2025/26 budget setting process, information on the bank balances was used to help support budget setting decision making, specifically in relation to the precept.
- 22 Nelson Town Council has accumulated reserves of £1.22m at 31 March 2025 which is 1.67 times the 2024/25 precept raised, so below the threshold to provide an explanation to external audit.

- 23 The guidance also explains on earmarked reserves 'There is, in practice, no upper or lower limit to earmarked reserves / capital receipts reserves save only that they must be held for genuine and identifiable purposes and projects, and their level should be subject to regular review and justification (at least annually and at budget setting) and should be separately identified and enumerated' (5.38, page 38).
- 24 The council has 7 earmarked reserves totalling £337,804. We understand the council has plans to spend some monies held in earmarked reserves over future years. However, the balance of those 7 earmarked reserves has not changed in at least the last four financial years (i.e. nothing has been added to the reserve, or spent from). We have also not seen any review of earmarked reserves in line with the expectations by the Governance and Accountability proper practice during 2024/25.

Area for Improvement 1: A review of all earmarked reserves should be undertaken each year by the council. That review should

- consider the requirements expected by the Governance and Accountability proper practice, and
- be documented and fed into the annual budget setting process.

Income

- 25 Internal control objective E states 'Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for'.
- 26 We saw large areas of income such as the precept were reflected in the financial statements and had been received in the bank. A review was carried out on the Unity Hall room hire. The issue noted was explained by officers as already being dealt with.

Payments to Employees

- 27 Payroll is provided by Blackburn and Darwen Council which should give the council comfort that PAYE and NI is being properly deducted. We reviewed two months' payments highlighting that the calculations were made appropriately and supported by invoices from Blackburn and Darwen Council. Variances were consistent with the staffing changes that have took place over the period reviewed.

Bank Reconciliations

- 28 Nelson Town Council financial regulations require that 'A bank reconciliation shall be produced monthly by the RFO and be submitted to the Finance and General Purposes Committee for verification, this activity is to be evidenced and reported upon, including any exceptions. A member other than the cheque signatory shall be appointed from the committee to verify the bank reconciliations (for all accounts) produced by the RFO. The committee member appointed for that meeting shall sign the

reconciliations and the original bank statements as evidence of verification. This activity shall on conclusion be recorded in the minutes of the Finance and General Purposes Committee.' These expectations are in line with those included in Governance and Accountability (March 2024).

- 29 We saw that Bank reconciliations were completed monthly by the Assistant Town Clerk. They were submitted to Finance and General Purposes Committee and verified appropriately. A year end (31 March 2025) bank reconciliation was completed, and we have no matters to report to members from our review.

Asset Registration

- 30 Internal control objective H states 'Asset and investments registers were complete, accurate and properly maintained'.
- 31 An up to date and accurate asset register is the starting point for any system of financial control over assets. Governance and Accountability for Local Councils states 'local councils must maintain an asset register to ensure fixed assets are appropriately safeguarded. This includes items of a capital nature where values tend to be high, and which have a useful life of more than one year'.
- 32 The council has an Asset Registration policy in place. It has been approved at Full Council at the same time as the approval of the Annual Return. The Council had an asset register which has had no additions in 2024/25.

Appendix 1 - Action Plan to address issues raised

Action Number	Report Reference	Issue	Agreed Action	Responsible Officer	Timescale
1	20-24	<p>A review of all earmarked reserves should be undertaken each year by the council. That review should</p> <ul style="list-style-type: none">• consider the requirements expected by the Governance and Accountability proper practice, and• be documented and fed into the annual budget setting process			

Please complete the agreed action, responsible officer, and timescale sections, and return to Veritau following consideration and agreement of the report by members.