

INTERIM INTERNAL AUDIT REPORT – 2016/2017
FRODSHAM TOWN COUNCIL

The internal audit of Frodsham Town Council is carried out by undertaking the following tests as specified on the Annual Return for Local Councils in England:

- 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

The interim internal audit provides evidence to support the annual internal audit conclusion on the Annual Return for larger councils.

Conclusion

On the basis of the internal audit work carried out, in our view the council's system of internal controls is in place, adequate for the purpose intended and effective, subject to 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

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	ISSUE	RECOMMENDATION	FOLLOW UP
1	The VAT debtor at the year end does not agree to the cash book for 16/17. The difference is £3 and is due to an error in the 15/16 cash book where Insurance Premium Tax was incorrectly classified as VAT. The correct amount of VAT was reclaimed from HMRC.	<i>The amount is insignificant so the accounts do not require amending to correct the VAT debtor. The amount should be written out of the 17/18 accounts.</i>	
2	The risk assessment was not formally approved by Council in the minutes during 2016/17 (the minutes show approval in April 2017). We note however that the risk assessment was actually reviewed and carried out in March 2017.	<i>The risk assessment should be formally approved annually.</i>	
2016/17 audit recommendations			
1	The Council have been experiencing a problem in receiving payments from ‘Scambusters’ (Cheshire West and Chester) as they are not always being provided with a Purchase Order on booking. They are however continuing to use the room.	<i>The Council should ensure that Cheshire West and Chester always provide a Purchase Order when booking a room to prevent experiencing payment problems with the Unitary Council finance system</i>	
2	The September minutes approve the total payments for August. The minutes incorrectly state that they are the July Payments.	<i>The September minutes should be corrected to refer to the correct authorised payments</i>	Minutes have not been amended but issue reported to Council
2015/16 audit recommendations			
1	The asset register currently doesn’t total the assets showing that it reconciles with the balance	<i>The asset register should be updated to ensure that it reconciles with the annual</i>	Implemented

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	entered on the annual return.	<i>return.</i>	
2015/16 interim audit recommendations			
1	<p>There is no formal reserves policy in place that establishes the level of general reserves the council should aim to carry forward year on year.</p> <p>There is no statutory requirement for the minimum level of council reserves. However, there is sector guidance that states between 3 months and 1 year of net revenue expenditure (ie excluding precept income) is a satisfactory level – see NALC guidance below:</p> <p>“.....any prudent council will carry forward some Un-earmarked General Revenue Reserves to meet the unexpected and to use for working capital until the Income due from the Billing Authority is received. These final balances are held to some extent by all councils and should fall within a range of 3 to 12 months net revenue expenditure. Thus the total value of Balances and Reserves is set by the individual circumstances, and by a formal decision, of the Council.”</p>	<i>The council should as a priority establish a policy for the minimum level of reserves.</i>	Implemented
2	The Risk Assessment has not yet been carried out for 2015/16	<i>The risk assessment needs to be reviewed and updated and approved by Council before the 2015/16 financial year end</i>	Implemented

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3	Although there is a standard list of fees for room hire fees, these have not been approved by Council.	<i>Room hire fees need to be reviewed and adopted annually by Council</i>	Implemented.
Follow up of 2014/15 audit recommendations			
1	2014/15 is the second year where income is in excess of £200,000. From 2015/16 the Council will be required to prepare income and expenditure accounts. They will also have to restate the accounts for 2014/15 as income and expenditure to ensure that the accounts are consistent.	<i>The Council should prepare income and expenditure accounts for 2014/15 with supporting schedules of debtors and creditors. These balances will then be audited as part of the 2015/16 audit.</i>	I&E accounts prepared from 14/15.
2	The Council have introduced a formal grant application process. There was a £5000 grant in 2014/15 to the St Laurence Repair Fund, however no formal application was completed. There was also no letter of receipt on file.	<i>The grant application process should be applied to all grants.</i>	Grant payments tested supported by grant applications in 15/16
3	Although minutes refer to payments being approved, the total of the payments schedule is not stated in the minutes. The payments schedule is signed by the Chair when approved.	<i>Minutes need to refer to the total of the payments schedule that has been approved so it is clear which payments schedule is being referred to as approved in the minutes, and that there is a clear audit trail to evidence that all payments in the year have been presented to and approved by council.</i>	Implemented

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Follow up of 2013/14 audit recommendations			
1	Two petty cash transactions totaling £36 have been entered in the ledger and have also been included as unpresented cheques.	<i>These transactions should be removed from the accounts and also from unpresented cheques.</i>	Implemented
2	Guidance note for 2014/15 Following the repeal of section 150(5) of the Local Government Act 1972 in March 2014, Councils now are not required by law to have cheques or other orders for payment signed by two elected members.	<i>If the Council decide they would like to make any changes to how payments are made it is important that they review the recent guidance issued by SLCC and ensure that any new internal controls meet these requirements. Any changes to internal controls over payments in light of the repeal will be reviewed in future audits.</i>	Noted
Follow up of 2013/14 Interim Audit			
1	A donation of £8000 was made to Frodsham Youth Association, the decision was made as part of the budget setting process. We could see no evidence that a formal application was made to the Council accompanied by supporting accounts.	<i>All grants should be awarded following a standard procedure including a formal application process.</i>	See issue 2 2014/15
2	During the year, cheque 5653 for £5000 was cancelled. We could not find the decision to	<i>The decision to cancel a payment should be recorded within the Council minutes.</i>	Not occurred in 14/15

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	ISSUE	RECOMMENDATION	FOLLOW UP
	cancel this payment recorded within the minutes.		
3	A review of the cash book found that there were a number of receipts included within payments therefore having the effect of ‘netting off’ of payments.	<i>These receipts should be reposted in the cash book as receipts.</i>	Implemented