



Frodsham Town Council

Internal Audit 2020/21

Year-end Report

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JDH BUSINESS SERVICES LTD

Registered to carry on audit work by the Institute of Chartered Accountants in England and Wales

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

ACTION PLAN

ISSUE	RECOMMENDATION	FOLLOW UP
<p>1 The council, during 2019-20 did not correctly provide for the period for the exercise of public rights as required by the Accounts and Audit Regulations since the date the public notice announcement was published on the website was the first day of the inspection period. The notice of audit should be published on the website at least one day before the commencement of the inspection period</p> <p>In addition, the public notice announcement date was the same date that the inspection period commenced. The public notice announcement date must be at least one day before the commencement of the inspection period.</p>	<p><i>The council must comply with the requirements of the Accounts and Audit Regulations 2015 with respect to the notice for the exercise of public rights.</i></p> <p><i>The Council must comply with the publication requirements for the AGAR.</i></p>	
<p>2 Income and expenditure are overstated by £500 as an overpayment received in relation to burial fees (that has been repaid) is included as both income and expenditure.</p>	<p><i>The annual return should be amended as follows: Total other receipts £42,236 All other payments £148,063</i></p>	
<p>3 The risk assessment does not address the risks of supplier (procurement) fraud.</p>	<p><i>The risk assessment should be updated to include supplier (procurement) fraud including the adequacy of supplier onboarding controls.</i></p>	

ISSUE	RECOMMENDATION	FOLLOW UP
<p>2020/21 interim internal audit recommendations</p>		
<p>1 During 2020/21 the Council purchased a Christmas tree at a cost of £2145 (excl VAT) and whilst we have seen evidence that the payment was approved retrospectively by Council, we have not seen evidence that the awarding of the contract in the first place was approved by the Events Committee as required by the Financial Regulations (FRs). We were informed that the contract was awarded by the Christmas Festival Working Group (CFWG), the order was placed by a member of the working group, and there is no terms of reference is in place for the CFWG.</p> <p>Section 101(1)(a) Local Government Act (LGA) 1972 states a local authority may arrange for the discharge of their functions by a committee, a sub-committee or an officer of the authority, or by another local authority. Therefore, a working group that is not a sub-committee cannot make any decisions, functions, or commit the council to any liability, and can therefore only make recommendations to their parent committee.</p> <p>The council FRs require the following:</p>	<p><i>The Council must ensure it complies with the requirements of the council Financial Regulations and the LGA 1972 when incurring expenditure.</i></p> <p><i>All council working groups that are not sub-committees should be provided with a formal terms of reference that makes it clear they cannot make any decisions or commit the council to a liability. The terms of reference should include a remit to provide a report with recommendations for approval to a council committee or sub-committee.</i></p>	

ISSUE	RECOMMENDATION	FOLLOW UP
<ul style="list-style-type: none"> - Section 4 requires for expenditure on revenue items over £500 the authority to spend is determined by a duly delegated committee of the council and should be evidenced by a Minute. - Section 10 of the council FRs requires that an official order or letter shall be issued for all work, goods and services unless a formal contract is to be prepared or an official order would be appropriate. 		
2	<p><i>The Council should introduce alternative controls when signatures can not be obtained such as emailed approvals prior to payment.</i></p>	

Annual Internal Audit Report 2020/21

FRODSHAM TOWN COUNCIL

WWW.FRODSHAM.GOV.UK

During the financial year ended 31 March 2021, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2020/21 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Ⓛ A CONTRACT WAS AWARDED BY A WORKING GROUP - SEE

INTERNAL
AUDIT
REPORT
INTERIM
ISSUE
1

Internal control objective	Yes	No	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		EXCEPT FOR Ⓛ
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.			✓ NO PETTY CASH.
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic bank account reconciliations were properly carried out during the year.	✓		
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		
K. If the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2019/20 AGAR tick "not covered")	✓		
L. If the authority has an annual turnover not exceeding £25,000, it publishes information on a website/webpage up to date at the time of the internal audit in accordance with the Transparency code for smaller authorities.	✓		
M. The authority, during the previous year (2019-20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).		✓	} SEE ISSUE Ⓛ IN INTERNAL AUDIT REPORT
N. The authority has complied with the publication requirements for 2019/20 AGAR (see AGAR Page 1 Guidance Notes).		✓	

O. (For local councils only)	Yes	No	Not applicable
Trust funds (including charitable) – The council met its responsibilities as a trustee.	✓		

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken: 26/04/2021, 09/06/2021
 Name of person who carried out the internal audit: JDM BUSINESS SERVICES LTD

Signature of person who carried out the internal audit: JDM Business Services Ltd
 Date: 09/06/2021

*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned; or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).