



# Frodsham Town Council

Internal Audit 2020/21

Interim Report

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*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
1	<p>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 councillor, and there is no terms of reference 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 prohibit an individual councillor placing an order and 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"> <li>- 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.</li> <li>- 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.</li> <li>- Section 10.4 states that '<i>A member may not issue an official order or make any contract on behalf of the council</i>'</li> </ul>		
2	<p>Due to the move to virtual meetings and the closure of the office (due to COVID-19) two signature authorisations has not been obtained for online payments. We are satisfied that all payments have been approved by Council after they have been made.</p>	<p><i>The Council should introduce alternative controls when signatures can not be obtained such as emailed approvals prior to payment.</i></p>	