

# STOURPORT-ON-SEVERN TOWN COUNCIL

## REPORT ON THE INTERNAL AUDIT FOR THE FINANCIAL YEAR, 2019/20

Thank you for appointing me as your Internal Auditor again. I am pleased to report that I have completed my internal audit for the Financial Year 2019/20 which was carried out between 11<sup>th</sup> May – 5<sup>th</sup> June, 2020 in accordance with the agreed Audit Plan. The Audit tests required are listed in the Audit Programme which I have now signed (Appendix attached).

I have found your Final Accounts to be as accurate and informative as usual. The Budget and Final Accounts provide a meaningful, detailed, analysis of income and expenditure which should significantly assist with decision taking and more than comply with Accounting and Reporting standards for small councils.

I have pleasure in confirming that I have completed the Audit tests in the Audit Programme and also Section 4 of the Annual Return as required by the Accounts and Audit Regulations. ***All entries to the Annual Return were made on an unqualified basis and I can report that there are no matters of any significance that need to be brought to your attention.***

Council should be aware that the audit tests carried out during the audit cannot be relied on to identify the occasional omission or insignificant error, nor to disclose breaches of trust or statute, neglect or fraud which may have taken place and which is the responsibility of Members of the Council to guard against through their internal control procedures.

When completing the audit, it did reveal a number of items that are worthy of review and these are detailed below. Also a list of less significant, minor items identified during the audit has been provided both to your Town Clerk and Treasurer in writing for their consideration and action. *A copy can be provided to Members on request.*

### 1. Policy considerations - Working Balance

Council Policy during the financial year was to hold a Working Balance of at least £50,000. A Working Balance is provided as a contingency to meet the cost of emergencies, unforeseen or unbudgeted expenditure and to fund changes in cash flow. The actual working balance has reduced over recent years and was £57,100 at 31<sup>st</sup> March 2020. Your Treasurer drew attention to the need of increasing the level of Working Balance in his Report on the Budget, 2020/21. In addition to this an increase will also be necessary should the Council resolve to take on additional services from Wyre Forest District Council under the Localism policy. The Treasurer's recommendation of increasing the Working Balance to £70,000 over a 4 year period would be the minimum required for any new policy.

## 2. Budgetary Control

Adequate budgetary control was carried out during the financial year as required. The level of detailed analysis of services for budgeting is commendable. This detail enables the Treasurer to provide Members with detailed explanations for significant overspendings and savings, firstly in his report on the Budget 2020/21 and in his Report on the Final Accounts. These Reports enable members to examine, question and finally approve the overspendings as appropriate.

## 3. Civic Centre Offices for rent

My Report on last year's Internal Audit drew attention to the disappointing level of rents received at £20,146 and this triggered a more in depth internal audit examination of this service. I was pleased to find that due to active management rents received increased to £26,957 which is an excellent achievement at 84% of the 100% income achievable (£32,000).

## 4. Staff Management

This was another year where there have been significant staff issues including staff sickness and changes to the establishment to assist with the consideration of Localism issues. Consequently, an in-depth internal audit was carried out on the Salary Payroll as it represents 72% of the Council's net expenditure. The audit revealed that Payroll management and administration has been correctly carried out in accordance with Council policies.

## 5. Localism

The Council is examining options to take on a number of services from Wyre Forest District Council under the Localism policy. In accordance with Financial Regulations Members must be aware of the full financial impact to the annual budget for every option when it is being considered so that the Treasure can advise on the effect to the precept in future years should any be approved by resolution of Council.

## 6. Conclusion

I would like to thank your staff for their time, help, information and assistance freely given during this audit which has taken place at a very difficult time during the lockdown in response to the coronavirus pandemic.

## 7. Recommendation

It is recommended to Council that the contents of this Internal Audit Report are noted.

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8<sup>th</sup> June, 2020

**INTERNAL AUDIT 2019/20**

**Stourport-on-Severn Town Council - Audit Programme**

*I certify that I have carried out the tests detailed below in accordance with the suggested approach contained in the 2018 edition of 'Governance and Accountability in Local Councils in England and Wales – A Practitioners Guide'.*

*Signed: R. J. Mountford*

*Date: 8<sup>th</sup> June, 2020*

<b>INTERNAL CONTROL</b>	<b>TESTING REQUIRED</b>
<b>1. Proper bookkeeping</b>	Is the cashbook maintained and up-to-date?  Is the cashbook arithmetically correct?  Is the cashbook regularly balanced?
<b>2. Standing Orders &amp; Financial Regulations</b>	Has the Council formerly adopted Standing Orders & Financial Regulations?  Has a Responsible Officer been appointed to carry out financial administration?
<b>3. Payment Controls</b>	Has expenditure on services above the de minimus amount been competitively purchased?  Are payment in the cashbook supported by Invoices, authorised and the monthly summary total minuted?  Has VAT on payments been correctly identified, recorded and reclaimed?  Is Section 137 expenditure separately recorded and within statutory limits?
<b>4. Risk Management Arrangements</b>	Does a review of the minutes identify any unusual financial activity?  Do the minutes record the Council carrying out an annual risk assessment?  Is insurance cover appropriate and adequate?

## INTERNAL AUDIT 2019/20

### Stourport-on-Severn Town Council - Audit Programme (continued)

<b>INTERNAL CONTROL</b>	<b>TESTING REQUIRED</b>
<b>4. Risk Management Arrangements</b> (continued)	Are internal financial controls adequate and regularly reviewed?  Has the Council carried out a financial risk assessment?
<b>5. Budgetary Control</b>	Has the Council prepared an annual budget in support of its precept?  Is actual expenditure against the budget regularly reported to the Council?  Are there any significant unexplained variances from budget?  Is the budget matched to year end outturn to enable consistent comparison of financial performance?  Are year end variances explained ?
<b>6. Income Controls</b>	Is income properly recorded and properly banked?  Does the precept recorded agree to the Council Tax authorities' notification?  Are security controls over cash adequate and effective?
<b>7. Petty Cash Procedures</b>	Are all petty cash payments recorded by a signed voucher and any VAT recorded?  Is petty cash summarised and expenditure recorded in the cash book?  Is petty cash reimbursed in accordance with the Imprest System?

## INTERNAL AUDIT 2019/20

### Stourport-on-Severn Town Council - Audit Programme (continued)

<b>INTERNAL CONTROL</b>	<b>TESTING REQUIRED</b>
<b>8. Payroll Controls</b>	<p>Do all employees have contracts of employment with clear terms and conditions?</p> <p>Do salaries paid agree with those approved by the Council?</p> <p>Are other payments to employees authorised, reasonable and agreed by the Council?</p> <p>Have PAYE and NIC been properly operated by the Council as an employer?</p>
<b>9. Asset Controls</b>	<p>Does the Council maintain a register of all material assets owned or in its care?</p> <p>Are the asset and investment registers up-to-date?</p> <p>Are investments monitored and reviewed regularly?</p> <p>Do asset insurance valuations agree with those in the asset register?</p>
<b>10. Bank Reconciliation</b>	<p>Is there a bank reconciliation for each account?</p> <p>Is a bank reconciliation carried out regularly and in a timely fashion?</p> <p>Are there any unexplained balancing entries in any reconciliation?</p>
<b>11. Year End Procedures</b>	<p>Has a year end reconciliation been carried?</p> <p>Are year end accounts prepared on an income and expenditure basis?</p> <p>Do accounts agree with the cash book?</p> <p>Is there an audit trail for underlying financial records to the accounts?</p> <p>Where appropriate have debtors and creditors been properly recorded?</p>
<b>12. Audit Recommendations</b>	<p>Has the Council acted on the recommendations and comments of the internal and external auditors?</p>