**STOURPORT-ON-SEVERN TOWN COUNCIL**

**REPORT ON THE INTERNAL AUDIT FOR THE FINANCIAL YEAR, 2020/21**

**1.. PURPOSE OF REPORT**

To thank the Council for appointing me as their independent Internal Auditor again and to report details and conclusions relating to the Internal Audit carried out for the Financial Year 2020/21. Also to enable the Committee to carry out a review of the Council’s Internal Audit arrangements.

**2.. INTRODUCTION**

The Council is required by the Accounts and Audit Regulations to ‘undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes’. The Internal Audit influences completion of the Annual Internal Audit Report included with the statutory Annual Governance and Accountability Return.

**3.. CONCLUSION OF THE INTERNAL AUDIT**

I have pleasure in confirming that I have completed the Audit tests in the Audit Programme and also Section 4 of the Annual Governance and Accountability Return as required by the Accounts and Audit Regulations. ***All entries on the 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.***

**4.. MATTERS TO BE CONSIDERED**

I am pleased to report that I have completed my Internal Audit for the Financial Year, 2020/21 which was carried out between 10th May– 25th May, 2021 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 significantly exceed compliance with the requirements of Governance and Accountability for Smaller Authorities in England.

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.

**STOURPORT-ON-SEVERN TOWN COUNCIL**

**REPORT ON THE INTERNAL AUDIT FOR THE FINANCIAL YEAR, 2020/21 (Cont.)**

**4.. MATTERS TO BE CONSIDERED (Continued)**

When completing the audit, it did reveal a number of items that are worthy of review and these are detailed in Paragraph 5. 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.*

**5. REVIEW OF POLICY CONSIDERATIONS**

**A Working Balance**

The covid pandemic has impacted on the administration and finances of the Council. One beneficial effect is that Budget underspendings have resulted in the Working Balance already exceeding the target of £70,000 which was forecast to take up to 4 years.

**B. 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 reports on the Budget and also in his Report on the Final Accounts. These Reports enable members to examine, question and finally approve significant variances as appropriate.

**C. Staff Management**

This was another year where there have been a number of issues affecting the Council’s administration. These have been identified to include the covid pandemic, staff sickness, changes to the establishment and taking on services under the Localism policy. Despite this it has been noted that the integrity of administrative systems and financial arrangements have been retained.

**D. 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 the full financial cost for each option must be considered and subsequently approved by Council so that the Treasurer can advise on the effect to the budget and the precept in due course.

**6. REVIEW OF OF INTERNAL AUDIT ARRANGEMENTS**

It is considered to be proper practice for the Council to carry out an annual review of it’s Internal Audit arrangements. This Report should significantly assist in that review as it covers work done during the last financial year by me, a qualified accountant totally independent of Members and officers. Your considerations should also take into account the quality and scope of this Internal Audit Report and also Internal Audit prior planning.

**STOURPORT-ON-SEVERN TOWN COUNCIL**

**REPORT ON THE INTERNAL AUDIT FOR THE FINANCIAL YEAR, 2020/21 (Cont.)**

**7. 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.

**8. RECOMMENDATIONS**

1. **It is recommended that the contents of this Internal Audit Report are noted.**
2. **That the Internal Audit arrangements for the Financial Year, 2020/21 are approved.**

This Report has been prepared by RICHARD MOUNTFORD, IPFA.

RICHARD MOUNTFORD, CPFA., 07837 210 198

20 Windsor Drive, 25th May, 2021

Stourport-on-Severn,

Worcs.

DY13 0JF

**STOURPORT-ON-SEVERN TOWN COUNCIL Appendix**

**AUDIT PLAN 2020/21**

**1.. SCOPE OF INTERNAL AUDIT**

The scope of Internal Audit will span the whole range of the Council’s activities and includes the review of those controls designed to ensure:

* The Council’s policies are put into practice
* The Council’s values are met
* Financial laws and regulations are complied with
* Processes are adhered to
* Financial information is accurate and reliable
* Human, financial and other resources are managed efficiently and effectively

**2.. UNPLANNED WORK FOR INTERNAL AUDIT**

If necessary work will include areas where significant weaknesses are identified. No contingency for unplanned work has been included in the plan and each issue will be dealt with as it arises. Examples of unplanned work are:

* Investigations
* Requests from the Council’s Finance Committee
* Additional work required on planned activities

**3.. REPORTING REQUIREMENTS**

Reports will be provided to the Council summarising:

* Work carried out
* Significant findings
* Agreed actions
* Recommendations
* Performance against the Audit Plan

The Audit Plan will be kept under continuous review within the context of achieving overall

objectives. Should significant amendments be necessary these will be discussed and reported on at the earliest opportunity.

**Appendix(Cont.)**

**INTERNAL AUDIT 2020/21**

**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:* ***25th May, 2021***

**INTERNAL CONTROL TESTING REQUIRED**

**1. Proper bookkeeping** Is the cashbook maintained and up-to-date?

Is the cashbook arithmetically correct?

Is the cashbook regularly balanced?

**2. Standing Orders &** Has the Council formerly adopted Standing

**Financial Regulations** Orders & Financial Regulations?

Has a Responsible Officer been appointed to carry

out financial administration?

**3. Payment Controls** 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?

**4. Risk Management**  Does a review of the minutes identify any

**Arrangements**  unusual financial activity?

Do the minutes record the Council carrying out an

annual risk assessment?

Is insurance cover appropriate and adequate?

**INTERNAL AUDIT 2020/21** **Appendix (Cont.)**

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

**INTERNAL CONTROL TESTING REQUIRED**

**4. Risk Management** Are internal financial controls adequate

**Arrangements** (continued) and regularly reviewed?

Has the Council carried out a financial risk

assessment?

**5. Budgetary Control** 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 ?

**6. Income Controls** 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?

**7. Petty Cash Procedures** 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 2020/21** **Appendix (Cont.)**

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

**INTERNAL CONTROL TESTING REQUIRED**

**8. Payroll Controls** Do all employees have contracts of

employment with clear terms and conditions?

Do salaries paid agree with those approved

by the Council?

Are other payments to employees authorised,

reasonable and agreed by the Council?

Have PAYE and NIC been properly operated

by the Council as an employer?

**9. Asset Controls**  Does the Council maintain a register of all

material assets owned or in its care?

Are the asset and investment registers up-to-date?

Are investments monitored and reviewed regularly?

Do asset insurance valuations agree with

those in the asset register?

**10. Bank Reconciliation** Is there a bank reconciliation for each account?

Is a bank reconciliation carried out

regularly and in a timely fashion?

Are there any unexplained balancing entries

in any reconciliation?

**11. Year End Procedures** Has a year end reconciliation been carried?

Are year end accounts prepared on an

income and expenditure basis?

Do accounts agree with the cash book?

Is there an audit trail for underlying financial

records to the accounts?

Where appropriate have debtors and creditors

been properly recorded?

**INTERNAL AUDIT 2020/21** **Appendix (Cont.)**

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

**INTERNAL CONTROL TESTING REQUIRED**

**12. Audit Recommendations**  Has the Council acted on the recommendations

and comments of the Internal and External Auditors?