

**STAVELEY TOWN COUNCIL**  
**INDEPENDENT INTERNAL AUDITORS REPORT**  
**FOR THE YEAR ENDED 31ST MARCH 2022**

I have carried out an Internal Audit of the Town Council's books and records in accordance with the Council's requirements and planned coverage under the guidelines of Governance and Accountability for Local Councils. My Internal Audit and this Report are undertaken in order to assist the Town Council in completing the Annual Governance and Accountability Return for 2021/22 and is not a replacement for the External Audit.

This work has been carried out on a sample basis in order to provide an assessment of compliance with the relevant policy and controls that are expected to be in operation during the above financial year. Where areas of concern are encountered additional work is undertaken to ascertain the extent of the problem and to form an opinion as to the effect on Town Council finances.

My audit has covered the work undertaken by the Clerk to the Council and Responsible Financial Officer in office during 2021/22 to ascertain that all relevant regulations have been met and that the Council's resolutions and decisions have been carried out in a proper, timely and correct manner.

The Internal Audit for 2021/22 has been subject to considerable delay. I have had to press the former Clerk to the Council for replies to communications and for the provision of records for my inspection and these have been only sporadically provided. Several appointments were made for me to attend and carry out my work, only for them to be subsequently postponed at short notice by the Clerk to the Council, whom I understand has now left employment with the Town Council. There is ample evidence of the failure of the Town Council's internal controls that should, if followed correctly, have been robust enough to cope with problems as they arose during the year to 31<sup>st</sup> March 2022.

The newly appointed Clerk has given me full co-operation and assistance with my work providing information and answers to my queries, and as she was not in office during 2021/22 she has had no input to the internal control system that was expected to operate during the year 2021/22.

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I have had to enter a NO response to several sections of the Internal Audit Report on the Annual Governance and Accountability Return for the following reasons.

Section A of the Annual Internal Audit Report in relation to the accurate upkeep of Financial Records. There is evidence that income from the Cafe and Bar was not properly reconciled and that not all income was recorded intact so actual income cannot be confirmed. There is evidence via a difference on the Wages Control Account that there is doubt that the payroll accurately reflects payments made to employees. During the last financial year the Town Council accounted for Deferred Income which at the time was assured to be correct by the Clerk to the Council. However, this Deferred Income is now in question and may have to be reversed which when coupled with the above doubts upon the accuracy of recorded income will have an effect on the Town Councils reserves and Budgeted spending.

Section B of the Annual Internal Audit Report in relation to compliance with Financial Regulations. The internal control system has not been adhered to and Financial Regulations have not been met in respect of accuracy of records, timely payment of invoices and charges, risk has not been properly managed, and inaccuracies have not been prevented. The financial records acknowledge a creditor marked "Cashflow Account" which appears to relate to short term borrowing from an employee. It is not clear from the Minutes whether formal authorisation was obtained for this which breaches Financial Regulations.

Section C of the Annual Internal Audit Report in relation to the Risk Assessment. The adequacy and effectiveness of the Risk Assessment is brought into question by the failures within the internal control system. There is need of an urgent review of the Risk Assessment in place to ensure that the Town Council can be satisfied that there are all relevant controls in place.

Section D of the Annual Internal Audit Report in relation to the Town Council's financial reserves. These are critical and this is a matter that has been reported on in earlier years. This calls into question whether the Budget as set was drawn up with correct assumptions as to costs and income and also whether that Budget was effectively monitored by the Town Council during 2021/22.

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Section E of the Annual Internal Audit Report in relation to the recording of Income and accounting for VAT. As stated under section A above, there is doubt over the accurate recording of Cafe and Bar income and consequently there is the possibility of errors in accounting for VAT due on Cafe and Bar sales due to this.

Section F of the Annual Internal Audit Report in relation to Petty Cash. The Petty Cash system has been used inappropriately with payment of monies without receipts at the time of withdrawal which may lead to misappropriation of cash if no receipt is subsequently forthcoming. No effective control has been maintained and the security of cash is in question.

Section G of the Annual Internal Audit Report in relation to Salaries to Employees. The indebtedness for PAYE and employees pensions has greatly increased during 2021/22. There is uncertainty as to whether the payroll accurately records the full hours worked by Town Council staff and that payments may have been made off the payroll for these hours which is in breach of H M Revenue & Customs regulations. Advance payments of wages have also been made and this could cause inaccuracies for PAYE and Pension deductions.

I have entered "Not Covered" for Section K as this section does not apply to the Town Council.

Section L of the Annual Internal Audit Report as the Town Council website is not up to date with transparency code requirements at the time of the internal Audit.

Sections M and N of the Annual Internal Audit Report in relation to the publication of the Public Rights Notice and the publication of the AGAR and External Audit Report for 2020/21 as they were not carried out within the required time limits.

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In conclusion my internal audit of Staveley Town Council's books, records and procedures indicates that the Town Council's system of internal control in place during 2021/2022 has not been adhered to that and systemic failure has arisen through poor management.

The procedure for reporting and monitoring of spending against Budget was not effective and the lack of management of cash flow has made maintaining agreed spending extremely difficult.

I would like to recommend that a new system of internal control be drawn up and that this should be implemented as soon as practicably possible. A robust series of checks and balances should be put in place to ensure that the financial management of the Town Council's funds is properly controlled and the Risk Assessment should be thoroughly reviewed as to its appropriateness for current and future needs. With the mitigation of risks in mind, it has been brought to my attention that in July of this current year the firm of Accountants contracted to the Town Council to provide day to day and year end accounting support had written to the former Clerk pointing out concerns from their perspective and outlining problems arising within the financial system. It is unclear as to whether this letter was brought to the attention of the Town Council at the time of receipt. Such communications are important as they are produced to guide and inform the Town Council of areas of concern as they arise and any such feedback should be put before the Town Council so that corrective actions can be decided upon.

Priority should be given to increasing income and controlling high expenditure which will be extremely difficult in the current economic climate and also with the Town Council's planned projects. However, this is essential given the level of outstanding creditors which must be reduced in order to avoid the risk of legal action being taken against the Town Council.

J S Marriott  
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10<sup>th</sup> November 2022