



HUDSON ACCOUNTING LTD.
INTERNAL AUDIT REPORT:
TO THE MEMBERS TORPOINT TOWN COUNCIL
YEAR ENDED 31ST MARCH 2021.

ISSUE DATE: 11/06/2021
ISSUED TO: TOWN CLERK

INTRODUCTION:

Internal auditing is an independent, objective assurance activity designed to improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Scope:

The scope of the audit covers, as a minimum, the areas included in the Internal Audit Report contained in the Annual Governance & Accountability Return and the Transparency Code.

Approach:

Audit work is carried out in line with the Chartered Institute of Public Finance and Accountancy's Internal Audit Standards and guidance issued by the National Association of Local Councils.

Where applicable we have included reference to 'proper practice' and the associated guidance as laid out in 'Governance & Accountability for Smaller Authorities in England' which is applicable to financial years from 1st April 2020.

Selective testing was carried out and the relevant policies, procedures and controls were reviewed. Due to the pandemic much of the work was carried out remotely with information provided electronically or hard copies collected and returned a few days later. Overall coverage has not been materially affected.

GENERAL COMMENTS:

We would like to thank the Clerk for their assistance and co-operation during the audit.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

It should be noted that assurance can never be absolute. The most that the internal audit service can provide is a reasonable assurance that there are no major weaknesses in risk management, governance, and control processes. The audit does not guarantee that the accounting records are free from fraud or error.

The review undertaken obtained a level of assurance which has allowed us to complete the Internal Audit Report element of the Annual Governance & Accountability Return with no qualifications, thus in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

We have provided a table of audit recommendations that allow for the Council's response which can be used as an ongoing monitoring tool. We would be grateful if, in due course, it is completed and returned to us.

Also attached, as Appendix 1 is a copy of the completed Internal Audit Report required as part of the Annual Governance & Accountability Return.

AUDIT COMMENTARY:

Items in **bold text** within the body of the report represent our findings in respect of the application of controls, text in *italics* represent suggested actions that fall short of being a formal recommendation or do not necessarily pertain to the application of internal controls.

A. Appropriate accounting records have been properly kept throughout the financial year. The accounts are maintained on Xero accounting software; they were up to date and appeared free from material error.

B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.

Financial Regulations

Financial Regulations were reviewed in September 2020.

Now that the Council has joined NALC, we would suggest a review of Financial Regulations abased on the Model Documentation they provide – this will help to ensure that proper practices are embedded within them.

Payment

Testing of payments made revealed no issues to report.

VAT

VAT had been accurately recorded.

C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

Insurance

Statutory insurances are in place and the Fidelity Guarantee is adequate at £750K.

Risk Assessment & Internal Controls

The Council has reviewed its risk management arrangements during the year.

Cash

The Investment Strategy was reviewed in September 2020.

D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

Budget setting

The 2021/22 budget and precept were properly approved at Full Council in December 2020 following the production of detailed estimates.

Budget monitoring

Budget monitoring reports are taken to each meeting.

Adequacy of Reserves

The general reserve stands at £307,254 equating to 78% of gross expenditure; within generally accepted parameters.

E. Expected income was fully received, based on correct prices, properly recorded, and promptly banked; and VAT was appropriately accounted for.

Precept

The precept received was checked to the records of both the Town Council and the Principal Authority.

Room Hire

Room hire income has been curtailed by the pandemic. Income from October and November was tested, charges had been correctly applied, however in two instances VAT had been incorrectly applied. Credit notes will now be issued.

Licence income

There was a small discrepancy in the charge to one Licensee between the fee and the service charge and an error in applying VAT to another. Corrective action is to be taken.

Library

Library income has been curtailed by the pandemic. There is room for improvement in the audit trail and officers have provided a suggestion that will fit the bill.

VAT claims

VAT claims for the year have been submitted.

The year-end debtor in the balance sheet does not reflect the final claim for the year.

The reason for the discrepancy should be established and any adjustment necessary done as part of the next claim.

F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.

NOT OPERATED.

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.

Salaries are paid in accordance with Member approvals. New employees have been issued with contracts of employment.

PAYE and NI is dealt with by the Councils payroll provider.

H. Asset and investments registers were complete and accurate and properly maintained.

The asset register has been updated to reflect changes in the year and the total value has been accurately disclosed in the AGAR.

I. Periodic and year-end bank account reconciliations were properly carried out.

Bank reconciliations are undertaken automatically by the accounting system and the Clerk's review of them is reported to each Council meeting.

It is suggested that at the end of each month the bank reconciliations from the system are printed and that they, along with the bank statements are retained to evidence that a review has taken place and as a record of what has been reported to Members.

The year-end bank reconciliation was found to be accurate with no old unrepresented payments.

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 appropriate audit trail from underlying records, and where appropriate debtors and creditors were properly recorded.

The accounts were prepared on an income and expenditure basis and were in accord with underlying records.

A good audit trail was provided, and debtors and creditors were properly disclosed.

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.

NOT APPLICABLE.

- 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.**

NOT APPLICABLE.

- 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
The correct number of days were allowed, and the requisite Notice published.**

- N. The authority has complied with the publication requirements for 2019/20 AGAR.
All Publication requirements in respect of the 2019/20 accounts were met.**

- O. Trust funds (including charitable). The council met its responsibilities as trustee.
NOT APPLICABLE.**

Annual Internal Audit Report 2020/21

TORPOINT TOWN COUNCIL

torpointtowncouncil.gov.uk/documents

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.

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.	✓		
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.			✓
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. <i>(If the authority had a limited assurance review of its 2019/20 AGAR tick "not covered")</i>			✓
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 <i>(evidenced by the notice published on the website and/or authority approved minutes confirming the dates set)</i> .	✓		
N. The authority has complied with the publication requirements for 2019/20 AGAR <i>(see AGAR Page 1 Guidance Notes)</i> .	✓		
O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes	No	Not applicable
			✓

NOT USED

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

09/06/2021 10/06/2021

Name of person who carried out the internal audit

S P HUDSON C.P.F.A.

Signature of person who carried out the internal audit

S. P. Hudson

Date

10/06/2021

*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).