



HUDSON ACCOUNTING LTD.
INTERIM INTERNAL AUDIT REPORT:
TO THE MEMBERS OF SALTASH TOWN
YEAR ENDED 31ST MARCH 2019

ISSUE DATE: 05/10/2018

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.

Any areas not covered at this interim stage will be included later in the year or during the final audit activity.

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 2017.

Selective testing was carried out and the relevant policies, procedures and controls were reviewed. Visits were made to the Council's offices on 2nd October and information was requested prior to the visits.

GENERAL COMMENTS:

We would like to thank the Clerk, Finance Officer & other staff for their assistance and co-operation during the course of 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.

In giving our internal audit opinion, 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.

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.

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.

Previous Recommendations

The Council always responds positively to recommendations and the latest position in respect of previous recommendations is attached to this report.

Accounting Records

The accounts are maintained on SAGE accounting software; they were up to date and appeared free from material errors.

Financial Regulations

Financial Regulations were last reviewed in September 2018 and the new NALC Model Standing Orders were adopted in May.

Payments

A sample of payments was tested to establish whether the spending decision, procurement process, certification and approval for payment were in line with Financial Regulations as well as ensuring that payments were supported by invoices, VAT was correctly accounted for and payment controls were applied.

Authority to spend:

Spending decisions are Minuted and purchase orders are used in the vast majority of instances.

Procurement:

Within the sample tested the Council had met its Financial Regulations in respect of procurement processes.

Payment:

Payments are supported by invoices, certified by the RFO and approved by Members prior to payment and other payment controls are consistently applied.

VAT:

VAT had been accurately recorded.

Risk

Risk Assessment:

The Council's risk assessment and review of internal controls was undertaken in April.

The risk assessment is fairly generic and care should be taken to ensure that risks to the Council, specific or otherwise, that are identified and mitigated as part of its ongoing management processes e.g. GDPR and the development of the Station are reflected in the risk assessment.

Insurance:

Statutory and motor insurances are in place and the Fidelity Guarantee is adequate at £1.5 million.

GDPR:

The Council has made good progress in respect of compliance.

Budgets

Setting:

The 2018/19 budget and precept were approved following the production of detailed estimates and took into account the impact on reserves.

Monitoring:

Monitoring information is provided to each Committee meeting.

Income

Precept:

The precept payment received is in accord with that set by the Council.

Room Hire:

A sample was tested and the income had been invoiced in a timely manner and the scale of charges accurately applied.

Burials:

Burial income had been charged at the correct rates and all the relevant paperwork and registers properly maintained.

Moorings:

Testing of the daily mooring charges and 'trusted boat' scheme income received revealed no issues to report.

VAT:

The quarter one VAT claim was submitted on 3rd August.

Debtors:

There were no old outstanding debts at the time of review.

Payroll

2018/19 pay award:

The national pay award had been accurately applied.

New Starters/Re-gradings

There have been a number of staff changes and contracts are currently in the process of being updated for every member of staff, so these will be checked at year-end.

The Minutes of the Staffing Committee are, by necessity, devoid of any personal data which makes the verification of staffing changes difficult.

Financial Regulation 4.5 requires the Clerk and Chair of the Staffing Committee sign a hard copy schedule of the agreed Establishment when salary budgets are set it is therefore recommended that:

Recommendation 1

All agreed salary changes or appointments of new staff are evidenced by a hard copy schedule signed by both the Clerk and appropriate Chair referencing the Minutes where the changes were approved.

Tax, NI & Pensions:

Tax, NI and pension contributions have been correctly applied.

Bank Reconciliations

Bank reconciliations are regularly carried out, are reviewed and reported to Members.

There were no 'balancing' entries or old un-presented payments.

INTERNAL AUDIT REPORT RESPONSE RECORD – SALTASH TOWN COUNCIL

No	Recommendation	Management Response	Timescale/ Responsibility	Follow Up (for auditor use)
INTERIM REPORT 2018/19				
1	All agreed salary changes or appointments of new staff are evidenced by a hard copy schedule signed by both the Clerk and appropriate Chair referencing the Minutes where the changes were approved.			
FINAL REPORT 2017/18				
1	Member internal control checks are carried out at least quarterly and the results documented and reported to Council.	Member checks are now conducted monthly by the Chairman or Vice Chairman of Policy & Resources and Finance Officer and reported to Full Council at its monthly meeting.	Adopted/ Chair & Vice Chair & Finance Officer.	Closed – Minutes reveal checks reported to Council
2	The actual controls in place in respect of internet banking are embedded in Financial Regulations and that the authorisation process involves two people, one of whom should be a councillor.	Authorisation now includes the Chairman and Vice Chairman of Policy and Resources.	Adopted/ Chair & Vice Chair & Finance Officer.	Mandate in process of being changed – test at year end.
3	A risk based assessment of the adequacy of the Councils 'free reserves' is undertaken and a policy on the minimum and maximum level agreed. The level and relative importance of each earmarked reserve is robustly reviewed to assess their adequacy and necessity and that they are adjusted accordingly; either between themselves or with the general reserve. Any remaining inadequacy of free reserves when viewed against the agreed policy should be addressed as part of the 2019/20 budget setting process.	Reviewed by Policy and Resources Committee 19/6/18 Chairman of P & R, Town Clerk and Finance Officer to determine between 3 – 12 months expenditure. EMF'S reviewed and understood by P & R they form part of General Reserves. General Reserves will also be further reviewed during 2019/20 budget setting.	Adopted and to be reviewed budget setting 2019/20./ Policy and Resources Committee/ Town Clerk/ Finance Officer.	Check at year-end

INTERNAL AUDIT REPORT RESPONSE RECORD – SALTASH TOWN COUNCIL

4	The Council's asset register is reviewed and updated to ensure it meets the requirements laid down as 'proper practice' in 'Governance & Accountability for Smaller Authorities'	Review and update being conducted.	Immediate/ Finance Officer.	Discussion had with FO. Review at year end
No	Recommendation	Management Response	Timescale/ Responsibility	Follow Up (for auditor use)
FINAL REPORT 2016/17				
1	The Council's website page dedicated to the Transparency Code is fully populated at the earliest opportunity and those items included within the Model Publication Scheme are also made available on the website.	Ongoing	S.A.O.	Ongoing monitoring