



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

ISSUE DATE: 17/05/2019

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.

Areas not covered at the interim stage are included in this report as is any re-testing of areas already covered.

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 2018.

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 2018 & 15th May 2019.

GENERAL COMMENTS:

We would like to thank the 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.

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.

Also attached 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 and may not necessarily pertain to the application of internal controls.

Previous Recommendations

The latest position in respect of previous recommendations is in the attached Internal Audit Response Record.

Accounting Records

Accounting records are now maintained on Xero software a move from SAGE implemented mid-year. There were some issues relating to earmarked reserve funding transactions that have been corrected.

Financial Regulations & Other Policies

Financial Regulations and Standing Orders were both reviewed in February 2019.

Payments

Grants:

A sample of grants awarded were checked to Member approvals and found to be in accord.

Payments:

Member approval of internet banking payments is now available but is not always used. *SLCC guidance states that of the two signatories required for electronic payments at least one should be a Member; thus two officers approving payments should be the exception not the norm.*

Risk

Risk Assessment:

The Council further reviewed its risk assessment in March 2019, it also undertook a review of its internal controls.

Cash:

The Investment Strategy has been reviewed.

New guidance has been issued by the government and the Council should ensure that it reflects this latest guidance when reviewing its strategy in future.

Budgets

Setting:

The 2019/20 budget and precept were set following a robust process and was approved at Full Council in December 2018.

Monitoring:

Budget monitoring has been regularly performed throughout the year.

Adequacy of Reserves:

Total reserves stand at £636,179 of which the general reserve comprises £255,543 equating to 27% of gross expenditure, within generally accepted parameters.

Income

Interest:

Interest earned has been accurately reflected in the accounts.

VAT:

VAT claims for the year are up to date.

Debtors:

There are no material debtors at the year-end.

Petty Cash

Petty cash is adequately controlled and is regularly balanced and posted to the ledger

Payroll

Changes in staff terms and conditions since our interim visit have been traced to Member approvals in the Minutes.

Staff have also transferred from Cornwall Council under TUPE Regulations, their salary payments were found to be in accord with the information provided.

Assets.

An asset register, expanded to hold much more information, is in place and the total value is reflected in the accounting statements.

Bank Reconciliations

Bank reconciliations have been regularly and properly undertaken throughout the year.

The year end bank reconciliation was found to be accurate and there were no 'balancing' entries or old un-presented payments

Accounting Statements

The accounts were produced on an income and expenditure basis and once corrections to earmarked reserve transactions were made they were in accord with underlying records.

Debtors and creditors are properly reflected.

Exercise of Public Rights:

Next year internal auditors are required to report on whether the Council has correctly provided the opportunity for the exercise of public rights, in accordance with the Accounts & Audit Regulations, during the summer of 2019.

The Council must ensure that it not only provides the opportunity for public inspection for the correct period but also that it retains evidence of the publication of the appropriate notices on its website and elsewhere.

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.	Hard copy now being signed off on receipt of audit report. Formally received and adopted at Policy and Resources committee meeting minute 127/18/19.	Immediate RFO and/or FO plus appropriate Chair	Given changes to salary scales from 1st April; test 2019/20.
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.	Members not always involved, actual process not reflected in Financial Regulations.
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	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	Adopted and to be reviewed budget setting 2019/20./ Policy and Resources Committee/ Town Clerk/ Finance	Policy agreed - closed

INTERNAL AUDIT REPORT RESPONSE RECORD – SALTASH TOWN COUNCIL

	2019/20 budget setting process.	further reviewed during 2019/20 budget setting.	Officer.	
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.	Implemented - closed
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.	Sill no quarterly procurement information published.

Annual Internal Audit Report 2018/19

SALTASH TOWN COUNCIL

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation **during** the financial year ended 31 March 2019.

The internal audit for 2018/19 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	Agreed? Please choose one of the following		
	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 and year-end bank account reconciliations were properly carried out.	✓		
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 2017/18, it met the exemption criteria and correctly declared itself exempt. (<i>"Not Covered" should only be ticked where the authority had a limited assurance review of its 2017/18 AGAR</i>)			✓
L. During summer 2018 this authority has correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations.			Not applicable ✓
M. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.			Not applicable ✓

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

DD/MM/YY

02/10/2018

15/05/2019

Name of person who carried out the internal audit

S P HUDSON CPFA

Signature of person who carried out the internal audit

S. P. Hudson

Date

15/05/2019

*If the response is 'no' you must include a note to 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).