



HUDSON ACCOUNTING LTD.  
INTERNAL AUDIT REPORT:  
TO THE MEMBERS OF SALTASH TOWN COUNCIL  
YEAR ENDED 31ST MARCH 2020

ISSUE DATE: 27/05/2020  
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 2019.

Selective testing was carried out and the relevant policies, procedures and controls were reviewed. A visit to the Council's offices was made on 11<sup>th</sup> October 2019; subsequent audit work was carried out remotely, due to the coronavirus pandemic, and entailed the receipt of electronic documentation and a Zoom video conference.

**GENERAL COMMENTS:**

We would like to thank the staff for their assistance and co-operation during the course of the audit particularly given the current circumstances.

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 position in respect of previous recommendations is set out in the attached Internal Audit Response Record.**

### **Accounting Records**

**Accounting records have been properly kept throughout the year.**

### **Payments**

*Grants:*

**Grants awarded were traced to Member approvals and all was found to be in order.**

*Payments:*

**Further testing of payments made revealed no issues to report.**

### **Risk**

*Risk Assessment:*

*The Coronavirus pandemic has had significant impacts on local councils not only in terms of the way that work is carried out but for some there will be significant losses of income and potentially increased costs. The Council's experience should be reflected in its risk management arrangements and continuity planning as well as any financial impact being included in its budget management processes and reserves policies*

*In addition it is suggested that a formal appraisal of the impact of the pandemic, including (the unlikely) possibility that there is an impact on the 2019/20 accounts, is carried out as part of the Councils approval of the Annual Governance Statement, specifically Assertion 8.*

*Insurance:*

**The Fidelity Guarantee remains adequate at £2 million.**

### **Budgets**

*Budget 2020/21:*

**The budget and precept for 2020/21 were approved at Full Council in December following a comprehensive process.**

*Budget Monitoring:*

**Budget monitoring activity has been carried out throughout the year.**

*Adequacy of Reserves:*

**After allowing for earmarked reserves the general reserve stands at £332,079 equating to 21% of gross expenditure in 2019/20; below generally accepted parameters and the Council's own reserves policy.**

*The calculation is skewed by large amount of capital expenditure in 2019/20; it is therefore suggested that the current level of general reserves is 'measured' against a more normal level of expenditure to ascertain whether it remains within the parameters set by Council.*

### **Income**

*Room Hire:*

**A month's worth of room hire was tested; fees had been accurately applied and all invoices paid.**

*Interest:*

Testing revealed that interest receipts had been accurately reflected in the ledger.

*VAT:*

VAT claims for the year have been submitted and the accounts reflect the outstanding debtor at the year-end.

**Petty Cash**

Petty cash is sparingly used and is regularly balanced and reviewed.

**Payroll**

Testing revealed that new staff had been issued with contracts of employment and that salaries had been paid in line with them.

**Assets.**

The asset register has been updated for transactions during the year and the total value is reflected in the accounting statements.

**Bank Reconciliations**

Bank reconciliations have been carried out in a proper manner throughout the year.

The year-end bank reconciliation was found to be accurate; there were no old un-presented payments.

**Accounting Statements**

The accounting statements were produced on an income and expenditure basis and were in accord with underlying records.

**INTERNAL AUDIT REPORT RESPONSE RECORD – SALTASH TOWN COUNCIL**

No	Recommendation	Management Response	Timescale/ Responsibility	Follow Up (for auditor use)
<b>FINAL REPORT 2017/18</b>				
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.	<b>additional controls in place suggested to further mitigate risk - closed</b>
<b>FINAL REPORT 2016/17</b>				
1	The Councils 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.	<b>Ongoing</b>	S.A.O.	Still no quarterly procurement information published. – <b>compliance expected very shortly – test 2020/21</b>

# Annual Internal Audit Report 2019/20

## 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 2020.

The internal audit for 2019/20 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 2018/19, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2018/19 AGAR tick "not covered")</i>			✓
L. The authority has demonstrated that during summer 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.	✓		
<b>M. (For local councils only)</b> Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes	No	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

11/10/2019      25/05/2020      27/05/2020

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* REQUIRED

Date

27/05/2020

\*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).