



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

ISSUE DATE: 10/12/2018
ISSUED TO: TOWN CLERK
STATUS: DRAFT

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 3rd December 2018 and information was requested prior to the visits.

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.

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 has responded positively to recommendations and the latest position is set out in the attached Response Record.

Accounting Records

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

Financial Regulations

Financial Regulations were last reviewed in March 2018; further amendments are currently under consideration.

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:

Purchase orders are widely used and Member authority is traceable to the Minutes where required.

Procurement:

Within the sample tested the Council had met its Financial Regulations in respect of obtaining competitive pricing for goods and services.

Payment:

Payments were supported by invoices, were certified by the RFO prior to payment and had been included on payment schedules approved by Members.

Record keeping is exemplary making finding the relevant paper work very easy.

VAT:

VAT had been accurately recorded.

Risk

Risk Assessment:

The Council is yet to consider its Risk Assessment for the year, which must be done prior to the year-end.

Insurance:

Statutory and motor insurances are in place and the Fidelity Guarantee is adequate at £900k.

GDPR:

The Clerk has been appointed as interim Data Protection Officer; a Privacy Policy has been agreed.

Budgets

Setting:

The budget for 2018/19 was set following the production of detailed estimates and was properly approved at Full Council.

Monitoring:

Budget monitoring has been carried out in accordance with Financial Regulations.

Income

Precept:

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

Swimming Pool:

Receipts are reconciled to tickets issued and banking has taken place promptly.

The audit trail would benefit if bankings were cross referenced on the spreadsheet used to manage the takings.

Room Hire:

A booking system is in operation and receipts were promptly banked.

There was a delay in implementing the agreed price rise in order to properly advertise the changes.

Care should be taken to ensure that the communication of price increases is done in a timely manner.

Allotments:

Testing revealed that charges were accurately levied and receipts were promptly banked.

VAT:

VAT claims are up to date.

Payroll

2018/19 pay award:

The national pay award was accurately applied.

Re-gradings:

Changes to staff terms and conditions were approved by Members and were accurately applied.

Tax, NI & Pensions:

TAX, NI and pension deductions were properly applied, other than in one case where an incorrect pension deduction percentage has been used, and paid to the relevant authority in a timely manner.

The error is to be rectified.

Bank Reconciliations

Bank reconciliations are carried out monthly in a timely manner and are reviewed in accordance with Financial Regulations.

There were no 'balancing entries' but there were a small number of old un-presented payments that will need to be written back.

INTERNAL AUDIT REPORT RESPONSE RECORD – HAYLE TOWN COUNCIL

No	Recommendation	Management Response	Timescale/ Responsibility	Follow Up (for auditor use)
REPORT 2017/18				
1	Where purchase orders are not used or where Member approval is required due to the value of the purchase the relevant Minute should be annotated on the invoice.	This will be undertaken in accordance with our Financial Regulations.	With immediate effect. TC/FO	Closed - Ongoing monitoring
2	The Fidelity Guarantee should be increased.	Agreed. It is generally reviewed and increased annually – missed in 2017.	On insurance renewal. 30/08/18. TC. Actioned.	Closed
3	Procedure manuals are produced for all key areas in sufficient detail to allow a temporary or new member of staff to undertake the function with minimal disruption.	Agreed. This became apparent during the last 12-18 months due to changes to and new personnel. It will be time consuming but essential. Realistic/achievable timescale set. Financial procedures a priority.	April 2020. TC/entire team	Test 2019/20
4	The minimum and maximum level of free reserves required should be considered as part of the budget setting process and a policy adopted. The requirement, or not, for a contingency sum should also form part of the budget discussions.	We do generally consider the reserve levels and a contingency sum as part of the budget setting process but accept that this has not always been recorded in the minutes and we do not currently have a policy. A draft a policy will be presented to the next Resource Committee meeting (October 2018) for consideration, after the clerk has	Autumn 2018	Test at year-end

INTERNAL AUDIT REPORT RESPONSE RECORD – HAYLE TOWN COUNCIL

		taken advice about recommended levels.	TC	
5	Budget monitoring reports with an accompanying commentary are produced at least quarterly.	Currently, a verbal report is given when considering expenditure against budget quarterly at Resource Committee meetings. The figures are circulated prior to the meeting, discussed and comments and issues are recorded in the minutes. (One quarter was missed in 2017/18 due to changes in personnel). A more formal written report can be prepared for future meetings.	Autumn 2018 TC/FO	Test at year-end
6	The Mayoral Allowance is paid through the payroll.	Agreed. The Internal Auditor is basing his recommendation on CIPFA guidelines and tax law, although guidance in Charles Arnold Baker does offer an alternative view. It is recognized that most councils now process the allowance through the payroll. As the current Mayor was already in post by the time the Internal Audit Report was completed and presented to the committee the allowance was paid as previously agreed. To be implemented in the next financial/mayoral year.	May 2019 TC/FO	Test 2019/20
7	The requirements of the Code are met and the information available on the website is increased to meet, at the minimum,	This is an oversight as a result of transferring data from our old	ASAP. Publication	Test at year-end

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	the areas covered by the Model Publication Scheme.	website to the new, which went live during Spring 2017. This recommendation will be implemented as soon as is practicable.	Scheme to be reviewed and re-adopted at Resource Committee, October 18. TC	
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