



HUDSON ACCOUNTING LTD.
INTERIM INTERNAL AUDIT REPORT:
TO THE MEMBERS OF
YEAR ENDED 31ST MARCH 2022.

ISSUE DATE: 11/11/2021
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.

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 2021.

Selective testing was carried out and the relevant policies, procedures and controls were reviewed.

GENERAL COMMENTS:

We would like to thank the staff 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.

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 current position in respect of previous recommendations is contained in the attached Internal Audit Response Record.

Accounting Records

The accounts are maintained on RBS accounting software they were up to date and appeared free from material errors other than the contra entry for some contributions to earmarked reserves was within the expenditure codes, which is not allowed.

The necessary corrections have been made.

Financial Regulations

Financial Regulations were last reviewed in March 2018.

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.

Purchasing

Purchase orders are widely used; the scheme of delegation introduced in response to the pandemic was extended until September.

Payment

Payments tested were supported by invoices, controls were consistently applied, and data was accurately entered into the accounting system.

Risk

Risk Assessment

The Council is yet to review its risk assessment during this financial year.

Insurance

Statutory insurance is in place. In the weeks following receipt of the precept the Fidelity Guarantee was slightly inadequate at £1 million.

The Council has encountered the same difficulties, encountered by a number of Councils, in increasing the cover for a reasonable cost and has decided to wait until the next renewal.

Investments

An Investment Strategy covering the current year has been adopted.

The Regulations covering Council investments has been updated and most councils use a very similar format, different to that adopted by the Council, to ensure that the requirements are met. A comparison would be of benefit so that any changes required could be incorporated at the next review date.

Budgets

Setting

We reviewed the 2021/22 budget setting process as part of our final audit work last year and we review the 2022/23 process later in the year.

Monitoring

Reports covering both quarter one and two have been provided to the Resource Committee.

Income

Systems were tested to ensure that suitable controls are in place to ensure that all income is received in a timely manner, that charges are correctly applied and that any cash received is promptly receipted and banked.

Precept

The precept received is in accord with that approved by Council.

Room Hire

Room hire has been limited; however, testing revealed no issues to report.

Allotments

Tenancy Agreements are in place for all plot holders and income has been invoiced and received.

Swimming Pool

Income is all electronic with the majority coming via Paypal and the online booking system.

Payments taken at the site are done by card; there are no tickets issued as was the case when cash was taken.

Consideration should be given to the reintroduction of tickets, or similar control, so that takings at the pool itself can be reconciled to the number of users.

VAT

VAT claims are up to date.

Payroll

Re-gradings

Increments have been awarded where appropriate and they have been accurately reflected in the payroll.

In a small number of instances increments were awarded in error; this was discovered by staff prior to the audit commencing and corrective action has been taken.

Tax, NI & Pensions

PAYE and pension requirements have been properly administered other than in one case the employee pension contribution was not increased when pay moved up a 'band.'

Discussions with the staff member and the pension authority are to be held to correct the situation.

Bank Reconciliation

Monthly bank reconciliations have been reviewed by the Town Clerk and Mayor; all were found to be accurate.

Electors Rights

The 2020/21 AGAR was properly approved by Full Council.

The opportunity for electors to examine the accounts was properly advertised but the publication requirements in respect of the 2020/21 accounts were not met as the external auditor's report was not published before 30th September.

INTERNAL AUDIT REPORT RESPONSE RECORD – HAYLE TOWN COUNCIL

No	Recommendation	Management Response	Timescale/ Responsibility	Follow Up (for auditor use)
YEAR END REPORT 2020/21				
1	Full Council must approve the budget prior to setting the precept and should Minute the amount of the precept set.			Check at year end