



HUDSON ACCOUNTING LTD.
INTERIM INTERNAL AUDIT REPORT:
TO THE MEMBERS OF HAYLE TOWN COUNCIL
YEAR ENDED 31ST MARCH 2021

ISSUE DATE: 14/10/2020
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.

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 2020.

Selective testing was carried out and the relevant policies, procedures and controls were reviewed. Due to the Coronavirus pandemic most testing was carried out remotely using both electronic and hard copy documentation.

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.

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 position in respect of previous recommendations is set out 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.

Financial Regulations

Financial Regulations were last reviewed in March 2018; some minor updates to the Model have been issues which should be taken into consideration at the time of the next review.

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 can be traced to the Minutes and purchase orders are extensively used.

Procurement:

Quotes had been obtained where required with the exception of urgent signage requirements related to the pandemic.

Payment:

All payments in July 2020 were tested and, in all cases, the required controls had been applied and VAT had been accurately recorded.

Risk

Risk Assessment:

The Council is yet to formally review its risk management arrangements in this financial year.

Insurance:

Statutory insurances are in place and the Fidelity Guarantee is adequate at £1.1 million.

Investment Strategy:

The Investment Strategy is yet to be approved.

Budgets

Setting:

We reviewed the 2020/21 budget setting process as part of our final audit work in 2019/20 and will review the 2021/22 process later in the year.

Monitoring:

The usual reporting line to the Resource Committee has been disrupted by the pandemic; whilst we understand that verbal updates have been reported to Council

there has been no formal consideration of the budget position.

It is important that budget monitoring continues in line with Financial Regulations particularly when some income budget have been adversely affected and additional expenditure incurred (and may well continue to be so).

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

Room Hire/Library:

These income streams have been impacted by the pandemic and will therefore be tested later in the year should they resume.

Swimming Pool:

Despite a delayed season overall income has not been too severely affected. Cash takings have been suspended and replaced with an online booking system and electronic payment only on site thus removing many of the risks associated with cash handling.

No issues were found to report.

Allotments:

Allotment income for the year has largely been collected and the process is well managed.

VAT:

VAT claims are up to date

Payroll

2020/21 pay award:

The national pay award and associated calculation of back-pay have been accurately implemented.

Re-gradings:

The approved recommendations of the staffing review have also been accurately implemented.

Tax, NI & Pensions:

PAYE and pension deductions have been properly applied and paid over to the relevant authority in a timely manner.

Bank Reconciliations

Bank reconciliations have been carried out monthly; September's was found to be accurate and there were no 'balancing' entries or old unrepresented payments.

Electors Rights

The Annual Governance Statement and Accounting Statements were properly approved by Full Council and its obligations were met in respect of advertising the rights of the public to inspect the accounts and in publishing the requisite documentation.

INTERNAL AUDIT REPORT RESPONSE RECORD – HAYLE TOWN COUNCIL

No	Recommendation	Management Response	Timescale/ Responsibility	Follow Up (for auditor use)
YEAR END REPORT 2019/20				
1	The Fidelity Guarantee should be increased.			Done - closed
REPORT 2017/18				
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 – good progress being made – keep under review,

