



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

ISSUE DATE: 12/05/2022
ISSUED TO: TOWN CLERK & RFO

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.

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.

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.

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 have been properly maintained throughout the year.

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.

Payment

Further testing of payments made revealed no issues to report.

Risk

Risk Assessment

We reported on the review of Risk Management arrangements in our interim report.

Insurance

Statutory insurances are in place and the Fidelity Guarantee remains adequate at £1 million.

Budgets

Setting

The 2022/23 budget and precept were properly approved at Full Council in December 2021 following a robust process.

Monitoring

Budget monitoring reports have been provided throughout the year.

Adequacy of Reserves

After allowing for earmarked reserves of £254,471 the general reserve stands at £216,138; equating to 17% of gross expenditure which is below generally accepted parameters.

If capital (one-off) expenditure is excluded and an allowance made for grants received in 2022/23 where the associated expenditure has already been incurred reserve levels are within the parameters mentioned above. Overall reserves have increased by £68K over the year and we understand that a review of the Earmarked Reserves held is underway.

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.

Guildhall Bar

Income is controlled via tills which are balanced after each event. Posting to the ledger is easily followed via a good audit trail.

We understand a 'trading' account will be maintained from the next financial year which we support.

Allotments

Allotment income has been invoiced but there are, however, a good number of Tenancy Agreements that have not been returned.

Efforts should be made to ensure that signed Agreements are in place for each plot.

Library/VIC

Income is well controlled, and an excellent audit trail exists; there are no issues to report.

Rental property

Testing of leased property income, other than at the Market House which we previously tested, raised no issues to report.

Interest

Interests earned on the Council's investments is accurately reflected in the ledger.

VAT

Claims for the year have been submitted and the accounts accurately disclose the year-end debtor.

Petty Cash

Petty cash is sparingly used and is well controlled.

Assets

The asset register has been updated to reflect additions during the year and the total value is accurately disclosed in the AGAR.

Payroll

Pay award

The national pay award has been accurately implemented in the March payroll.

Bank Reconciliation

In year bank reconciliations have been carried out in a timely manner.

The year-end bank reconciliation was found to be accurate.

Accounting Statements

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

Debtors and creditors were properly reflected other than a grant was treated as deferred income, which is contrary to proper practices as set out in Guidance (although in line with normal accountancy rules). The necessary corrections have been made.

Trusts

Charity Commission Returns for the Palemon Best Charity are up to date and other Trustee and accounting obligations have been met.

INTERNAL AUDIT RESPONSE RECORD - ST IVES TOWN COUNCIL

No	Recommendation	Management Response	Timescale	Audit Follow Up
	The asset register is expanded to include, where appropriate, the information described in paragraph 5.59a of the Proper Practice Guidance			Test at year-end – Implemented - CLOSED

Annual Internal Audit Report 2021/22

ST IVES TOWN COUNCIL

stivestowncouncil-cornwall.gov.uk/info-page/annual-governance-accountability-return/

During the financial year ended 31 March 2022, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2021/22 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	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 bank account reconciliations were properly carried out during the year.	✓		
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 2020/21, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2020/21 AGAR tick "not covered")</i>			✓
L. The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements			✓
M. The authority, during the previous year (2020-21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations <i>(evidenced by the notice published on the website and/or authority approved minutes confirming the dates set)</i> .	✓		
N. The authority has complied with the publication requirements for 2020/21 AGAR <i>(see AGAR Page 1 Guidance Notes)</i> .	✓		
O. (For local councils only) 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

Name of person who carried out the internal audit

05/11/2021 17/02/2022 05/05/2022

S P HUDSON CPFA

Signature of person who carried out the internal audit

S. P. Hudson

Date

12/05/2022

*If the response is 'no' please 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).