



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

ISSUE DATE: 15/06/2021
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.

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 pandemic much of the work was carried out remotely with information provided electronically or hard copies collected and returned a few days later. Overall coverage has not been materially affected.

GENERAL COMMENTS:

We would like to thank the Clerk 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 other than it did not review its risk management arrangements or monitor its budget during the year. In all other 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.

Also attached, as Appendix 1 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 that fall short of being a formal recommendation or do not necessarily pertain to the application of internal controls.

- A. Appropriate accounting records have been properly kept throughout the financial year.**
The accounts have been maintained on SAGE accounting software; they were up to date and appeared free from material error.

RBS accounting software, which is sector specific, is to be used going forward. This will greatly simplify the year-end processes and facilitate the production of improved financial reporting.

- B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.**

Financial Regulations

Financial Regulations were updated in May 2021.

Purchasing

The Council has spent more than £45K on play equipment but no tender process as required by Financial Regulations was undertaken although one quote was obtained. The size of the contract means that the Public Contracts Regulations were applicable.

Recommendation 1

Financial Regulations in respect of procurement must be applied as should the provisions of the Public Contracts Regulations when required.

Payment

Testing of payments made revealed no issues to report; VAT had been accurately accounted for.

Electronic payments are now used, and the separation of duties enjoyed with cheque payments has been retained.

- C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.**

Insurance

Statutory insurances are in place and the Fidelity Guarantee is adequate at £500K.

Risk Assessment & Internal Controls

The Council has adopted a Risk Management Policy and greatly improved its risk register; however, this was not done until the 2021/22 financial year, thus, the requirements of the Annual Governance Statement have not been met in this respect.

Cash

Our previous recommendation regarding the requirement for an Investment Strategy has yet to be implemented.

- D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.**

Budget setting

The budget and precept setting process for 2021/22 shows a vast improvement from previous years. All income and expenditure was taken into account as was the impact on reserves.

A reserves policy has been adopted.

Budget monitoring

No budget monitoring activity has taken place during the year.

Recommendation 2

The budget must be monitored in accordance with Financial Regulations.

Adequacy of Reserves

After allowing for earmarked reserves of £163,000 the general reserve is £50,519 equating to 29% of gross expenditure; within generally accepted parameters.

- E. Expected income was fully received, based on correct prices, properly recorded, and promptly banked; and VAT was appropriately accounted for.**

Allotments

Management of allotment tenancies has now been transferred to a spreadsheet which will improve both the administration and the audit trail.

Burials

A small sample of burials during the year showed that fees had been correctly charged and the burial register updated.

VAT claims

VAT claims for the year have been submitted.

- F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.**

NOT OPERATED.

- 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.**

The New Clerk has been issued with a contract of employment and is being paid in accordance with its provisions.

- H. Asset and investments registers were complete and accurate and properly maintained.**

The asset register has been updated for acquisitions during the year and the total value has been accurately disclosed in the AGAR

- I. Periodic and year-end bank account reconciliations were properly carried out.**

Monthly bank reconciliations are performed on the accounting system and are reported to Council.

The year-end bank reconciliation was found to be accurate and there were no old unrepresented payments.

- 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 appropriate audit trail from underlying records, and where appropriate debtors and creditors were properly recorded.**

The accounts were produced, with some difficulty, on a receipts and payments basis and are in accord with underlying records.

- K. IF the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt.**

NOT APPLICABLE

L. If the authority has an annual turnover not exceeding £25,000, it publishes information on a website/ webpage up to date at the time of the internal audit in accordance with the Transparency code for smaller authorities.

NOT APPLICABLE

M. The authority, during the previous year (2019-20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations

One day too many was allowed for public inspection; the requisite Notice was published.

N. The authority has complied with the publication requirements for 2019/20 AGAR.

Publication requirements were all met.

O. Trust funds (including charitable). The council met its responsibilities as trustee.

NOT APPLICABLE

INTERNAL AUDIT REPORT RESPONSE RECORD – COUNCIL

No	Recommendation	Management Response	Timescale/ Responsibility	Follow Up (for auditor use)
FINAL REPORT 2020/21				
1	Financial Regulations in respect of procurement must be applied as should the provisos of the Public Contracts Regulations when required.			
2	The budget must be monitored in accordance with Financial Regulations.			
FINAL REPORT 2019/20				
1	The council must inform HMRC of its error in claiming the Employment Allowance and make arrangements to pay over the amounts owed along with any associated interest or penalties.			Done - closed
FINAL REPORT 2018/19				
3	An Investment Strategy compliant with government guidance is adopted and consideration is given within it to establishing counterparty limits that would offer protection under the FSCS.			Not yet implemented
FINAL REPORT 2017/18				
1	The approach to budget setting and monitoring is reviewed and aligned with proper practice.	I think as I may have mentioned, with regard to Perranuthnoe, I couldn't find this on line, so I have done the best I can		Done -closed

Annual Internal Audit Report 2020/21

MARAZION TOWN COUNCIL

marazion.info/marazion-town-council

During the financial year ended 31 March 2021, 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 2020/21 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 2019/20, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2019/20 AGAR tick "not covered")</i>			✓
L. If the authority has an annual turnover not exceeding £25,000, it publishes information on a website/webpage up to date at the time of the internal audit in accordance with the Transparency code for smaller authorities.			✓
M. The authority, during the previous year (2019-20) 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 2019/20 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
			✓

NOT USED

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

10/06/2021 15/06/2021

Name of person who carried out the internal audit

S P HUDSON C.P.F.A.

Signature of person who carried out the internal audit

S. P. Hudson

Date

15/06/2021

*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).