



HUDSON ACCOUNTING LTD.
INTERNAL AUDIT REPORT:
TO THE MEMBERS OF FALMOUTH TOWN COUNCIL
YEAR ENDED 31ST MARCH 2024.

ISSUE DATE: 14/05/2024
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 2023.

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 was 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 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. (See Response Record regarding electronic payments)

Grants

A sample of awards made by members was traced to the Ledger; all was in order.

Risk

Insurance

The Fidelity Guarantee remains adequate at £5 million.

Budgets

Setting

The 2024/25 budget and precept were properly approved at Full Council in January 2024.

Detailed estimates of income and expenditure we provided and the impact on reserves taken into account.

Monitoring

Regular budget monitoring reports have been provided to Members.

The budget outturn for 2023/24 was very close to that set.

Adequacy of Reserves

After allowing for earmarked reserves of £583,131 the general reserve stands at £306,474 (£446,162 if the CCLA Property Fund Investment is included); equating to 10% of gross expenditure which is still well below generally accepted parameters but an improvement from the last financial year.

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.

Interest

Interest earned on investments has been accurately reflected in the Ledger.

VAT

VAT claims for the year have been submitted.

Library & Gallery

Income is controlled through a till and the 'Shopify' system, most transactions are effected by card.

Testing of income received in January 2024 revealed no issues to report.

Rents

Rental income has been invoiced in line with the Agreements in place.

Petty Cash

Petty cash is adequately controlled.

Assets

The asset register has been updated to reflect acquisitions and disposals and the total value of assets held has been accurately disclosed in the AGAR.

Payroll

The March payroll was tested and there are no issues to report.

The national pay award has been accurately implemented.

Two new members of staff have been issued with contracts of employment and have been paid in accordance with the Terms therein.

Bank Reconciliation

Frequent bank reconciliations are carried out in a timely manner throughout the year. They are reviewed as part of the Member internal control checking regime

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

Accounting Statements

the accounts have been produced on an income and expenditure basis and are in accord with underlying records.

Year-end adjustments have been properly accounted for.

Trusts

The Kimberley Park Charity has no financial transactions and thus does not require a bank account.

Meetings of the Trustees have taken place, and the Charity Commission returns are up to date.

INTERNAL AUDIT RESPONSE RECORD – FALMOUTH TOWN COUNCIL

No	Recommendation	Management Response	Timescale/ Responsibility	Follow Up (for auditor use)
Interim Report 2022/23				
	Internet banking controls should be expanded to ensure that at least two separate logins are required to make payments.			Change of banking arrangements underway, no change as yet.
Interim Report 2021/22				
	The circumstances and limits within which work can be awarded to existing suppliers without recourse to competition should be formalised within Financial Regulations and the decision making process should be included in the scheme of delegation if resting with officers			Requires implementation.

Annual Internal Audit Report 2023/24

FALMOUTH TOWN COUNCIL

www.falmouthtowncouncil.co.uk/financial-information

During the financial year ended 31 March 2024, 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 2023/24 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 2022/23, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2022/23 AGAR tick "not covered")</i>			✓
L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.	✓		
M. In the year covered by this AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations <i>(during the 2023-24 AGAR period, were public rights in relation to the 2022-23 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set).</i>	✓		
N. The authority has complied with the publication requirements for 2022/23 AGAR <i>(see AGAR Page 1 Guidance Notes).</i>	✓		
O. (For local councils only)	Yes	No	Not applicable
Trust funds (including charitable) – The council met its responsibilities as a trustee.	✓		

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

28/11/2023 26/03/2024 14/05/2024

S P HUDSON CPFA

Signature of person who carried out the internal audit

S. P. Hudson

Date

14/05/2024

***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).