



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

ISSUE DATE: 28/11/2023
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.

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 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.

We have provided a table of audit recommendations, where required 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:

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 SAGE accounting software they were up to date and appeared free from material errors.

Financial Regulations

Financial Regulations were last reviewed in May 2023.

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 in use and authorisation of spend is annotated on invoices by way of a stamp.

Procurement

The tender process for both projects tested failed to illicit any interest and award by negotiation was ultimately required.

Payments

Payments are supported by invoices and accurately input into the accounting system.

Invoices are certified prior to inclusion on payment schedules approved by Members.

Payment methods

The issues raised regarding the separation of duties around internet banking arrangements are being addressed by a planned changes of banking arrangements.

Risk

Risk Assessment

The Council reviewed its risk policies and risk register in April 2023.

Monthly Member internal control checks are conducted and documented.

Prior to the year-end a review of the effectiveness of internal control and internal audit should be undertaken and documented.

Insurance

Statutory insurances are in place and the Fidelity Guarantee is adequate at £5 million.

Investments

The Investment Strategy has not been reviewed as required by the Regulations.

A review should now be undertaken that also includes the 2024/25 financial year.

Budgets

Setting

We reviewed the 2023/24 budget setting process as part of our final audit work last year and we review the 2024/25 process later in the year.

Monitoring

Monthly monitoring statements are provided to Committee Chairs and the entire budget is regularly reported to the Finance & General Purposes 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 set by the Council.

Burials

Testing revealed that fees are accurately applied and that relevant documentation is retained and/or issued.

Pavilions

The tills in use are balanced daily and cash is banked on a weekly basis.

There is a spreadsheet used to manage the income and tracing the information from it to the ledger is straightforward.

VAT

VAT claims are up to date.

Moor Market

Charges and VAT are correctly applied, however there are numerous discrepancies on the spreadsheet used to manage bookings and invoices. Primarily where the invoice raised does not match the charge shown.

This may well be due to charges or credits 'carried over' from previous months but without any annotation on the sheet it is not possible to say if any errors have occurred.

Payroll

New Starters

New employees have been issued contracts of employment and have been paid in accordance with the Terms therein.

Tax, NI & Pensions

PAYE and pension requirements have been met.

Pay Award

The national pay award has been agreed but not implemented at the time testing took place.

Bank Reconciliation

Bank reconciliations are carried out frequently and are reviewed. They are also scrutinised by Members as part of their internal control checking regime.

Electors Rights

Full Council properly approved the 2022/23 AGAR.

The opportunity for electors to examine the accounts was properly advertised and the publication requirements in respect of the 2022/23 accounts have been met.

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.
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.