



HUDSON ACCOUNTING LTD.
INTERIM INTERNAL AUDIT REPORT:
TO THE MEMBERS OF FALMOUTH TOWN COUNCIL
YEAR ENDED 31ST MARCH 2025.

ISSUE DATE: 28/11/2024
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.

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 2024.

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, when required, that allows for the Council's response and 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:

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 appear free from material errors.

Financial Regulations

Financial Regulations were last reviewed in May 2024.

NALC have issued updated model documentation; thus, a further review should now be undertaken.

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

A scheme of delegation is in place and purchase orders are used.

Procurement

The tender processes for the Skatepark and the works at Kimberley Gardens were undertaken in accordance with both Financial Regulations and the Public Contracts Regulations.

Payments

Testing revealed that payments are supported by invoices and are accurately input into the accounting system including the correct treatment of VAT

Other payment controls are consistently applied.

Payment methods

A new bank account with Lloyd has been opened which will facilitate dual control of electronic payments, once the relevant information is transferred across.

Risk

Risk Assessment

The risk strategy was reviewed in May 2024, the Risk Register requires review before the end of March.

A review of the effectiveness of internal controls was also undertaken prior to the approval of the Annual Governance Statement.

Insurance

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

Investments

An Investment Strategy was adopted in February 2024.

The title suggests it covers the 2023/24 financial year; given that its adoption was so close to the end of that year it could be assumed that the intention was for it to cover the 2024/25 financial year.

If this was the case it should be confirmed by Members and should be further updated to cover the 2025/26 financial year before the end of March.

Budgets

Setting

We reviewed the 2024/25 budget setting process as part of our final audit work last year and we review the 2025/26 process later in the year.

Monitoring

Quarterly budget monitoring reports have been taken 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.

Room Hire (Atherton Suite)

Most income comes from large bookings for adult education and Covid clinics. Casual bookings are correctly charged and adequate processes are in place to ensure payment.

Moor Market

Moor Market income has been invoiced in line with the approved scale of charges.

VAT

VAT claims are up to date.

Pavilions

Income is controlled by a till which is balanced daily. A spreadsheet is maintained to manage postings to the Ledger and testing revealed no issues to report

Gallery

Gallery income is managed by the Shopify system. Cash is posted to the Ledger weekly and card payments are posted from the bank statements. VAT is properly accounted for.

Payroll

New Starters

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

Re-gradings

A few employees have changed their hours; these have been approved by the Town Clerk in line with the scheme of delegation. The relevant contracts have been updated and the changes accurately implemented.

Tax, NI & Pensions

PAYE and pension requirements have been met.

Pay Award

The national pay award has yet to be implemented and we will undertake further testing later in the year.

Bank Reconciliation

Bank reconciliations are frequently carried out and were found to be accurate.

They are reviewed by another Officer and by Members as part of their internal control checking regime.

Electors Rights

Full Council properly approved the 2023/24 AGAR.

The opportunity for electors to examine the accounts was properly advertised and the publication requirements in respect of the 2023/24 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.			New bank accounts opened – transition of payments underway. Closed
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.