



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

ISSUE DATE: 21/05/2025
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 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.

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 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:

Previous Recommendations

The current 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.

Financial Regulations

Financial Regulations were last reviewed in February 2025.

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.

Grants

A sample of grants paid were traced to Member approvals in the Minutes; all were in order.

Risk

Insurance

The Fidelity Guarantee remains adequate at £5 million.

Risk

A review of risk management arrangements and the effectiveness of its internal controls was carried out in February 2025.

Investments

The Investment Strategy was reviewed in February 2025.

Budgets

Setting

Having been through the various committees the 2025/26 budget and precept were properly approved at Full Council January 2025.

Monitoring

Regular budget monitoring reports have been provided to Members throughout the year.

Adequacy of Reserves

The general reserve stands at £431,814, allowing for the CCLA Property Fund investment, equating to 13% of net revenue expenditure; thus, remaining below recommended minimums.

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 Councils investments has been accurately reflected in the Ledger.

VAT

VAT claims for the year have been submitted.

The year-end claim is in accord with balances held in the accounting statements.

Burials

Testing revealed no issues to report.

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 with no issues to report.

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

The national pay has been accurately implemented.

Bank Reconciliation

Frequent bank reconciliations are undertaken; they are reviewed by Members as part of their internal control reviews.

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

Accounting Statements

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

Debtor and creditor balances were appropriately accounted for.

Trusts

The charitable Trust is managed separately from the Council's affairs, there are no financial transactions 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 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	<p><u>F6979 INTERNAL AUDIT REPORT (INTERIM)</u></p> <p>The Committee considered the Interim Internal Audit Report. It was proposed by Councillor Robinson, seconded by Councillor Coley and</p> <p>RESOLVED that the interim report be received and that the outstanding recommendation regarding the circumstances and limits within which work can be awarded to existing suppliers without recourse to competition be formalised within the Council's Financial Regulations when they are reviewed in 2025 and the decision-making process should be better defined in the scheme of delegation as appropriate.</p>		<p>Requires implementation.</p> <p>Financial Regulations updated. - CLOSED</p>

Annual Internal Audit Report 2024/25

FALMOUTH TOWN COUNCIL

www.falmouthtowncouncil.co.uk/your-council/town-finances/council-annual-return

During the financial year ended 31 March 2025, 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 2024/25 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 2023/24, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2023/24 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 2024-25 AGAR period, were public rights in relation to the 2023-24 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 2023/24 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

28/11/2024 12/05/2025 21/05/2025

Name of person who carried out the internal audit

S P HUDSON CPFA

Signature of person who carried out the internal audit

S. P. Hudson

Date

21/05/2025

***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).