

Report to:	Full Council
Date of this Record:	12 May 2021
Decisions from:	Internal Audit Report
Meeting Date:	12 May 2021
Authors:	Town Clerk and Chief Executive

NON-CONFIDENTIAL

Dear Members,

As part of the Internal Audit report from Hudson Accounting Ltd, the following matter has been highlighted:

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 monitor its budget sufficiently 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.

The following requirements in the Practitioner's Guide are relevant to the Internal Auditor's remarks (the item that the Internal Auditor has stated the Council has failed to evidence is highlighted in yellow):

Assertion 1, para 5.7-5.9 which are as followed:

- 5.7. The preparation of an annual budget is one of the key statutory tasks to be undertaken by an authority, irrespective of its size. The budget has two main purposes:
- it results in the authority setting the precept for the year (or rates and special levies for IDBs); and
 - it provides a basis for monitoring progress during the year by comparing actual spending against planned spending.
- 5.8. It is essential that authority members understand how the budget is put together and how it should be used in the running of the authority. Reviewing the budget against actual expenditure regularly gives members early warning about the likelihood of a shortfall (or surplus) and helps them to decide what responsive action to take.
- 5.9. The key stages in the budgeting process are:
- decide the form and level of detail of the budget;
 - review the current year budget and spending;
 - determine the cost of spending plans;
 - assess levels of income;
 - bring together spending and income plans;
 - provide for contingencies and consider the need for reserves;
 - approve the budget;
 - confirm the precept or rates and special levies; and
 - review progress against the budget regularly throughout the year.

Explanation

Whilst the Council did continue to regularly review its budgets throughout the year (and particularly as part of the robust Budget Setting process August – December 2020), the Council did not take this through a formal committee meeting and thus does not have a minute reference to evidence this activity in a formal way.

The Council, its officers, members and indeed those involved in major capital projects regularly reviewed budgets and expenditure/income against budgets, outside of the formal meetings and indeed as part of assessments when considering pursuing emergency funding from Cornwall Council, this activity was undertaken. It is unfortunate that both workloads and the way the Council was operating (in a more fluid and virtual format) has led to this oversight.

The Council has robust processes and procedures in place. However, it did not obtain a minute reference for the period January - March 2021 and this is something the Council will review and ensure is factored into the new Council structure. The new structure is establishing a Governance and Resources Committee that has the following relevant objectives:

3.1 Oversee and scrutinise the effective and efficient operation of the council ensuring good governance and effective budget planning, management and control; reporting outcomes and findings to Full Council.

3.2 Oversee and scrutinise Town Council finances in accordance with all financial regulations ensuring value for money and effective asset management including management and maintenance of appropriate asset registers and operational inventories.

On the basis the work was undertaken outside of meetings and the wider aspects of the requirements of this assertion, I have recommended the Council says it has met this criteria. The above explanation will be placed in a similar form on the Council's website with further detail if required to support the assertion made along with the same explanation being sent to the External Auditors for consideration.

Going forwards, the above objectives remain an active workstream of the Governance and Resources Committee and so in addition to the usual budget monitoring activity, this particular committee will seek to review spends against budget at-least quarterly within its meetings (as set out in the Financial Regulations) and may decide to go further and have monthly updates circulated to members via email once the accounts are closed for that month. Such documents could be formally noted at the relevant meetings to provide the evidence of this activity.