



HUDSON ACCOUNTING LTD.  
INTERNAL AUDIT REPORT:  
TO THE MEMBERS OF NEWQUAY TOWN COUNCIL  
YEAR ENDED 31ST MARCH 2021.

ISSUE DATE: 10/05/2021  
ISSUED TO: TOWN CLERK

**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 and the Transparency Code.

Areas not covered at the interim stage are included in this report as is any re-testing of areas already covered.

**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 2020.

Selective testing was carried out and the relevant policies, procedures and controls were reviewed. Due to the pandemic much of the work was carried out remotely with information provided electronically or hard copies collected and returned a few days later. Overall coverage has not been materially affected.

**GENERAL COMMENTS:**

We would like to thank the staff for their assistance and co-operation during the course of 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 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.***

Also attached is a copy of the completed Internal Audit Report required as part of the Annual Governance & Accountability Return.

## **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 and may 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 accounting records have been properly maintained throughout the year.**

### **Payments**

*Payments:*

**Further testing of payments revealed no issues to report.**

### **Risk**

*Insurance:*

**The Fidelity Guarantee remains adequate at £3.8 million**

### **Budgets**

*Budget 2021/22:*

**The budget and precept were properly approved by Full Council in December 2020 following a robust process.**

*Budget Monitoring:*

**Formal budget monitoring by Members was only carried out during the 2021/22 budget setting process. This has resulted in a 'No' in the appropriate section of the Internal Audit Report and should be borne in mind when Members complete the Annual Governance Statement.**

*It is essential that budget monitoring information is reviewed by Members in a formal setting where corrective action can be agreed if required and Member scrutiny can be Minuted.*

*Whilst accepting the immense difficulties faced by Councils during the pandemic the impact on finances of repeated lockdowns make it more important that this monitoring takes place.*

*Adequacy of Reserves:*

**Reserves stand at nearly £1.9 million; with the general reserve £284,450 slightly below the forecast in the budget (£301,726).**

**We note that the Council now uses Net Revenue Expenditure as the basis for general reserve adequacy calculations as suggested by Proper Practice.**

*Whilst this may be an appropriate comparator for this Council we would point out that it does ignore the volatility of income streams other than the precept something that has been demonstrated by the pandemic's impact on those Councils who rely on car park and lettings income for example. A more nuanced, and risk based, approach may be prudent as the Council further expands its service provision.*

### **Income**

*TIC:*

**Income has been curtailed by the pandemic but testing revealed that controls continue to work well.**

*Toilets:*

No cash from toilet usage has been received in the year.

*VAT:*

VAT claims for the year have been submitted and the year-end debtor is accurately reflected in the accounts.

*Library:*

Income has been minimal and we will resume testing next year.

#### **Petty Cash**

Petty cash expenditure is adequately controlled, however as previously reported the reimbursement methodology requires review.

#### **Payroll**

Payroll testing revealed no issues to report.

New employees and other staff changes were reflected in contracts of employment and they were paid in accordance with them.

#### **Assets.**

The asset register has been updated for in year acquisitions and the total value of assets held has been accurately reflected in the AGAR.

#### **Bank Reconciliations**

Monthly bank reconciliations have been carried out in a timely manner throughout the year.

The year-end reconciliation was found to be accurate.

#### **Accounting Statements**

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

There was a good audit trail and debtors and creditors have been properly disclosed.

The publication requirements in respect of the 2019/20 accounts were met.

INTERNAL AUDIT REPORT RESPONSE RECORD – NEWQUAY TOWN COUNCIL

No	Recommendation	Management Response	Timescale/ Responsibility	Follow Up (for auditor use)
<b>Interim Report 2018/19</b>				
1	The accountant's request for a reconciled toilet income statement is undertaken and income is banked at sufficient frequency to ensure that insurance levels are not breached.			Income now reconciled – insurance levels still being breached. – test again 2020/21. – <b>No income due to pandemic – defer</b>
<b>Interim Report 2017/18</b>				
3	The full requirements of the Transparency Code are met at the earliest opportunity	This is on-going as it is a considerable administration workload. Most are covered, but areas around posting information to gov.uk are proving challenging.	April 2019 <b>(Still working on this with a new website currently being built – which means minimal investment in existing website/content as this cannot be moved across so duplication of work) This has been delayed by external contractors who are ensuring compliance with new regulations covering new public websites.</b>	New website just gone live – test 2019/20 – requirements still not met. <b>Still no procurement information for items &gt; £5K</b>