

Report to Carnforth Town Council

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Date: 5th May 2022

Subject: Annual Internal Audit 2021/22

1 Introduction

1.1 I have been pleased to again provide the Town Council with an internal audit review of its financial and internal control systems, with the objectives of:

- a) Providing assurance as to the adequacy and effectiveness of the systems in place and making recommendations as appropriate; and
- b) Providing an opinion on to the extent of compliance with 'Internal Control Objectives' as set out in the standard form of Annual Internal Audit Report included in the Annual Governance and Accountability Return (AGAR) for 2021/22.

1.2 This report is structured along the lines of the 'Internal Control Objectives' specified in the AGAR.

2 Control Objective A - Appropriate accounting records have been properly kept throughout the financial year.

2.1 My review considered the accounting records for the 2021/22 financial year, including bank statements, reports to Finance and Governance Committee and Council, etc. My findings and conclusions were as follows:

- a) I concluded that the control objective had been met.
- b) During the audit visit, the Clerk and Proper Officer (C&PO) and I again discussed the design of the Council's budget headings and 'chart of accounts'. The C&PO is continuing to review the structure with a view to simplifying the structure and thereby improving information provided to Councillors.
- c) The accounting system 'Scribe' provides effective record-keeping and reporting appropriate to the Council's size and needs

3 Control Objective B - This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

3.1 My review considered the payments system and the reports produced. A sample of paid invoices were examined. My findings and conclusions were as follows:

- a) I concluded that the control objective had been met. The accounting and payments system is well-designed and efficient in relation to the needs of the Council, with strong approval procedures.

4 Control Objective C - This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

4.1 My review considered the most recent risk assessment record and what arrangements were in place to review risk. My findings and conclusions were as follows:

- a) I concluded that the control objective had been met. The current Risk Log was reviewed by the Finance and Governance Committee on 12th May 2021 and approved by Council on 19th May 2021.

5 Control Objective D - The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

5.1 My review considered the budget monitoring reports, the budget and precept setting process and the overall financial position of the Council.

5.2 The level of reserves at the end of the year were £89k including £21.5k held in earmarked reserves. This has built on the Council's improved reserves position at 31st March 2021 and represents an appropriate level for the Council.

5.3 My findings and conclusions were as follows:

- a) I concluded that the control objective had been met.
- b) A thorough and appropriately detailed budget process was carried out, resulting in precept approval in January 2022.
- c) Monitoring reports to Finance and Governance Committee and Council are set at a suitable frequency and level of detail.
- d) The closing level of reserves at 31st March 2022 represents an appropriate level for the Council.

6 Control Objective E - Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

6.1 My review considered the income paid into the bank accounts and a sample of invoices. My findings and conclusions were as follows:

- a) I concluded that the control objective had been met.
- b) Income is regularly received and banked.
- c) VAT has been properly charged and accounted for.

7 Control Objective F - Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.

7.1 The C&PO holds a small cash float of £40, which was established to provide change for the film night events. A formal petty cash system has not been established, although the C&PO informed me that the float had been used on occasion, to reimburse Councillors' expenses. The transactions are recorded and managed through the Scribe system. My conclusion was therefore that the control objective had been met.

8 Control Objective 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

8.1 My review considered the Payroll system being operated and examined a sample of payments to employees. My findings and conclusions were as follows:

- a) I concluded that the control objective had been met.
- b) The payroll system provides a sound process for calculating and reporting pay and PAYE/NI.
- c) Arrangements for outsourced payroll processing, introduced during 2021/22 are operating well and provide the C&PO with an additional level of independence.

9 Control Objective H - Asset and investments registers were complete and accurate and properly maintained

9.1 I examined the current Asset Register and discussed its contents with the C&PO. The Council does not currently hold any investments. The Council's acquisition during the year of the Crag Bank Village Hall has been properly included in the register. My findings and conclusions were as follows:

- a) I concluded that the control objective had been met.
- b) The record of assets has been updated to include assets acquired during the year.

10 Control Objective I - Periodic and year-end bank account reconciliations were properly carried out

10.1 I reviewed the year end bank reconciliation and information provided in the C&PO's periodic monitoring reports. My findings and conclusions were as follows:

- a) I concluded that the control objective had been met, with periodic bank reconciliations being reported to each meeting of the Finance & Governance Committee, checked against statements and signed by the Committee Chair.

11 Control Objective 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.

11.1 I reviewed the Council's bank statements, monitoring reports and the draft Annual Governance and Accountability Return (AGAR). My findings and conclusions were as follows:

- a) I concluded that the control objective had been met.
- b) The correct accounting basis (receipts and payments) has been employed.
- c) Receipts and payments have been agreed to the underlying records maintained.

12 Control Objective K – Exemption from a Limited Assurance Audit

12.1 This Control Objective is not applicable to the Town Council.

13 Control Objective L - The authority publishes information on a website/webpage, up to date at the time of the internal audit, in accordance with the Transparency code for smaller authorities.

- 13.1 The Transparency Code for Smaller Authorities applies to authorities with a turnover not exceeding £25k. A more detailed and demanding Code applies to larger authorities with a turnover exceeding £200k. The Town Council therefore falls between these two and is not currently required to comply. NALC have, however, strongly encouraged all local councils with a turnover of less than £200k to comply with the Code for Smaller Authorities.
- 13.2 The Code for Smaller Authorities requires publication on the Council's website copies of Council and Committee agendas and minutes on an ongoing basis and the annual publication of payments over £100 and of the asset register.
- 13.3 The Council has complied with requirements regarding publication of agendas and minutes during the 2021/22 year and published the annual payments report and asset register for the year ended 31st March 2021. The Town Council has therefore, in my opinion met good practice standards in this objective, which is to be commended.

14 Control Objective M - The authority, during the previous year (2020/21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).

- 14.1 I reviewed the Council's website for evidence that appropriate public notice had been provided. My findings and conclusions were as follows:
- a) I concluded that the control objective had been met.

15 Control Objective N - The authority has complied with the publication requirements for 2020/21 AGAR

- 15.1 I reviewed the Council's website for evidence that appropriate publication of the AGAR and External Audit Opinion had been provided. I concluded that the control objective had been met.

16 Summary

- 16.1 2021/22 proved to be another highly challenging one for all organisations. The Council is to be congratulated for maintaining high standards of governance and financial management during this period, whilst taking on significant additional operational responsibilities.
- 16.2 In summary, it is my opinion that the Council has established all the elements necessary to provide a sound system of internal control, and these have operated effectively to provide assurance as to the accuracy of the accounts.
- 16.3 Over recent years, the Council and the C&PO have worked hard to establish robust and effective financial systems and governance arrangements. Considering this, I have suggested to the C&PO that the Council might in future derive greater benefit from some more focused and in-depth internal audit work, for example, a review of a particular system. Such work could be carried out at any appropriate time during the financial year and be combined with a 'lighter-touch' annual AGAR-focused audit. It is envisaged that this approach could be managed without any increase in cost to the Council.
- 16.4 I have not made any new recommendations following the audit.
- 16.5 There are no outstanding recommendations from my previous audits.
- 16.6 I should like to thank the Clerk and Proper Officer for his assistance and courtesy during the audit and I wish the Council continued success in the coming year.



Derek Whiteway

5th May 2022