



INTERNAL AUDIT

TOWN COUNCIL MEETING

REPORT 35/20

18 MAY 2020

The purpose of this report is to ask Members to consider and agree the report of the Town Council's Internal Auditor on the financial year 2019/20 and appoint its Internal Auditor for 2020/21.

No. DETAIL

1) INTERNAL AUDIT REPORT

- a) The Town Council appointed Gareth Hughes as its Internal Auditor for 2016/17 at its meeting of 20 May 2019 by Minute 55/19 of that meeting.
 - b) Gareth Hughes' Internal Audit Report for the financial year 2019/20 is attached to this report for Members' consideration.
-

2) APPOINTMENT OF INTERNAL AUDITOR

- a) Gareth Hughes is willing to remain as the Town Council's Internal Auditor for the financial year 2020/21.
 - b) As a Chartered Public Finance Accountant previously employed at senior level of the Isle of Wight Council he is very well qualified for the role.
-

3) RECOMMENDATIONS

Members are recommended to agree that:

- i) the Internal Auditor's Report be accepted and Gareth Hughes be thanked for his thorough preparation of it; and
 - ii) Gareth Hughes be appointed as the Town Council's Internal Auditor for 2020/21.
-

VENTNOR TOWN COUNCIL

INTERNAL AUDIT REPORT 2019-20

1.INTRODUCTION

All Local Councils in England are required to complete an Annual Governance and & Accountability Return (AGAR) summarising their financial records at the end of the financial year. The Annual Report of the Internal Auditor section of the AGAR needs to be completed by an Auditor who shall be independent of the Council. The Councils External Auditor needs to place reliance on the work of the Internal Auditor and provides guidance on the minimum level of testing required to provide this assurance.

2. SCOPE OF AUDIT

The audit includes for examination on a test basis of evidence relevant to the amounts and disclosures as contained in the accounts. This examination has included the following-

- Matching of financial statements to invoices and receipts
- Examination of budget preparation & precept setting
- Inspection of bank statements
- Correct accounting for VAT
- Completion of Risk Assessment
- External Audit requirements.
- Compliance with Transparency Code

3.FINDINGS

- (1) Payroll is completed using HMRC payroll software with deductions of Tax & NI being paid to HMRC on a quarterly basis. Evidence of RTI Full Payment submissions were received and inspected.
- (2) The accounting records, bank statements and bank reconciliation for the year ended 31st March 2020 have been examined and agreed. A bank reconciliation is presented to the Council on a monthly basis and signed by the Clerk/RFO which is considered good practice. The bank reconciliation is contained on the expenditure sheets of the Excel accounts spreadsheet. As at 31st March 2020 bank balances totalled £120,224.69.
- (3) The accounts have been produced on an income and expenditure basis as is required when annual turnover exceeds £200,000 per annum. Details of proposed accruals are supplied by the Town Clerk and these will be included in Section 2 of the Annual Governance & Accountability Return. Details of the completed Section 2 will be examined along with relevant supporting documents prior to their submission to the External Auditor.
- (4) The Council has outstanding long term loans with the Public Works Loan Board (PWLb) in respect of previous capital expenditure. Outstanding balances as at 31st March 2020 amounted to £144,914.52.

- (5) The Council had followed a budget process to support its precept and at its meeting on 10th February 2020 set the Precept at £360.589, together with the Local Council Tax Scheme grant of £2,587 from the Isle of Wight Council;
- (6) Income and Expenditure against budget is monitored on an ongoing basis with variances against budget being reported monthly to Full Council.
- (7) The Council has a lease for Salisbury Gardens from the Isle of Wight Council to provide offices and a location for local business units. The Council has agreed that any costs arising from the project should be financed by its income and that there should be no financial call on the precept and local taxpayer. Income and expenditure arising from Salisbury Gardens have been recorded and a surplus of £18,687 was made in the 2019-20 financial year.
- (8) The AGAR requires the Internal Auditor to be satisfied that the Council considers the risks to not achieving its objectives. A Financial Risk Assessment was undertaken and approved at the Council meeting on 13th January 2020.
- (9) There were no matters arising from the External Audit of the 2018-19 AGAR and this was presented to the Council at its meeting on 14th October 2019. The approval of the Annual Report of the Internal Auditor section of AGAR needs to take place prior to the approval of the Annual Governance Statement (Section 1) and the Accounting Statements (Section 2). The order of these approvals should be clearly documented in the Parish Council minutes. With regard to the AGAR for the 2018-19 financial year the Internal Audit Report was approved at the Council Meeting on 20th May 2019 and the Governance and Accountability statements being approved at the Council meeting held on 10th June 2018. Having regard to the Covid-19 outbreak legislation has been introduced to put back the deadline for submission of the 2019-20 AGAR by two months until the end of August, local councils are however encouraged to make an earlier submission where possible to ease pressure on the External Auditor as the new submission date approaches.
- (10) The Local Government Transparency Code requires Town and Parish Council's to publish certain information on its website. With regard to AGAR the following documents need to be presented on the website on approval of the AGAR –
1. Annual Report of the Internal Auditor section of AGAR.
 2. Section 1 of AGAR – Annual Governance Statement.
 3. Section 2 of AGAR – Accounting Statements.
 4. Analysis of variances.
 5. Year end bank reconciliation.
 6. Notice of the period for the exercise of public rights.

Having regard to the above I am of the opinion that I have adequate assurance to complete and sign the Annual Internal Audit Report section of the Annual Governance & Accountability Return.

GARETH HUGHES BA (Hon) CPFA

3rd May 2020