



FINAL

Internal audit report 2019/20

Visit 3 of 3

SOMERTON TOWN COUNCIL

Date: 24th June 2020

Report author: R Darkin-Miller
Email: r.darkin@darkinmiller.co.uk

Introduction

This report contains a note of the audit recommendations made to Somerton Town Council following the carrying out of internal audit testing on the 8th June 2020.

The audit work has been carried out in accordance with Appendix 9 of the 2014 'Governance and Accountability for Local Councils: A Practitioners' Guide', as amended by additions in the 2018/19 AIAR (part of the AGAR).

An internal audit covers the review of the operation of the Council's internal control environment. It is not designed to review and give full assurance over every transaction carried out by the Council. Instead it enables the auditor, following the sample testing of a number of different types of transaction, to give an opinion as to whether or not the control objectives are being achieved across a range of financial and governance systems.

Audit Opinion

The internal audit for 2019/20 has now been completed in accordance with the provisions of the Practitioners' Guide and the CIPFA code of internal audit practice.

Based on the sample testing carried out at this final audit visit and during the year, all of the Council's current financial controls appear to be operating effectively with the exception of:

Test L: Public rights

In order to test compliance with the Council's requirement for the exercise of public rights, I checked the Council's calculation of its public rights period, and checked the Council's website during the statutory public rights period to confirm that the required items had been published. I can confirm that the Council correctly calculated the period and that the Annual Governance and Accountability Return (AGAR) had been put up on the Council website, but that the scanned information was incomplete as it did not include s1 and s2 of the AGAR. I raised this with the Clerk, and the AGAR was rescanned and republished. I confirmed that, as at 08/07/19, the correct information was published on the Council's website. As a result, I have assessed this test as a Fail.

Note that the External Auditor subsequently confirmed that, in order to pass this test, a Council must be able to demonstrate via its website audit trail that all required information was uploaded the day before the public rights period commenced, and that the information remained on the website for the duration of the period. Had the Council's information been present on the website when I tested it, I would have had to have assessed the tests as 'Not Covered'.

Audit Recommendations

Recommendations made during the audit are shown in appendix one to this report.

Recommendations are graded as follows:

Rating	Significance
High	Either a critical business risk is not being adequately addressed or there is substantial non-conformity with regulations and accepted standards.
Medium	Either a key business risk is not being adequately addressed or there is a degree of non-conformity with regulations and accepted standards.
Low	Either minor non-conformity with procedure or opportunity to improve working practices further.

The number of recommendations made at this audit visit and their priority are summarised in the following table:

Rating	Number
High	0
Medium	0
Low	2
Info	2
TOTAL	4

The number of recommendations made at all of the audit visits in 2019/20 and their priorities are summarised in the following table:

Rating	Number			
	Visit 1	Visit 2	Visit 3	TOTAL
High	2	1	0	3
Medium	0	4	0	4
Low	2	0	2	4
Info	0	0	2	2
TOTAL	4	5	4	13

I would like to thank Judy Raybould, Town Clerk for her assistance during this audit.

Darkin Miller ~ Chartered Accountants
2019/20 INTERNAL AUDIT OF SOMERTON TOWN COUNCIL
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Appendix 1 – Recommendations and Action Plan

Recommendation number	Detail	Priority (Low/ Medium/ High)	Management Response	Responsible Officer	Due Date
2.1 – Authorisation of invoices	<p>I checked to see that a sample of payments in the cashbook were supported by invoices, authorised and minuted. I found that all samples were supported by invoices and minuted, but that 5/17 had not been initialled by the Clerk to confirm that they had been checked for accuracy and to ensure that the related goods or services had been satisfactorily received. I note that, given the Clerk is still the officer who processes payments on the finance system, the fact that an invoice has been processed shows it was implicitly approved.</p> <p>I recommend that invoices or other supporting paperwork is initialled by the Clerk to evidence approval for payment. This will improve the audit trail.</p>	L	Noted. Happy to action invoices being initialled by the Clerk to evidence approval for payment moving forward.		
2.2 – VAT claim	I checked a sample of invoices to confirm that VAT had been identified, recorded and reclaimed. I found that a small over-claim was made in relation to the VAT due on an invoice for legal fees (VAT was claimed on the whole invoice, but was not due in relation to a charge for searches). The error was £3 (on VAT due of £1300), and was corrected by the Clerk during the audit.	Info			
10.1 – Consider separate column on	I checked to see that there were no unexplained variances from budget. I found that the Clerk produced a detailed set of financial statements which contains	L	Agreed to review the budget monitoring form to demonstrate the split		

<p>budget report for reserves movements</p>	<p>commentary on each budget heading. A separate budget monitoring report is also produced but I noted a £41.4k difference on the total expenditure per the financial statements and accounts (£458,794) and per the budget monitoring report (£500,182). The Clerk noted that the latter includes transfers to reserves, and that the budget monitoring commentary notes where transfers have been made.</p> <p>I recommend that the Council considers whether it may be appropriate to include an additional column in the budget monitoring report to split out reserves movements, in order to ensure there is clarity about how much of the cumulative expenditure reported relates to expenditure incurred during the year and how much relates to funds moved into earmarked reserves for future years; and to improve the audit trail between documents.</p>		<p>out reserve movements more clearly to aid audit trail.</p>		
<p>10.2 – Adjusted errors</p>	<p>The following items were adjusted in the accounts:</p> <ol style="list-style-type: none"> 1. Debtors and other receipts were reduced by £31 following a change to an in-year invoice 2. Other income and other payments were increased by £433 when an electricity invoice was moved from the feed-in tariff income code to electricity 3. The value for Fixed Assets was reduced by £570,345 in order to restate the Community Library to £1 nominal as per the Practitioner's Guide. 4. A number of minor presentational adjustments were made to the Financial Statements 	<p>Info</p>			