

# Annual Internal Audit Report 2020/21

SANDOWN TOWN COUNCIL

sandowntowncouncil.gov.uk

During the financial year ended 31 March 2021, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2020/21 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected Income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	✓		
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.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic bank account reconciliations were properly carried out during the year.	✓		
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.	✓		
K. If the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2019/20 AGAR tick "not covered")			✓
L. If the authority has an annual turnover not exceeding £25,000, it 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.	✓		
M. The authority, during the previous year (2019-20) 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).	✓		
N. The authority has complied with the publication requirements for 2019/20 AGAR (see AGAR Page 1 Guidance Notes).	✓		
O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.			✓

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

Name of person who carried out the internal audit

10/05/2021

GARRETH HUGHES

Signature of person who carried out the internal audit

Date

10/05/2021

If the response is no please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed)

\*Note: If the response is not covered please state when the most recent internal audit work was done in this area and when it is next planned; or if coverage is not required the annual internal audit report must explain why not (add separate sheets if needed)



# **SANDOWN TOWN COUNCIL**

## **INTERNAL AUDIT REPORT 2020-21**

### **1. INTRODUCTION**

All Local Councils in England are required to complete an Annual Governance & 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-

Appropriate accounting records have been kept  
Payments were supported by invoices and all expenditure reported.  
VAT had been accounted for correctly and reclaimed from HMRC  
Examination of budget preparation & precept setting  
Inspection of bank reconciliation.  
Accounting records prepared on the correct basis.  
PAYE requirements were being met.

### **3. FINDINGS**

(1) The accounting records, bank statements and bank reconciliation for the year ended 31<sup>st</sup> March 2021 were examined and agreed.

(2) A proper budget process was undertaken in support of the 2021-22 precept, and the precept for 2021-22 was set at the Council meeting on the 15<sup>th</sup> February 2021, there being no increase on the 2020-21 financial year.

Reductions in budgeted income for 2020-21 were arising from the impact of Covid 19 and social distancing and this had been reflected in revisions to the budget. There were also unbudgeted costs arising from the pandemic.

(3) The Council continues to have outstanding loans with the Public Works Loan Board (PWLB). As at 31<sup>st</sup> March 2021 a sum of £513,724.46 was outstanding to PWLB.

(4) The Internal Auditor needs to be satisfied that the Council considers the risks to not achieving its objectives. A Risk Management document was approved at the Council meeting held on 15<sup>th</sup> February 2021.

(5) Where annual turnover exceeds £200,000 it is a requirement that accounts are prepared on an income and expenditure basis and not on a receipts and payments basis. Section 2 of the AGAR had been completed on an income and expenditure basis for 2020-21.

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- (6) At its meeting on 15<sup>th</sup> July 2019 the Council agreed to set up a Finance Committee. Having regard to Staff turnover Covid – 19 lockdown no meetings of the Committee took place during the year ended 31<sup>st</sup> March 2021. Details of payments, receipts and a bank reconciliation were however produced on a monthly basis throughout the year.
- (7) Payroll is administered by Community Action IW who make all statutory declarations to HMRC. Evidence of submissions to HMRC was provided together with the Annual Statement to HMRC.
- (8) All outstanding matters with the External Auditor PKF Littlejohn had been resolved and completion of audit certificates had been issued in respect of the 2017-18, 2018-19 and 2019-20 Annual Governance & Accountability returns.
- (9) 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). It is recommended that this order of approval should be detailed in the minutes of future approvals. The AGAR for 2019-20 was approved at the meeting held on 27<sup>th</sup> July 2020 and submitted to the External Auditor in accordance with set requirements.
- (10) The Transparency Code requires the publication of certain information on a website. On examination of the website I am of the opinion that the Town Council is meeting the necessary reporting requirements.

**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*

**GARETH HUGHES BA (Hon) CPFA**

**10TH MAY 2021**