

# **SANDOWN TOWN COUNCIL**

## **INTERNAL AUDIT REPORT 2019-20**

### **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 2020 were examined and agreed. Sampled payment invoices were agreed to bank statement entries and to accounting records. New Scribe accounting software was purchased in the year which included for the submission of online VAT returns.
- (2) A proper budget process was undertaken in support of the 2020-21 precept, and the precept for 2020-21 of £394,341 was set at the Council meeting on the 24<sup>th</sup> February 2020.
- (3) The Council continues to have outstanding loans with the Public Works Loan Board (PWLB). Monies previously held prior to the development of the new Broadway Centre have now been expended on the development and as at 31<sup>st</sup> March 2020 a sum of £530,446.94 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 25<sup>th</sup> February 2019.
- (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 2019-20.

- (6) The Council had considered three options for the future of the land adjacent to the Broadway Centre including the sale of the whole or part of the site for housing. It was agreed not to proceed with any sale at this time.
- (7) At its meeting on 15<sup>th</sup> July the Council agreed to set up a Finance Committee and the terms of reference for the Committee were approved at the meeting held on 16<sup>th</sup> September 2019. Having regard to Staff turnover Covid – 19 lockdown no meetings of the Committee took place during the year ended 31<sup>st</sup> March 2020.
- (6) Payroll is administered by Community Action who make all statutory declarations to HMRC. Community Action IW have advised that all year end submissions for 2019-20 have been made.
- (7) There were matters arising from the audit of the 2017-18 Annual Return and a ‘Challenge File’ had been opened by the External Auditor PKJ Littlejohn. A letter From PKJ Littlejohn was presented to the 21<sup>st</sup> October 2019<sup>t</sup> meeting advising that they were now in a position to undertake outstanding work on ‘Challenge Files’ pertaining to the 2017-18 Annual return. It was resolved to make a strong complaint to the External Auditor. The Deputy Clerk has provided me with a briefing note detailing the timeline and issues around the submission of the 2017-18 report and the subsequent AGAR Return for 2018-19 which has also yet to be approved by the External Auditor. Nothing further has been heard from PKJ Littlejohn regarding outstanding matters A full reconciliation of accounts for 2019-20 has been provided to me and which will form the basis of Section 2 of the AGAR for 2019-20. In the circumstances and my understanding that all questions from the External Auditor have been answered, PKJ Littlejohn should be asked to give this matter their urgent attention and advise exactly what they require from Sandown Town Council in order to complete Section 3 of AGAR for the 2017-18 and 2018-19 financial years.

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 approval should be clearly documented in the Town Council minutes. With regard to the AGAR for 2018-19 the Internal Audit Report was presented to the meeting held on 4<sup>th</sup> May 2019 and Sections 1 & 2 of AGAR were approved at the meeting on 17<sup>th</sup> June 2019.

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 deadline approaches

- (8) 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**

**26TH JUNE 2020**

# Annual Internal Audit Report 2019/20

## SANDOWN TOWN COUNCIL

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation **during** the financial year ended 31 March 2020.

The internal audit for 2019/20 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	Agreed? Please choose one of the following		
	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 and year-end bank account reconciliations were properly carried out.	✓		
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 2018/19, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2018/19 AGAR tick "not covered")	✓		
L. The authority has demonstrated that during summer 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.	✓		
<b>M. (For local councils only)</b> 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

20/06/20

Name of person who carried out the internal audit

GARETH HUGHES

Signature of person who carried out the internal audit



Date 15/07/20

\*If the response is 'no' you must include a note to 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).