

AUDITING SOLUTIONS LTD

Totnes Town Council

Internal Audit Report: 2021-22

Stuart J Pollard

*Director
Auditing Solutions Ltd*

Background

Statute requires all town and parish councils to arrange for an independent Internal Audit (IA) examination of their accounting records and systems of internal control and for the conclusions to be reported each year in the Accountability and Governance Return (AGAR).

This report sets out the work undertaken in relation to the 2021-22 financial year with work undertaken initially at our offices, together with our on-site visit on 26th May 2022 following closure of the year's accounts. We wish to thank the Finance, HR & Lettings Manager for assisting the process, providing all necessary documentation in either hard copy or electronic format to facilitate completion of our review for the year and sign off of the IA Certificate in the year's AGAR.

Internal Audit Approach

In undertaking the year's review, we have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts / AGAR.

Overall Conclusion

We are again pleased to report that, based on the work undertaken this year and the inherent assurance drawn from previous years, no significant areas of concern have been identified.

Based on the satisfactory conclusions drawn from our work programme for the year, we have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

We take this opportunity to remind the Clerk and Council of the statutory disclosure requirements of the Accounts and Audit Regulations 2015, as are also summarised in the preface to the year's AGAR and ask that we be provided with scanned signed copies of the AGAR Governance and Finance Statements, together with a copy of the Notice of Public Rights to examine the 2021-22 records.

This report has been prepared for the sole use of Totnes Town Council. To the fullest extent permitted by law, no responsibility or liability is accepted by Auditing Solutions Ltd to any third party who purports to use or rely on, for any reason whatsoever, this report, its content or conclusions.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. The Council uses the Rialtas Omega accounting software to maintain its financial and management accounting records with a single bank account in place with HSBC and an appropriate cashbook operated in the accounting software. A separate cashbook is also in place to record petty cash transactions (see subsequent section of this report).

We note that all financial management issues, including checking bank reconciliations, etc. are delegated to the Council's "Matters Committee" for detailed scrutiny, with the minutes of that Committee subsequently approved by Full Council. We are pleased to note that, in accordance with best practice and the requirements of the adopted Financial Regulations (Para 2.2 refers) independent checks continue to operate over the review of monthly bank reconciliations, with the Finance, HR & Lettings Manager and Clerk, together with a nominated Councillor, also evidencing their review by signing and dating the reconciliations. However, we note that neither the underlying month-end bank statements nor cashbooks are being signed-off evidencing their examination and agreement to the bank reconciliation statements generated by the Omega accounts software.

We note the holding of in excess of £700,000 funds in the single bank account in use and understand that this high level of retained funds arises pending expected capital expenditure on refurbishment of the Town Hall for occupation by the Council.

Consequently, we have: -

- Agreed the opening account balances for 2021-22 with those in the 2020-21 detailed Omega accounts and AGAR;
- Ensured that the accounts remain "in balance" at the financial year-end;
- Examined and verified four months' account transactions as recorded in the Omega cashbook (April and September 2021, plus January and March 2022) by reference to the supporting bank statements;
- Verified the accuracy of month-end reconciliations on the HSBC account for the same four months; and
- Ensured the accurate disclosure of the current year's combined cash and bank balances in the year's AGAR.

Conclusions and recommendation

Whilst no significant concerns exist in this area, we suggest that, when the nominated councillor is checking and signing-off the bank reconciliations, they also sign-off the month's final bank statement and cashbook thereby evidencing their agreement of those two values to the bank reconciliation detail.

R1. The councillor agreeing and signing-off the monthly bank reconciliations should also sign-off the month-end cashbook and bank statements confirming their agreement of their detail in the bank reconciliations.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust series of corporate governance documentation in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we are reasonably able to ascertain as we do not attend meetings, no actions of a potentially unlawful nature have been or are being considered for implementation.

We note that the Council has re-adopted its SOs and Financial Regulations (FRs) in the past twelve months with minor changes agreed to the detailed content with both documents in line with the extant NALC model documents, tailored to the Council's specific requirements with a value of £25,000 for formal tender action and appropriate reference to the requirements of the Public Contracts Regulations 2015 relating to the need to publicise tenders over the above financial limit on the Government's Contract Finder website.

We have continued our review of the minutes of the Full Council and its Standing Committees for the financial year and to date in 2022-23 to determine whether any issues exist that may have an adverse effect on the Council's future financial stability, either in the short, medium or longer term and are pleased to record that no such issues have been identified.

We are also pleased to note that the external auditors issued a clean certificate on the 2020-21 AGAR.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Payments are supported by appropriate documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and/or an acknowledgement of receipt, where no other form of invoice is available;
- The correct expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have, as in prior years, selected a sample of payments for review to ensure compliance with the above test criteria and are again pleased to note clear evidence of the Clerk, Finance, HR & Lettings Manager and two Councillors' examination and approval for payment recorded on the invoices. Our test sample includes 71 individual payments including all those individually in excess of £2,000 plus every 20th as recorded in the year's cashbooks and totals £204,760

equating to 57% by value of non-pay related payments during the financial year with all the above criteria met.

We have, during the course of our visit, discussed with the Finance, HR & Lettings Manager the need for two members to physically sign-off every payment document and suggested that, due to the difficulties in arranging for two councillors to attend the office, review and sign-off the increasing volume of invoices, arrangements could be made for one councillor's review and sign-off, together with a schedule of payments to be processed and issued duly signed-off with an appropriately worded certificate confirming their review of the underlying payment documentation and approval of the release of the payments.

We have also reviewed the VAT nominal ledger account in the Omega software, noting that reclaims are made quarterly and have ensured the accuracy of the reclaims prepared for the year to the control account quarter-end balances.

Conclusions

We are again pleased to report that no issues arise in this area warranting formal comment or recommendation.

Assessment and Management of Risk

Our aim here is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks to minimise the opportunity for their coming to fruition.

We note that the Council formally approved its Risk Management document at the full Council meeting in May 2021 and have examined its content and consider that it remains appropriate for purpose. We also note the existence of a large raft of risk assessments on specific issues such as premises, office workstations, etc all of which we consider represent best practice.

We note that the Council's insurance cover continues to be provided by Aviva (via WPS Councilguard) noting that Public and Employer's Liability cover remain in place at £15 million and £10 million respectively, together with Fidelity Guarantee (FG) cover at £500,000. Whilst we consider cover to be generally adequate, as last year, we suggest that, with a year-end balance in excess of £730,000, the level of FG cover is inadequate. The former Audit Commission recommended that this cover be set in line with the annual opening balance plus 50% of the year's precept value, which would indicate a required level of approximately £1 million cover in this respect.

Conclusions and recommendation

We are pleased to record that no significant or serious concerns exist in this review area, although, as last year, we urge that the level of FG cover be increased to a more appropriate level in line with the former Audit Commission guideline.

R2. The level of Fidelity Guarantee insurance cover should be revised and increased ensuring that the potential maximum cash at bank holding during the year is covered.

Budgetary Control & Reserves

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and the level of precept to be drawn down from the District Council: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

The ongoing monitoring of budgets has, as previously, been delegated to the Council "Matters Committee", with clear evidence in the Committee's minutes of appropriate review throughout the financial year.

We are pleased to note that, following due deliberation, the Council approved the 2022-23 budget and precept adopting the latter at £545,986 at the Council meeting in December 2021.

Total reserves at 31st March 2022 stand at £705,310: we note that the Council has determined not to set aside funds in specific earmarked reserves at the present time: we also note a predicted overspend against the approved budgets for 2022-23 of some £75,000.

We have examined the year-end budget report generated by the Omega accounts software, seeking and obtaining appropriate explanations for the few significant variances arising also noting that, overall, income stood at 93% of the planned budget whilst expenditure stood at 61%.

Conclusions and recommendation

Whilst no concerns arise in this area with significant funds held currently, we consider that, as recommended previously and in line with best practice and to ensure the potential development cost of the Council's contribution to the Town Hall and other future development aspirations, the Council should establish formally each year the amounts to be "set aside" in specific earmarked reserves (EMRs) to fund any such projects: once established, each individual EMR should be identified individually in the Omega accounts.

R3. The Council should consider the establishment of specific individual earmarked reserves for planned projects and / or equipment replacement.

Review of Income

The Council receives income primarily by way of the annual precept, together with burial and associated fees, letting of Council owned properties, plus advertising income in the Town Guide / Website and on planters in the Town, together with that arising from a number of other relatively minor miscellaneous sources.

We have discussed the controls in place over several of these sources with the Finance, HR & Lettings Manager, examining the interments recorded in the burial register, plus memorials, ensuring that all legally required documentation (burial & cremation certificates) is held for each and that the appropriate fees have been levied in accordance with the approved scale of fees and charges and also been recovered within an appropriate time frame.

We have also ensured that income arising from the letting of Council properties has been received appropriately during the year also noting that the monthly rents for each were reviewed and increased during the year.

We have examined income arising from the sale of advertising space in the above mentioned two areas, noting one or two potential anomalies that we have discussed with the Finance, HR & Lettings Manager and have received appropriate explanations.

We have also examined the detailed transaction reports in Omega for each income head ensuring that, as far as we are reasonably able to establish, appropriate entries appear in each and that no significant miscodings have occurred, also ensuring as far as possible that all income due to the Council has been received and accounted for appropriately.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

Petty Cash Account

As part of the AGAR internal audit certification process, we are required to express a view on the operation of petty cash accounts.

A limited petty cash account is in use at the Council's Administrative Office with a holding of approximately £100 "topped up" with round sums as and when required. We have examined a sample of the year's transactions in July and October 2021 ensuring that for each an appropriate trade invoice or supporting till receipt is held and that, where expended, VAT has been identified for recovery with the quarterly VAT reclaim submissions to HMRC.

We have also verified the physical cash holding on the date of this review visit to the underlying control record.

Conclusions

We are pleased to record that no issues arise in this area warranting formal comment or recommendation.

Review of Staff Salaries

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HMRC legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme.

We note that the Council approved a variation in the nationally agreed basic working week, setting it at 35 hours for all staff in 2020; consequently, staff monthly salaries are calculated as the contracted working weekly hours divided by 35 and multiplied by the nationally agreed salary for each employee in accordance with their point on the national spinal column scale.

We note that the Council continues to run its own payroll system, using SAGE and have been provided with detail of staff in post and checked to ensure that staff gross salaries, paid in March 2022, correspond to the Council agreed salary rates for each, noting that all staff pay has been uplifted in line with the revised nationally agreed NJC pay award and spinal points applicable from 1st April 2021. The uplifted salary award was actually applied in advance in September 2021 in accordance with the anticipated 1.75% increase, together with arrears backdated to 1st April 2021: the national pay award was actually only settled and adopted in March 2022.

We have also checked to ensure that tax, NI and pension (where applicable) deductions / contributions in March 2022 from each employee were correctly calculated and are pleased to record that no issues or concerns arise in this respect.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

Fixed Asset Registers

The “Governance and Accountability Manual – The Practitioner’s Guide”, requires all councils to maintain a detailed register of their assets. We aim in examining this aspect of the Council’s documentation to ensure that the Council has complied with that legislation; that an appropriate and comprehensive register is being maintained and that it is subject to periodic review and update to reflect any changes in asset stock arising from new purchases and / or disposals.

We note that a register is maintained in spreadsheet format, the total value as recorded therein being accurately reported in the year’s AGAR at Section 2, Box 9.

Several of our clients have also developed photographic records of items such as street furniture, etc., which have proven of benefit in the event of damage to Council property be it accidental or wilful in progressing insurance claims or, in more serious situations progressing a potential police enquiry.

Conclusions and recommendation

Whilst no issues or concerns have been identified in this review area, we commend the principle of developing a photographic register of assets to the Council as an area of best working practice.

R4. Consideration should be given to the development of a photographic register of the Council’s assets where they may be at risk of theft or physical damage, be it occurring accidentally or wilfully.

Investments and Loans

As indicated earlier in this report, the Council holds all funds in a single Current Account with HSBC. We have previously expressed concerns that the Council is potentially at risk of loss of a high proportion of these funds were, albeit improbable, the HSBC bank to “fail”. Whilst we also appreciate that the Covid pandemic has had a significant adverse effect on available interest rates, until recently, the Council should make every effort to ensure that the available funds are

made to work for the Council with an appropriate rate of interest return obtained wherever possible. With that in mind, we have drawn the Finance, HR & Lettings Manager's attention to possible sources for placement of surplus funds to achieve a reasonable level of earned interest.

We are pleased to note that the Clerk has complied with the requirements of the revised Statutory Guidance on Local Government Investments (3rd edition) issued under Section 15(1)(a) of the Local Government Act 2003, adopting a formal Policy the content of which we have reviewed and consider appropriate for the Council's present requirements.

The Council has one UK Debt Agency loan in place which is being repaid half-yearly: we have verified the two repayments made in 2021-22 as part of our above expenditure review by reference to the relevant repayment demands. We have also verified the accurate disclosure of the residual year-end loan liability in the AGAR by reference to the UK Debt Agency website where detail of all local government balances as at 31st March 2022 are recorded.

Conclusions and recommendations

As indicated in prior year reports, we consider that the Council should endeavour to diversify the placement of surplus funds to afford a degree of protection should HSBC ever "fail" and to also maximise interest earning potential.

R5. *The Council should consider a degree of diversity in the placement of funds in various banking institutions, both to protect against potential loss should HSBC ever "fail", but to also ensure safe interest earning opportunities are maximised.*

Statement of Accounts and AGAR

The AGAR now forms the Council's statutory Accounts subject to external audit scrutiny and certification. The appropriate detail for disclosure of financial values in Section 2 of the AGAR is automatically generated each year by the Omega accounting software, together with independently confirmed values for assets and residual loan liability at the financial year-end. We have accordingly ensured the accurate reporting of that detail in the 2021-22 AGAR at Section 2.

Conclusions

We are pleased to record that there are no matters arising in this review area warranting formal comment or recommendation and we have duly signed off the IA Certificate in the year's AGAR, assigning positive assurances in all relevant categories.

Rec Recommendation No.	Risk Level	Risk Response
Review of Accounting Arrangements and Bank Reconciliations		
R1	Low	The councillor agreeing and signing-off the monthly bank reconciliations should also sign-off the month-end cashbook and bank statements confirming their agreement of their detail in the bank reconciliations.
Assessment and Management of Risk		
R2	Medium	The level of Fidelity Guarantee insurance cover should be revised and increased ensuring that the potential maximum cash at bank holding during the year is covered.
Budgetary Control & Reserves		
R3	Low	The Council should consider the establishment of specific individual earmarked reserves for planned projects and / or equipment replacement.
Fixed Asset Registers		
R4	Medium	Consideration should be given to the development of a photographic register of the Council's assets where they may be at risk of theft or physical damage, be it occurring accidentally or wilfully
Investments and Loans		
R5	Medium	The Council should consider a degree of diversity in the placement of funds in various banking institutions, both to protect against potential loss should HSBC ever "fail", but to also ensure safe interest earning opportunities are maximised.

2021-22 Internal Audit Action Plan

Rec No.	Recommendation	Risk Level	Response
Review of Accounting Arrangements and Bank Reconciliations			
R1	The councillor agreeing and signing-off the monthly bank reconciliations should also sign-off the month-end cashbook and bank statements confirming their agreement of their detail in the bank reconciliations.	Low	We were surprised that this is now a requirement when our procedures have been the same for a number of years and these documents form part of the Council Matters meeting papers. We will however now obtain the Chair's signature on the documents mentioned as further evidence.
Assessment and Management of Risk			
R2	The level of Fidelity Guarantee insurance cover should be revised and increased ensuring that the potential maximum cash at bank holding during the year is covered.	Medium	This will be reviewed but the expectation is for a much lower balance to be held in the bank by the end of this financial year.
Budgetary Control & Reserves			
R3	The Council should consider the establishment of specific individual earmarked reserves for planned projects and / or equipment replacement.	Low	Ear marked reserves are reviewed annually. As discussed with the Auditor, given our large reserves it was not felt necessary to identify and earmark any specific funds.
Fixed Asset Registers			
R4	Consideration should be given to the development of a photographic register of the Council's assets where they may be at risk of theft or physical damage, be it occurring accidentally or wilfully	Medium	We were not asked for photographs during the Audit. We have photographs of a number of the items listed on the fixed asset register.
Investments and Loans			
R5	The Council should consider a degree of diversity in the placement of funds in various banking institutions, both to protect against potential loss should HSBC ever "fail", but to also ensure safe interest earning opportunities are maximised.	Medium	As discussed with the Auditor we are in the process of reviewing options for interest earning accounts now that interest rates have started to rise. Due to our high bank balance and the relatively low cover provided by the FCA compensation scheme we would not want to operate the number of bank accounts that would be needed to ensure all our funds were covered by the scheme.

Annual Governance and Accountability Return 2021/22 Form 3

To be completed by Local Councils, Internal Drainage Boards and other Smaller Authorities*:

- where the higher of gross income or gross expenditure exceeded £25,000 but did not exceed £6.5 million; or
- where the higher of gross income or gross expenditure was £25,000 or less but that:
 - are unable to certify themselves as exempt (fee payable); or
 - have requested a limited assurance review (fee payable)

Guidance notes on completing Form 3 of the Annual Governance and Accountability Return 2021/22.

1. Every smaller authority in England that either received gross income or incurred gross expenditure exceeding £25,000 **must** complete Form 3 of the Annual Governance and Accountability Return at the end of each financial year in accordance with *Proper Practices*.
2. The Annual Governance and Accountability Return is made up of three parts, pages 3 to 6:
 - The Annual Internal Audit Report **must** be completed by the authority's internal auditor.
 - Sections 1 and 2 **must** be completed and approved by the authority.
 - Section 3 is completed by the external auditor and will be returned to the authority.
3. The authority **must** approve Section 1, Annual Governance Statement, before approving Section 2, Accounting Statements, and both **must** be approved and published on the authority website/webpage **before 1 July 2022**.
4. An authority with either gross income or gross expenditure exceeding £25,000 or an authority with neither income nor expenditure exceeding £25,000, but which is unable to certify itself as exempt, or is requesting a limited assurance review, **must** return to the external auditor by email or post (not both) **no later than 30 June 2022**. Reminder letters will incur a charge of £40 +VAT:
 - the Annual Governance and Accountability Return Sections 1 and 2; together with
 - a bank reconciliation as at 31 March 2022
 - an explanation of any significant year on year variances in the accounting statements
 - notification of the commencement date of the period for the exercise of public rights
 - Annual Internal Audit Report 2021/22

Unless requested, do not send any additional documents to your external auditor. Your external auditor will ask for any additional documents needed.

Once the external auditor has completed the limited assurance review and is able to give an opinion, the Annual Governance and Accountability **Section 1, Section 2 and Section 3 – External Auditor Report and Certificate** will be returned to the authority by email or post.

Publication Requirements

Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website/webpage:

Before 1 July 2022 authorities **must** publish:

- Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited;
- **Section 1 - Annual Governance Statement 2021/22**, approved and signed, page 4
- **Section 2 - Accounting Statements 2021/22**, approved and signed, page 5

Not later than 30 September 2022 authorities **must** publish:

- Notice of conclusion of audit
- **Section 3 - External Auditor Report and Certificate**
- **Sections 1 and 2 of AGAR** including any amendments as a result of the limited assurance review.

It is recommended as best practice, to avoid any potential confusion by local electors and interested parties, that you also publish the Annual Internal Audit Report, page 3.

The Annual Governance and Accountability Return constitutes the annual return referred to in the Accounts and Audit Regulations 2015. Throughout, the words 'external auditor' have the same meaning as the words 'local auditor' in the Accounts and Audit Regulations 2015.

*for a complete list of bodies that may be smaller authorities refer to schedule 2 to the Local Audit and Accountability Act 2014.

Guidance notes on completing Form 3 of the Annual Governance and Accountability Return (AGAR) 2021/22

- The authority **must** comply with *Proper Practices* in completing Sections 1 and 2 of this AGAR. *Proper Practices* are found in the *Practitioners' Guide** which is updated from time to time and contains everything needed to prepare successfully for the financial year-end and the subsequent work by the external auditor.
- Make sure that the AGAR is complete (no highlighted boxes left empty), and is properly signed and dated. If the AGAR contains unapproved or unexplained amendments, it may be returned and additional costs will be incurred.
- The authority **should** receive and note the Annual Internal Audit Report before approving the Annual Governance Statement and the accounts.
- Use the checklist provided below to review the AGAR for completeness before returning it to the external auditor by email or post (not both) no later than 30 June 2022.
- The Annual Governance Statement (Section 1) must be approved on the same day or before the Accounting Statements (Section 2) and evidenced by the agenda or minute references.
- The Responsible Financial Officer (RFO) must certify the accounts (Section 2) before they are presented to the authority for approval. The authority must in this order; consider, approve and sign the accounts.
- The RFO is required to commence the public rights period as soon as practical after the date of the AGAR approval.
- Do not send the external auditor any information not specifically requested. However, **you must inform your external auditor about any change of Clerk, Responsible Financial Officer or Chairman, and provide relevant authority owned generic email addresses and telephone numbers.**
- Make sure that the copy of the bank reconciliation to be sent to your external auditor with the AGAR covers all the bank accounts. If the authority holds any short-term investments, note their value on the bank reconciliation. The external auditor must be able to agree the bank reconciliation to Box 8 on the accounting statements (Section 2, page 5). An explanation **must** be provided of any difference between Box 7 and Box 8. More help on bank reconciliation is available in the *Practitioners' Guide**.
- Explain fully significant variances in the accounting statements on page 5. Do not just send a copy of the detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include complete numerical and narrative analysis to support the full variance.
- If the external auditor has to review unsolicited information, or receives an incomplete bank reconciliation, or variances are not fully explained, additional costs may be incurred.
- Make sure that the accounting statements add up and that the balance carried forward from the previous year (Box 7 of 2021) equals the balance brought forward in the current year (Box 1 of 2022).
- The Responsible Financial Officer (RFO), on behalf of the authority, **must** set the commencement date for the exercise of public rights of 30 consecutive working days which **must** include the first ten working days of July.
- The authority **must** publish on the authority website/webpage the information required by Regulation 15 (2), Accounts and Audit Regulations 2015, including the period for the exercise of public rights and the name and address of the external auditor **before 1 July 2022.**

Completion checklist – 'No' answers mean you may not have met requirements		Yes	No
All sections	Have all highlighted boxes have been completed?	✓	
	Has all additional information requested, including the dates set for the period for the exercise of public rights, been provided for the external auditor?	✓	
Internal Audit Report	Have all highlighted boxes been completed by the internal auditor and explanations provided?	✓	
Section 1	For any statement to which the response is 'no', has an explanation been published?	✓	
Section 2	Has the authority's approval of the accounting statements been confirmed by the signature of the Chairman of the approval meeting?	✓	
	Has an explanation of significant variations been published where required?	✓	
	Has the bank reconciliation as at 31 March 2022 been reconciled to Box 8?	✓	
	Has an explanation of any difference between Box 7 and Box 8 been provided?	✓	
Sections 1 and 2	Trust funds – have all disclosures been made if the authority as a body corporate is a sole managing trustee? NB: do not send trust accounting statements unless requested.	N/A	

*Governance and Accountability for Smaller Authorities in England – a Practitioners' Guide to Proper Practices, can be downloaded from www.nalc.gov.uk or from www.ada.org.uk

Annual Internal Audit Report 2021/22

TOTNES TOWN COUNCIL

<https://www.totnestowncouncil.gov.uk/>

During the financial year ended 31 March 2022, 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 2021/22 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 2020/21, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2020/21 AGAR tick "not covered")			✓
L. The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements	✓		
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).	✓		
N. The authority has complied with the publication requirements for 2020/21 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).

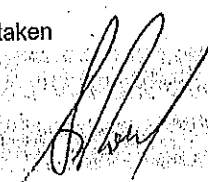
Date(s) internal audit undertaken

26/05/2022

Name of person who carried out the internal audit

S J Pollard for Auditing Solutions Ltd

Signature of person who carried out the internal audit



Date

26/05/2022

*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).

Section 1 – Annual Governance Statement 2021/22

We acknowledge as the members of:

TOTNES TOWN COUNCIL

our responsibility for ensuring that there is a sound system of internal control, including arrangements for the preparation of the Accounting Statements. We confirm, to the best of our knowledge and belief, with respect to the Accounting Statements for the year ended 31 March 2022, that:

	Agreed		'Yes' means that this authority:	
	Yes	No*		
1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.	✓		<i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i>	
2. We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	✓		<i>made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.</i>	
3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.	✓		<i>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i>	
4. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	✓		<i>during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.</i>	
5. We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	✓		<i>considered and documented the financial and other risks it faces and dealt with them properly.</i>	
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	✓		<i>arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.</i>	
7. We took appropriate action on all matters raised in reports from internal and external audit.	✓		<i>responded to matters brought to its attention by internal and external audit.</i>	
8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements.	✓		<i>disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.</i>	
9. (For local councils only) Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.	Yes	No	N/A	<i>has met all of its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.</i>
			✓	

*Please provide explanations to the external auditor on a separate sheet for each 'No' response and describe how the authority will address the weaknesses identified. These sheets must be published with the Annual Governance Statement.

This Annual Governance Statement was approved at a meeting of the authority on:

06/06/2022

and recorded as minute reference:

AG/2022/19

Signed by the Chairman and Clerk of the meeting where approval was given:

Chairman

Clerk

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Section 2 – Accounting Statements 2021/22 for

TOTNES TOWN COUNCIL

	Year ending		Notes and guidance	
	31 March 2021 £	31 March 2022 £		
1. Balances brought forward	469,613	657,323	Total balances and reserves at the beginning of the year as recorded in the financial records. Value must agree to Box 7 of previous year.	
2. (+) Precept or Rates and Levies	535,280	545,986	Total amount of precept (or for IDBs rates and levies) received or receivable in the year. Exclude any grants received.	
3. (+) Total other receipts	140,234	123,631	Total income or receipts as recorded in the cashbook less the precept or rates/levies received (line 2). Include any grants received.	
4. (-) Staff costs	246,894	294,138	Total expenditure or payments made to and on behalf of all employees. Include gross salaries and wages, employers NI contributions, employers pension contributions, gratuities and severance payments.	
5. (-) Loan interest/capital repayments	9,148	9,148	Total expenditure or payments of capital and interest made during the year on the authority's borrowings (if any).	
6. (-) All other payments	231,762	318,344	Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).	
7. (=) Balances carried forward	657,323	705,310	Total balances and reserves at the end of the year. Must equal (1+2+3) - (4+5+6).	
8. Total value of cash and short term investments	684,478	731,935	The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – To agree with bank reconciliation.	
9. Total fixed assets plus long term investments and assets	360,905	379,126	The value of all the property the authority owns – it is made up of all its fixed assets and long term investments as at 31 March.	
10. Total borrowings	46,390	39,646	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).	
11. (For Local Councils Only) Disclosure note re Trust funds (Including charitable)	Yes	No	N/A	The Council, as a body corporate, acts as sole trustee for and is responsible for managing Trust funds or assets.
			✓	N.B. The figures in the accounting statements above do not include any Trust transactions.

I certify that for the year ended 31 March 2022 the Accounting Statements in this Annual Governance and Accountability Return have been prepared on either a receipts and payments or income and expenditure basis following the guidance in Governance and Accountability for Smaller Authorities – a Practitioners' Guide to Proper Practices and present fairly the financial position of this authority.

Signed by Responsible Financial Officer before being presented to the authority for approval

Date: 06/06/2022

I confirm that these Accounting Statements were approved by this authority on this date:

06/06/2022

as recorded in minute reference:

MINUTE 10

Signed by Chairman of the meeting where the Accounting Statements were approved

Section 3 – External Auditor's Report and Certificate 2021/22

In respect of **TOTNES TOWN COUNCIL**

1 Respective responsibilities of the auditor and the authority

Our responsibility as auditors to complete a **limited assurance review** is set out by the National Audit Office (NAO). A limited assurance review is **not a full statutory audit**, it does not constitute an audit carried out in accordance with International Standards on Auditing (UK & Ireland) and hence it does **not** provide the same level of assurance that such an audit would. The UK Government has determined that a lower level of assurance than that provided by a full statutory audit is appropriate for those local public bodies with the lowest levels of spending.

Under a limited assurance review, the auditor is responsible for reviewing Sections 1 and 2 of the Annual Governance and Accountability Return in accordance with NAO Auditor Guidance Note 02 (AGN 02) as issued by the NAO on behalf of the Comptroller and Auditor General. AGN 02 is available from the NAO website – <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>.

This authority is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control. The authority prepares an Annual Governance and Accountability Return in accordance with *Proper Practices* which:

- summarises the accounting records for the year ended 31 March 2022; and
- confirms and provides assurance on those matters that are relevant to our duties and responsibilities as external auditors.

2 External auditor's limited assurance opinion 2021/22

(Except for the matters reported below)* on the basis of our review of Sections 1 and 2 of the Annual Governance and Accountability Return, in our opinion the information in Sections 1 and 2 of the Annual Governance and Accountability Return is in accordance with Proper Practices and no other matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met. (*delete as appropriate).

(continue on a separate sheet if required)

Other matters not affecting our opinion which we draw to the attention of the authority:

(continue on a separate sheet if required)

3 External auditor certificate 2021/22

We certify/do not certify* that we have completed our review of Sections 1 and 2 of the Annual Governance and Accountability Return, and discharged our responsibilities under the Local Audit and Accountability Act 2014, for the year ended 31 March 2022.

*We do not certify completion because:

External Auditor Name

External Auditor Signature

Date