



HUDSON ACCOUNTING LTD.
INTERNAL AUDIT REPORT:
TO THE MEMBERS OF LOOE TOWN COUNCIL
YEAR ENDED 31ST MARCH 2016

Directors: Steve Hudson BA (Hons), C.P.F.A; Mandy Hudson
Company Registration: 6935832 (England & Wales)
Registered Office: Brynmor, St. Ives Road, Carbis Bay, St. Ives, Cornwall, TR26 2SF

We have undertaken an internal audit of Looe Town Council for the financial year 2015/16. The scope of the audit covers the areas referred to in Appendix 9 of the National Association of Local Council's publication *Governance & Accountability for Local Councils*.

It has been carried out in line with the Chartered Institute of Public Finance and Accountancy's Internal Audit Standards.

Selective testing was carried out and the relevant policies, procedures and controls were reviewed.

We would like to thank the Clerk for their assistance and co-operation during the course of the audit.

Our findings are shown below along with our response to Part 4 of the Annual Return.

	Internal Control Objective	Agreed?		
		Yes	No	Not Covered
Test	A. Appropriate accounting records have been kept properly throughout the year.	✓		
Comments	<ul style="list-style-type: none"> The accounts are maintained on the Quickbooks accounting software and were up to date. The coding of income and expenditure has been inconsistent, this should improve once budget have been input into the system. 			
Recommendations	None.			
Test	B. This smaller authority met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
Comments	<ul style="list-style-type: none"> Financial Regulations and Standing Orders were reviewed in September 2015. The Public Contracts Regulations 2015 place compliance obligations on local councils for contracts worth more than £25,000, NALC have advised (Legal Briefing LO5-15) that Standing Orders & Financial Regulations should be amended accordingly. The Council entered into a number of contracts during the year to which the new Regulations would apply. Testing of expenditure revealed no issues to report. VAT claims are in accord with underlying records other than that there is a £211.13 debtor remaining on the balance sheet at the year end. 			
Recommendations	<ol style="list-style-type: none"> Standing Orders and Financial Regulations should be updated to reflect the Public Contracts Regulations. Systems will need to be implemented to ensure compliance. The remaining VAT balance should be investigated to see whether it is reclaimable. 			
Test	C. This smaller authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
Comments	<ul style="list-style-type: none"> Statutory insurances are in place and the Fidelity Guarantee has been increased to 			

	Internal Control Objective	Agreed?		
		Yes	No	Not Covered
	<p>£610,000 this is still inadequate when compared to the 'rule of thumb' which is that it should be equivalent to cash balances plus half the precept and council tax support grant.</p> <ul style="list-style-type: none"> We reported on risk management arrangements in our interim report, further risk management activity has since taken place. Member internal audit activity has been implemented and will take place twice yearly. There are no procedure manuals in place for financial, or other critical, systems. 			
Recommendations	<ol style="list-style-type: none"> <i>The Fidelity Guarantee should be increased in line with the formula stated above.</i> <i>A comprehensive procedure manual covering key systems should be produced as soon as is practicable in order facilitate business continuity in times of staff turnover or sickness.</i> 			
Test	D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
Comments	<ul style="list-style-type: none"> We reported on the precept setting process in our interim report. Budget monitoring reports are currently produced on spreadsheet or profit & loss statements are reported. We understand that the budget is to be entered on to the accounting system which will significantly improve the ease of producing reports and provide better financial management information. Reserves stand at £458,242 which equates to 80% of gross expenditure in 2015/16. 			
Recommendations	None.			
Test	E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
Comments	<ul style="list-style-type: none"> Testing revealed no issues to report 			
Recommendations	None.			
Test	F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	✓		
Comments	<ul style="list-style-type: none"> An imprest system is in place but no 'bank account' exists on the balance sheet, thus cash held has not been recognised, this has now been corrected. 			
Recommendations	None.			
Test	G. Salaries to employees and allowances to members were paid in accordance with this smaller authority's approvals, and PAYE and NI requirements were properly applied.	✓		
Comments	<ul style="list-style-type: none"> Testing revealed that the Council has erroneously claimed the Employment 			

	Internal Control Objective	Agreed?		
		Yes	No	Not Covered
	Allowance for two years; £4,000 is to be repaid to HMRC.			
Recommendations	None.			
Test	H. Asset and investments registers were complete and accurate and properly maintained.	✓		
Comments	<ul style="list-style-type: none"> Not all asset acquisitions had been included on the asset register, this has now been corrected. 			
Recommendations	1. Asset purchases should be included on the asset register at cost.			
Test	I. Periodic and year-end bank account reconciliations were properly carried out.	✓		
Comments	<ul style="list-style-type: none"> Bank reconciliations have been carried out throughout the year. There is an un-presented cheque dating back to 2013. 			
Recommendations	1. The old un-presented cheque should be written back.			
Test	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 appropriate audit trail from underlying records, and where appropriate debtors and creditors were properly recorded.	✓		
Comments	<ul style="list-style-type: none"> There were a number of year-end adjustments that had not been recognised, these have been corrected. There have been some difficulties in producing the reconciliation and variance analysis information in the format required for the external auditor. This has necessitated additional work on our part. Following the above mentioned adjustments debtors and creditors are now properly recorded. 			
Recommendations	1. Care must be taken to ensure that transactions are recorded in the year to which they relate rather than the year in which they occurred. 2. The Council should ensure that there is sufficient expertise and capacity to produce the year end accounts and supporting information in the format required.			
Test	K. Trust funds (including charitable). The council met its responsibilities as trustee.	✓		
Comments	<ul style="list-style-type: none"> Charity Commission returns are up to date. 			
Recommendations	None.			

By E Mail
Hudson Accounting Ltd 03/06/2016