



FINAL

Internal audit report 2018/19

Visit 2 of 2

# PORTLAND TOWN COUNCIL

Date: 12<sup>th</sup> June 2019

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## **Introduction**

This report contains a note of the audit recommendations made to Portland Town Council following the carrying out of internal audit testing on site on the 4<sup>th</sup> June 2019.

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 supplemented by the requirements of the 2018/19 AIAR section 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 2018/19 has now been completed in accordance with the provisions of the Practitioners' Guide and the CIPFA code of internal audit practice.

Many of the Council's current financial controls are operating effectively. However, following the completion of the testing to date I consider that there is one area of weakness which are sufficiently material to warrant a "no" answer in the Annual Audit Report section on the Annual Return. The report is therefore satisfactory with the exception of the following item:

### **B: Payments**

- Due to an administrative oversight, the Council did not have a Responsible Finance Officer appointed for most of the year. This post is a statutory requirement under s.151 of the Local Government Act 1972. Note that the interim Finance Officer was formally appointed to this role at the Council meeting of 16 January 2019 (min 3808).

The following area was not tested during the year:

### **F: Petty cash**

- The Council only reinstated petty cash at the end of the Financial Year. A balance of £68.02 was held at the year end (comprising three amounts). Petty cash will be tested annually from 2019/20 onwards.

## Audit Recommendations

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

Recommendations are graded as follows:

<b>Rating</b>	<b>Significance</b>
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:

<b>Rating</b>	<b>Number</b>
High	0
Medium	1
Low	1
Info	1
<b>TOTAL</b>	<b>3</b>

The number of recommendations made at all of the audit visits in 2018/19 and their priorities are summarised in the following table:

<b>Rating</b>	<b>Number</b>		
	<b>Visit 1</b>	<b>Visit 2</b>	<b>TOTAL</b>
High	6	0	6
Medium	2	1	3
Low	3	1	4
Info	0	1	1
<b>TOTAL</b>	<b>11</b>	<b>3</b>	<b>14</b>

I would like to thank Wayne Lewin, Interim Finance Officer; and Anna Takashima, Assistant Town Clerk, for their assistance during this audit.

**Darkin Miller Chartered Accountants**  
**2018/19 INTERNAL AUDIT OF PORTLAND TOWN COUNCIL**  
**FINAL REPORT: 12<sup>th</sup> JUNE 2019**

**Appendix 1 – Recommendations and Action Plan**

Recommendation number	Detail	Priority (Low/Medium/High)	Management Response	Responsible Officer	Due Date
3.4 – Review of insurance cover	<p>Guidance for the level of fidelity insurance cover suggests the value should be broadly equivalent to the amount of cash held and 50% of the precept. This gives a value of just over £150,000 for 2018/19. The current level of fidelity cover is £100,000.</p> <p>I recommend that the Council increase the level of fidelity insurance cover to take account of its expected future income and bank balances.</p>	L	This has been completed.	RFO	Completed
10.1 – Change to I&E accounting	<p>The value of receipts and payments has exceeded £200k this year, and is likely to do so in future, following the increase to the Council's range of services on the demise of the Borough Council and on its acquisition of a larger venue with hiring income. The Practitioner's Guide requires that 'where the gross income or expenditure for the year (whichever is the higher) has exceeded the threshold of £200,000 for a period of three continuous years, to report their financial details on an income and expenditure basis, from the third year onwards' (para 5.120). This means that I&amp;E accounting will be required from 2020/21. Note that the prior year comparatives (currently on an R&amp;P basis) will need to be restated to I&amp;E.</p>	M	Noted. P&R committee will discuss electronic working practice via a I&E system	RFO	01 Apr 2020

	<p>R&amp;P accounting is where the accounts show what went through the Council's cashbook/bank account in the year (cash basis).</p> <p>I&amp;E accounting includes accruals, to bring in debtors (where the Council is owed money for services provided during the year but for which is has not received payment), and creditors (where the Council owes money for goods/services it received in the year, but for which it has not made payment). Also known as accruals basis, this matches income and expenditure to the year it was earned or incurred, rather than the year it was received or paid.</p> <p>I recommend that the Council moves to I&amp;E accounting in order to ensure that it complies with the Practitioner's Guide.</p>				
10.2 – Adjusted errors	<p>The following adjustments were made to the accounts:</p> <ol style="list-style-type: none"> <li>1. £7456 of refunds received in the year were taken out of income and set against the related payments.</li> <li>2. £2471 of funds paid into the Council's main bank account on closure of its Nationwide account were removed from other income and other payments.</li> </ol>	Info	This has been completed	RFO	Completed