

LISKEARD TOWN COUNCIL**INTERNAL AUDIT REPORT FINANCIAL YEAR 2017-18****TO THE MEMBERS OF LISKEARD TOWN COUNCIL**

The Internal Audit is an independent, objective assurance function for the review of the control environment (risk management, internal controls and governance) within an organisation. The Internal Audit reviews and reports to the Council on the adequacy of the control environment to assist in ensuring that Council activities are conducted in a secure, efficient and well-ordered manner. It helps an organisation accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The scope of the audit covers the areas included on Annual Internal Audit Report 2017-18 of the AGAR. Selective testing was carried out and the relevant policies, procedures and controls were reviewed. Reference is made to the Governance & Accountability for Smaller Authorities in England' (1st April 2017).

The Town Clerk Mr Steve Vinson and the administration team are thanked for their assistance and co-operation during the course of the audit. The audit should be viewed as a positive experience and this report should give the Council reasonable assurance that its internal controls are working satisfactorily and to an acceptable standard. The exception is the year end bank reconciliation that at the time of the internal audit had not been completed. However, the matters raised in this report are those that were identified during the internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. In giving the internal audit opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The audit does not guarantee that the accounting records are free from fraud or error.

Items in **bold represent recommendations** in respect of the application of controls, text in *italics represent suggested actions if the Council consider appropriate that if adopted, could add to and enhance the level of assurance.*

26th June 2018

CONTROLS	TESTS	REF	REFERENCE/ CONTROLS	COMMENTS/RECOMMENDATIONS
Previous External Audit Report	Has the previous external audit report been reported to and considered by Council and acted upon any matters raised?	Minute 342/17		Outstanding items reviewed and actioned.
Previous Internal Audit Report	Has the previous internal audit report been reported to and considered by Council and acted upon any matters raised?			Outstanding items from the previous year's (2016-17) recommendations reviewed and actioned.
Appropriate accounting records have been kept properly throughout the year				
Power to spend money	Has the Council undertaken to spend money on only on items which it has the power to do so?		JPAG 1.22/1.23	Review revealed no issues and the Council has adopted the general power of competence.

INTERNAL AUDIT PROGRAMME 2018

Proper Bookkeeping	The cash book containing the income and expenditure for the 2017/18 financial year.			The Council operates the Sage Accounting system for the cash book.
	Copies of tenders or estimates and consideration and approval by Council			Testing revealed no issues.
	Bank Statements Paying in books Cheque Books		Section 150 (5)LGA 1972 (JPAG 1.15.4 – 1.15.7)	Council operates cheque payment with some payments made by Direct Debit. Testing revealed: - Bank Statements – Testing revealed no issues. Cheque Stub Initialled – Testing confirmed stubs are initialled by the two member signatories. Paying in book reconciled.
Liskeard Town Council complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was properly accounted for				
Standing Orders	Copy of Standing orders.		NALC standard Model adopted.	The NALC standard model was adopted in August 2017.
Financial Regulations	Copy of Financial Regulations.			The NALC standard model adopted in October 2015 and reviewed in May 2018. 1. It is recommended that Financial Regulations are reviewed at least annually and that the procurement contractual limits are reviewed.
Purchase Orders			JPAG 5.33	The Council does issue purchase orders but independently of the accounting system. Testing also revealed that on occasions orders were issued following receipt of the invoice. Purchase orders should be issued prior to the delivery of goods. <i>Suggested that the Council review purchase orders and consolidate controls within the procurement system.</i>
Invoices	Copies of Invoices supporting expenditure			Testing revealed that the Council has received invoices to support expenditure. <i>It is suggested that Council should satisfy themselves that individuals submitting invoices are self-employed and not PAYE by using the HMRC tool (for employer/employee relationship).</i>

INTERNAL AUDIT PROGRAMME 2018

Expenditure	All expenditure approved by Council			An accounts schedule is presented to Council for approval based on the cash book entries. Testing revealed no issues.
VAT	VAT on expenditure appropriately accounted for			Testing revealed VAT accounted for and the claim for January – March 2018 submitted to HMRC and payment received.
Liskeard Town Council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these				
RISK MANAGEMENT	Council Financial Risk Assessment			The risk assessment was adopted by the Finance and GP Committee and reviewed in April 2018.
	Review the effectiveness of Internal Controls		JPAG 5.98/5.99	Although the Council has undertaken some reviews (3 occasions noted) the JPAG recommends a more robust review of the effectiveness with possibly a monthly standing item. 2. It is recommended that the Council undertakes a review of the current arrangements and implements a more robust system of review by members.
	ICT Controls			Council have controls of ICT use within the staff handbook The Council operates the AVAST anti-virus control The hard drives are backed up monthly with a permanent cloud system backup.
	Review of any other in-year assessments and risk management programmes			The Council has introduced and adopted a Business Continuity Plan in November 2017 and also has a staff handbook for general staffing and operational matters. 3. It is recommended that the Council introduces an operational manual to complement the Business Continuity Plan in sufficient detail and in key areas, to allow for business continuity in the event of staff absence or resignation.
	Data Protection			The Clerk/RFO is the Council appointed Data Protection Officer. The Council has adopted the Transparency Code, Model Publication and Social Media policies Council staff have undergone training in the GDPR.

INTERNAL AUDIT PROGRAMME 2018

				<i>It is important that the Council understands the implications of the GDPR and supports on-going CPD and monitors controls.</i>
	Evidence of separation of financial duties			The Council has now formally included separation of duties within the procurement and financial system.
	Insurance schedule (as at 31/3/2018)		JPAG 5.96	Public Liability - £10,000,000 Fidelity Guarantee - £700,000 (Cash Balances as at 1 st April 2017 plus half the precept 2017-18 amount to £764,002). <i>It is suggested the Council reviews the level of fidelity guarantee.</i> Employers Liability - £10,000,000
	Scheme of delegation to officers e.g. Finance Policy			Scheme of delegation (terms of reference for Committees) undertaken 27 th June 2017. Aims and objectives for committees 31.10.2017. <i>It is suggested that the Council reviews the levels of delegation to the RFO as part of the continual and on-going monitoring to ensure levels of delegation are adequate to allow for the Council operations to continue uninterrupted.</i>
The precept or rates requirement resulted from an adequate budgetary process: progress against budget was regularly monitored and reserves were appropriate				
Budget	Copy(ies) of the budget papers			The Council has also produced budget papers and proposed revenue expenditure principally costed on historical expenditure although it is unclear if salary on-costs have been included in the projected salary expenditure. Salary costs amount to over half of the Council expenditure with on-costs that can amount to 25% or more of the base salary costs.
	Copy(ies) of development or improvement plans			The Council has produced comprehensive aims and objectives and proposed projects and are included as part of the budget setting process.
	Copy of the precept notice to Cornwall Council			The precept amount and amount received from Cornwall Council was £400,450
	Evidence of reserves being considered as being appropriate			The Council considers reserves as part of the budget setting process although does not have a formal reserves policy. <i>It is suggested that the Council might consider the inclusion of a reserves policy or statement to consolidate the current process.</i>

INTERNAL AUDIT PROGRAMME 2018

Management Accounts	Copy and evidence of regular budget monitoring and presentation to Council			Budget monitoring is undertaken by Committees responsible for the cost centre.
Expected income was fully received, based on correct prices, properly recorded and promptly banked: VAT was appropriately accounted for				
Charges	Review of the rental/hire/letting charges system and reviews.			The Council operates a computerised booking and hire system and invoices are generated from the core accounting system. The Council operates a leasing arrangement for properties away from the Council base. The system appears to be operating satisfactorily.
	Copies of invoices and audit trail to bank			Testing revealed no issues.
	Reporting levels and longevity of debt		JPAG 5.41/5.42	Effective debt collection is an essential part of financial management. Reporting of debt is unclear. The Sage accounting system produces reports as to the levels and longevity of debt. <i>It is suggested that the Council utilises the information and data produced by the accounting system to regularly report the debt situation to members.</i>
	Copies of service charge calculations (if applicable)			Testing confirmed service charges are applied as appropriate.
	VAT on income was appropriately accounted for			The Council has not opted to charge on land and buildings. <i>It is suggested the Council should review in conjunction with the HMRC website, any impact or effect this might have on input tax associated with the facility in question.</i>
Petty Cash Payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for				
	Copy of the petty cash ledger			Testing revealed no issues.
	Copies of receipts expended from petty cash			
	VAT accounted for on expenditure			
	Scheme of delegation for petty cash expenditure			
Salaries to employees and allowances to members were paid in accordance to Liskeard Town Council approvals, PAYE and Ni requirement properly applied				
	Salaries and other emoluments paid to employees have been approved by Council			It is understood the Council engaged a management consultant some 2 years ago to job evaluate posts on it is understood, a spot NJC spinal point system that has since been used to determine salaries.

INTERNAL AUDIT PROGRAMME 2018

Salaries				4. It is recommended for clarity, that the staff salary spinal points and hours worked are minuted annually at a given point, for example budget setting, so that remuneration is clearly identified and also to confirm how and on what basis the budgeted salary is calculated.
	HMRC records of payments including tax/NI/superannuation deductions			Payroll is maintained on the sage payroll system and sample testing indicated no issues.
	HMRC year-end reconciliation (from HMRC website)			Not available. <i>It is suggested that the Council subscribes to the HMRC on-line service for access to data and updates.</i>
	Contracts of Employment			Sampling confirmed contracts have been issued.
	Chairman's Allowance and other members allowances treated correctly		EIM 65970	The Mayors allowance paid as a lump sum, is now treated as part of PAYE.
Asset and Investment registers were complete and accurate and properly maintained				
Asset Register	Asset Register has been completed and current			The current asset register, recently expanded, is principally designed as a financial tool for location, valuation and a record of the assets owned by the authority. It is also understood that the Council has purchased solar panels and these should to be added to the register. 5. It is recommended that the Council expand the register and include the suggestions in JPAG 5.57
	In year asset movements recorded			See the recommendation above for acquisitions and disposals.
	Security of assets undertaken including marking		JPAG 5.54 - 5.61	<i>Council might wish to consider security marking portable assets.</i>
	Valuation of assets undertaken correctly and Assets insured correctly			The values are based on actual or proxy cost. JPAG 5.58 refers.
	Asset condition survey undertaken			It is understood the facilities manager undertakes a review of assets. <i>It is suggested that the review is formalised and the condition/outcomes are reported to Committee/Council and included in an expanded register.</i>
	Investment reviews undertaken			The Council has no borrowings and an Investment Strategy is in place.
Periodic and year end bank account reconciliations properly carried out				

INTERNAL AUDIT PROGRAMME 2018

	Evidence and records of in-year bank Reconciliations and frequency		JPAG 1.10 (also JPAG 2.35/2.37)	At best limited. 6. It is recommended that the bank reconciliation with the cash book is reported more frequently to members, possibly monthly, as the bank reconciliation is a key building block to good financial management.
	Copy of the year end bank reconciliation			<i>The year-end bank reconciliation was not in place at the time of the internal audit.</i>
Accounting statements prepared during the year were prepared on the correct accounting basis, agreed to cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.				
	Audit trail from cash book to trial balance and I & E/balance sheet			Sage accounting system used to identify the accruals format of the accounts.
	End of year summary and supporting statement			Notes to the financial accounts or supporting statement not used.
	List of current assets and liabilities (i.e. debtors, creditors etc.)			In place and supplied with the annual accounts
	Records of leases, licences etc.			Sampling indicates in place.
	Copies of in-year reports of debtors/creditors to Council including longevity of debt/credit.			The year-end financial report generated from sage indicates some debts are above 60 days. The Council should review debt reporting to ensure debts are not irrecoverable.
	Reserves			Reserves [balances] at the year-end stand at 1.57 of annual precept.
Council has met its responsibilities as a trustee (if applicable)				
	Trust funds have been administered correctly including disposal of grants/dividends etc.			The accounting system indicates there were no transactions or movements on trust funds in the financial year.