



HUDSON ACCOUNTING LTD.
INTERIM INTERNAL AUDIT REPORT:
TO THE MEMBERS OF LISKEARD TOWN COUNCIL
YEAR ENDED 31ST MARCH 2021

ISSUE DATE: 01/12/2020
ISSUED TO: RFO

INTRODUCTION:

Internal auditing is an independent, objective assurance activity designed to improve an organisation's operations. 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.

Scope:

The scope of the audit covers, as a minimum, the areas included in the Internal Audit Report contained in the Annual Governance & Accountability Return.

Any areas not covered at this interim stage will be included later in the year or during the final audit activity.

Approach:

Audit work is carried out in line with the Chartered Institute of Public Finance and Accountancy's Internal Audit Standards and guidance issued by the National Association of Local Councils.

Where applicable we have included reference to 'proper practice' and the associated guidance as laid out in 'Governance & Accountability for Smaller Authorities in England' which is applicable to financial years from 1st April 2020.

Selective testing was carried out and the relevant policies, procedures and controls were reviewed. Due to the Coronavirus pandemic most testing was carried out remotely using both electronic and hard copy documentation.

GENERAL COMMENTS:

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

The matters raised in this report are only those which came to our attention during our 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.

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.

We have provided a table of audit recommendations that allow for the Council's response which can be used as an ongoing monitoring tool. We would be grateful if, in due course, it is completed and returned to us.

AUDIT COMMENTARY:

Items in **bold text** within the body of the report represent our findings in respect of the application of controls, text in *italics* represent suggested actions that fall short of being a formal recommendation or do not necessarily pertain to the application of internal controls.

Previous Recommendations

The position in respect of previous recommendations is set out in the attached Internal Audit Response Record.

Accounting Records

The accounts are maintained on RBS accounting software: they were up to date and appeared free from material errors.

Financial Regulations

Financial Regulations were last reviewed in August 2020; suggested changes in our previous report were included.

Payments

A sample of payments was tested to establish whether the spending decision, procurement process, certification and approval for payment were in line with Financial Regulations as well as ensuring that payments were supported by invoices, VAT was correctly accounted for and payment controls were applied.

Authority to spend:

Purchase orders are still not being appended to invoices as suggested; this may be because the sample tested (July & August) was either before or only shortly after our report was issued. We will follow up later in the year.

Procurement:

Within the sample tested there was no requirement for quotes to be obtained.

Payment:

Payment schedules now include VAT as suggested, within the sample checked there are no issues to raise other than VAT had been incorrectly allocated in one instance.

Member authorisation of electronic payments is yet to start due to a variety of issues.

Risk

Risk Assessment:

The Council has reviewed its risk management arrangements and assessed the effectiveness of its internal controls.

Insurance:

Statutory insurances are in place and the Fidelity Guarantee is

Investment Strategy:

The Council is yet to review its Investment Strategy in the current year as required by Regulations.

It is suggested that the review should cover the 2021/22 financial year and be tied in with the budget setting process going forward.

Budgets

Setting:

We reviewed the 2020/21 budget setting process as part of our final audit work in 2019/20 and will review the 2021/22 process later in the year once the work that has already

commences is concluded.

Monitoring:

Regular monitoring reports and Covid impact assessments have been provided with Committees tasked with finding savings to offset the projected shortfall.

Income

Systems were tested to ensure that suitable controls are in place to ensure that all income is received in a timely manner, that charges are correctly applied and that any cash received is promptly received and banked.

Precept:

The precept payment received is in accord with that set by the Council.

Covid 19 impact:

Income from the TIC, Museum and room hire have been significantly curtailed during the pandemic and we propose to test these areas later in the year.

Allotments:

The rental year runs from 30th September and all plot holders have been invoiced.

Shop Rents:

Rental holidays were agreed for tenants albeit that the process for agreeing them was somewhat vague, not altogether surprisingly given the circumstances.

It would be sensible to report back to Members on the measures taken and the impact to inform any potential future response, should one be needed.

VAT:

VAT claims are up to date.

Payroll

2020/21 pay award:

The national pay award has been accurately implemented.

Tax, NI & Pensions:

PAYE and pension deductions have been properly applied other than in one instance the pension deduction rate should be in a higher band.

Bank Reconciliations

Bank reconciliations have been carried out monthly; the September reconciliation was found to be accurate and there were no 'balancing' entries or old un-presented payments.

Member review has been initiated as recommended.

Electors Rights

The Annual Governance Statement and Accounting Statements were properly approved by Full Council and its obligations were met in respect of advertising the rights of the public to inspect the accounts and in publishing the requisite documentation.

INTERNAL AUDIT REPORT RESPONSE RECORD – LISKEARD TOWN COUNCIL

No	Recommendation	Management Response	Timescale/ Responsibility	Follow Up (for auditor use)
FINAL REPORT 2019/20				
1	Procedure manuals are produced for all key areas in sufficient detail to allow a temporary or new member of staff to undertake the function with minimal disruption			Ongoing monitoring.
2	The Council reviews its current reserves to ensure it is in compliance with best practice and its own reserve policy.			Implemented - closed
3	A member verifies bank reconciliations on at least a quarterly basis			Implemented - closed