

Supplementary Clerk's Report Items 9, 10, 11 & 12

9. Annual Internal Auditor Report 2018/2019 to receive the Internal Auditors report

The internal auditor report received on 24 June is attached, which comprises:

- Page 3 of the AGAR, with statements ticked as appropriate and signed by the internal auditor
- Notes to explain those statements to which the internal auditor has answered 'No'

The internal auditor has answered 'No' to the following three statements:

Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for

The Council issues invoices for various services; primarily the hire of rooms at the Public Hall, and also shop rents, TIC accommodation fees, etc. These invoices are due for payment within 30 days (normal trading terms) and are chased if they remain outstanding beyond this period. However, when the internal auditor reviewed our accounts as at 31 March 2019 it showed totals of £1,912.23 outstanding for 30 days, £272.37 outstanding for 60 days, £23 outstanding for 90 days, and £631.10 of older debts. Of the older debts some relate to unrecoverable amounts from organisations which have gone into liquidation.

In addition, the Council granted a loan to the Liskeard and District Sports Association in 2010, repayable in three years, but has not received repayment.

Failing to identify these debts and write off amounts where necessary is distorting the Council's financial position and has been identified as a weakness in our internal controls which must be addressed.

A debtor's policy is a suggested action within the Financial Risk Assessment. Further action to assess and where necessary resolve to write off the debts should be undertaken at the next Finance, Economic Development and General Purposes committee meeting in July.

Periodic and year end bank reconciliations were properly carried out

The auditor noted two items which did not reconcile correctly at year end, these were:

- Cornwall Council deposit account (22 pence difference). This has been identified as an input error and been corrected.
- United Trust bond (£2.43 difference). This error arose because in the period between the last bond maturing and United Trust receiving instructions from the Town Council for reinvestment, statements were issued for interest to be earned each week the money remained in a holding account. In the third week, the monies were repaid and reinvested after two days, however the whole week's interest, to which we were not fully entitled or received, was entered in the accounts in error. This has now been corrected.

This again has been identified as a weakness in the Town Council's internal controls.

As a result of these two findings, the Town Council cannot respond positively to the statement 'We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness', and an explanation as given here must be sent to the external auditor to accompany our return.

Council met its responsibilities as a trustee

The Council currently manages three trust funds; The Eva Bowles Memorial Fund, the Philip Blamey Trust, and the King George V Thorn Park trust. These monies are deposited at Santander bank and statements have not been issued on these accounts in recent years, and therefore the internal auditor was unable to check them against nominal statements. In addition, signing mandates have not been updated for several years (this should be done each time the Mayor or Town Clerk changes as they are the trustees) and monies paid out on the Philip Blamey Trust last year were advanced by the Town Council pending transfer from the trust which has not been completed.

Santander must be contacted to resolve these issues and the current signatories identified. An update on progress to resolving this issue should be reported to the next Finance, Economic Development and General Purposes committee meeting in July.

As a result of this finding, the Town Council cannot respond positively to the statement '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', and an explanation must be submitted.

Recommendation: To accept the Annual Internal Audit Report and agree to action the first and third statements at the next Finance, Economic development and General Purposes committee meeting.

10. Annual Review of Risk Management Arrangements 2018/2019 – to review Risk Management Arrangements for 2018/2019 and consider any additional action required.

In accordance with Financial Regulation 2.4 the Council must ensure there is an adequate and effective system of internal audit of its accounting records, and of its system of internal control in accordance with proper practices.

The Council carries out an annual review of its risk management arrangements, which are summarised in the attached financial risk assessment. This identifies and assesses potential risks, which could have financial or reputational consequences. It then details measures in place to mitigate and manage them such as our internal controls or insurance arrangements.

Some suggested actions have been highlighted based on internal changes, regulation updates and in year feedback from the internal auditor.

The internal auditor's comprehensive report will be available for the next meeting of the Finance, Economic Development and General Purposes committee meeting.

Recommendation: To maintain the existing actions and adopt the new measures identified, referring them to the Finance, Economic Development and General Purposes committee to agree an order of prioritisation and a timetable for implementation.

11. Annual Governance Statement 2018/2019 – to approve each of the nine Statements of the Annual Governance Statement (Section 1 – Page 4).

Before discussing and approving these statements, the Council's attention is drawn to the 2017/2018 external auditor report which included the following 'except for' matters:

- *The smaller authority has disclosed that it made proper provision during the year 2017/18 for the exercise of public rights, by answering 'Yes' to Section 1, Assertion 4. However, as was reported last year, we are aware that it failed to do this and therefore should have answered 'No' to this assertion. It has also disclosed that it took appropriate action on all matters raised in the reports from the internal and external audit, by answering 'Yes' to Section 1, Assertion 7, which, on the basis of the above, is not correct.*
- *The AGAR was not accurately completed before submission for review. Please ensure that the amendments are corrected in the prior year comparatives when completing next year's AGAR. Information received from the smaller authority indicates that the figures are wrong in section 2, Boxes 3, 7 and 8. These figures should be restated to read £139,619, £630,437 and £626,070 respectively.*

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

- *In the completion of the Annual Internal Audit Report, and their detailed report, the internal auditor has drawn attention to significant weaknesses in relation to carrying out periodic bank reconciliations. The smaller authority must ensure that action is taken to address these areas of weakness in a timely manner.*

Resolutions should be made with this advice in mind. The Accounting Statements to be approved under point 12 have amended the figures for 2017/2018 as advised and brought forward the correct figures to the current year.

Bank reconciliations have been carried out monthly, by the accounts clerk and checked by the Support Services Manager/RFO & Deputy Town Clerk in accordance with separation of duties, however the reports produced by the Sage accounting system do not allow the nominated Councillor, designated to check these under the internal controls, to see continuity of balances brought forward from the previous month and carried forward to the next, as the system updates them internally as transactions are reconciled. The new RBS Rialtas system currently being installed to be used for the 2019/2020 accounting period presents information in a more user-friendly style which overcomes this problem.

Before responding to the statements reference should also be made to the advice under section 9.

Recommendation: To respond to each of the nine Statements of the Annual Governance Statement

12. Accounting Statements 2018/2019 – to receive and approve the accounting Statements for 2018/2019 (Section 2 – page 5).

The Accounting Statements have been prepared and signed by the RFO.

Recommendation: To approve the accounting Statements for 2018/2019