

LISKEARD TOWN COUNCIL**INTERNAL AUDIT REPORT FINANCIAL YEAR 2018-19****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 2018-19 of the AGAR. Selective testing was carried out and the relevant policies, procedures and controls were reviewed. Principal reference is made to the Governance & Accountability for Smaller Authorities in England [JPAG] (1st April 2018) together with any other relevant documents.

Since the last audit the Town Council have disaggregated the role of Town Clerk and RFO from one post holder and the Town Clerk Mr Steve Vinson and RFO Mrs Yvette Haywood together with 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 exceptions are those **highlighted in bold**. 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.*

24th June 2019

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 315/18		Outstanding items reviewed. (F&GP Meeting minute 315/18 refers)
Previous Internal Audit Report	Has the previous internal audit report been reported to and considered by Council and acted upon any matters raised?	Various		Outstanding items reviewed (F&GP minutes 140/18 and 220/18.
Appropriate accounting records have been kept properly throughout the year				

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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. The Council has adopted the general power of competence (minute 7/18 – 16/05/18).
Proper Bookkeeping	The cash book containing the income and expenditure for the 2018/19 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 has adopted a BACS payment system with only some cheque payment and others 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 - sampling tests reconciled. BACS payments – [see financial regulations below]. <i>The Council have several outstanding cheque entries some over a year old. The age of all outstanding cheques should be reviewed with consideration being given to writing back the cheques and re-issuing where appropriate.</i>
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.		JPAG – 5.34.	The NALC standard model was reviewed in Sept 2018.
Financial Regulations (FR)	Copy of Financial Regulations.		JPAG – 5.35 - 5.39 Financial Regulation (FR) 6.8	The NALC standard model reviewed in May 2018. 1. The Council has introduced BACS payments. FR 6.8 confirms that two members (authorised bank signatories) are retained. Currently one officer is instructing and authorising. It is recommended that this regulation is reviewed by the Council.
Purchase Orders			JPAG 5.36	The Council does issue purchases orders but independently of the accounting system. Testing also revealed that on occasions orders were issued following receipt of the invoice. 2. Purchase orders should be issued prior to the delivery of goods. FR 10.1 refers.

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				Recommendation that the Council again review purchase orders and consolidate controls within the procurement system.
Invoices	Copies of Invoices supporting expenditure			Testing revealed that the Council has received invoices to support expenditure.
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 Council has assessed the required of input and output tax.
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.
	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 and also has a staff handbook for general staffing and operational matters. Council response confirms
	Data Protection			The Clerk 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. 3. It is recommended that the Council produces a policy incorporating GDPR to ensure

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				compliance, effective monitoring and benchmarking.
	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 31/3/2019)		JPAG 5.96	Public Liability - £10,000,000 Fidelity Guarantee - £700,000 that is adequate. Employers Liability - £10,000,000
	Scheme of delegation to officers e.g. Finance Policy			Scheme of delegation (terms of reference for Committees) undertaken May 2018.
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. It is noted that the Council used a considerable amount of allocated reserves on the refurbishment project.
	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 £422,539.
	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 recommended that the Council considers introducing a reserves policy.</i>
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				

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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. Hire charges reviewed in January 2019.
	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. The year-end financial report generated from sage indicates some debts are 9-12 months old. 4. The Council should review debt reporting and action to recover debts with many currently in contravention of normal trading terms. This should assist in ensuring debts do not become unrecoverable. The Council granted a loan of £2,000 in March 2010. The agreement confirms the loan is to be repaid within 3 years. The loan is still appearing on the accounts as at 31st March 2019. The Council should investigate if the loan is still outstanding and if so, whether it is recoverable. The year-end financial report generated from sage indicates some debts are 9-12 months old.
	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. The Council have sought advice on the treatment of input and output tax.
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			

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	Copies of receipts expended from petty cash			Testing revealed no issues.
	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	Salaries and other emoluments paid to employees have been approved by Council		Minute 394/18	Minute supplied and in place.
	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. Where there are variations of contract, sampling indicates variation letters 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.
	Expenses			It is understood the Mayor has an allocated parking space within a public car park. The RFO is investigating the level of benefit and if there are P11D implications.
Asset and Investment registers were complete and accurate and properly maintained				
Asset Register	Asset Register has been completed and current		JPAG 5.54 - 5.61	An expanded asset register is now in place
	In year asset movements recorded			
	Security of assets undertaken including marking			<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 results/condition/outcomes are reported to the relevant Committee/Council and included in an expanded register.</i>

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	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				
	Evidence and records of in-year bank Reconciliations and frequency		JPAG 1.10 (also JPAG 2.35/2.37)	Undertaken monthly. RFO signs off as a separation of duty.
	Copy of the year end bank reconciliation			At the time of audit the bank and short term investments although relatively minor, did not reconcile to the cash book.
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.			See above for longevity of debt.
	Reserves			Whilst reserves appear to be within tolerance level, <i>it is suggested a reserve policy is adopted by Council.</i>
If the authority certified itself as exempt from a limited assurance review in 2017-18, it has met the exemption criteria and correct declared itself exempt.				
Not Applicable				
Council has met its responsibilities as a trustee (if applicable)				
	Trust funds have been administered correctly including disposal of grants/dividends etc.		See FR 16.1 and JPAG 5.112 – 5.119.	5. The Council operates three Trust Funds and whilst nominal statements have been prepared, there is no evidence of accuracy presented at audit for example in the form of reconciled bank statements, current trustees and also bank signatories. It is understood that £500 was authorised to be expended from one Trust Fund but there is no audit trail

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				to reconcile with the prepared statement as to how this has been achieved. It is recommended the operation of the Trust funds should be viewed as priority by Council.
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