

**LISKEARD TOWN COUNCIL****INTERNAL AUDIT REPORT FINANCIAL YEAR 2016-17****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 Part 4 of the Annual Return and the Transparency Code. 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' (1<sup>st</sup> April 2016).

The Clerk Mr Steve Vinson and the assistants are thanked for her 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. 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 under recommendations** 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 the assurance.*

<b>CONTROLS</b>	<b>TESTS</b>	<b>REF</b>	<b>REFERENCE/COMENTS</b>	<b>RECOMMENDATIONS</b>
<b>Previous External Audit Report</b>	Has the previous external audit report been reported to and considered by Council and acted upon any matters raised?	Minute 403/16		<b>None</b>
<b>Previous Internal Audit Report</b>	Has the previous internal audit report been reported to and considered by Council and acted upon any matters raised?	Minute 1002/15		<b>None</b>
<b>Appropriate accounting records have been kept properly throughout the year</b>				
<b>Proper Bookkeeping</b>	The cash book/nominal ledger containing the receipts and payments for the 2016/17 financial year.	Yes	Sage Accounting system used.	<b>The Council has a considerable number of year-end outstanding cheques. The Council should review the longevity of the outstanding cheques, writing</b>

				<b>back and reissuing and/or cancelling where appropriate.</b>
	Copies of tenders or estimates and consideration and approval by Council		Yes.	<b>None</b>
	Copies of purchase orders	Yes	In place.	<b>None</b>
	Evidence of separation of financial duties	Yes	The system is not formalised	<b>Recommend the system is formalised within financial processes or risk assessment.</b>
	Bank Statements Paying in books Cheque Books	Yes	Testing revealed: - Bank Statements – Testing no issues Cheque Stub Initialled. No Paying in book reconciled.	<b>Cheque book stubs not initialled to confirm payee and name on stub match (Financial Regulation 6.4)</b>
<b>Liskeard Town Council met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was properly accounted for</b>				
<b>Standing Orders</b>	Copy of Standing orders.	No	NALC standard Model adopted.	<b>Recommend at least an annual review.</b>
<b>Financial Regulations</b>	Copy of Financial Regulations.	134/16	NALC standard Model adopted.	<b>None</b>
<b>Invoices</b>	Copies of Invoices supporting expenditure	Yes	Testing revealed that the Council has received invoices to support expenditure.	<b>None</b>
<b>Expenditure</b>	All expenditure approved by Council	Yes	Testing revealed no issues.	<b>None</b>
<b>VAT</b>	VAT on expenditure appropriately accounted for	Yes	Testing revealed VAT accounted for and claims submitted to HMRC.	<b>None</b>
<b>Liskeard Town Council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these</b>				
	Council Financial Risk Assessment	403/16	Testing revealed no issues to report	<b>None</b>
	ICT Controls	Yes	Clerk confirmed Computer pass-worded (held by Clerk) Anti-virus in place Computer backup – Cloud	<b>None</b>

	Review of any other in-year assessments and risk management programmes			<b>The Council should consider the production of Business Continuity Plan to prevent service and operational disruption should the Clerk/key staff leave. The plan should be commensurate with the level of turnover and identified risk.</b>
<b>Insurance Schedule</b>	Insurance schedule (as at 31/3/2017)	Yes	Fidelity £700,000.	<b>With the increased revenue surplus for the year , the Council should review the level of fidelity insurance.</b>
<b>Scheme of delegation</b>	Scheme of delegation to officers e.g. Finance Policy	Yes	130/16/163-16 (g)	<b>None</b>
<b>ICO Registration</b>	Data Protection	Yes	Responsible Officer - Clerk	<b>None</b>
<b>The precept or rates requirement resulted from an adequate budgetary process: progress against budget was regularly monitored and reserves were appropriate</b>				
<b>Budget</b>	Copy(ies) of the budget papers	Yes		<b>None</b>
	Copy(ies) of development or improvement plans	Yes	Comprehensive papers produced	<b>None</b>
	Copy of the precept notice to Cornwall Council	Yes		<b>None</b>
	Evidence of reserves being considered as being appropriate	Yes		<b>None</b>
<b>Management Accounts</b>	Copy and evidence of regular budget monitoring and presentation to Council	Yes	Budget monitoring undertaken by Committees responsible for the cost centre.	<b>None</b>
<b>Expected income was fully received, based on correct prices, properly recorded and promptly banked: VAT was appropriately accounted for</b>				
<b>Charges</b>	Copies of rental/hire/letting charge reviews and date of last review	Yes		<b>None</b>
	Copies of invoices and audit trail to bank	Yes		<b>None</b>
	Copies of service charge calculations (if applicable)	Yes	Tested Electricity (1/4 charge and recharge)	<b>None</b>
	VAT on income was appropriately accounted for	Yes		<b>None</b>
	Copies of any policies on use of facilities at no charge (if applicable)	No		<b>None</b>

<b>Petty Cash Payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for</b>				
	Copy of the petty cash ledger		Yes	<b>None</b>
	Copies of receipts expended from petty cash			
	VAT accounted for on expenditure			
	Scheme of delegation for petty cash expenditure			
<b>Salaries to employees and allowances to members were paid in accordance to Liskeard Town Council approvals, PAYE and Ni requirements properly applied</b>				
<b>Salaries</b>	Salaries and other emoluments paid to employees have been approved by Council	Yes	Undertaken as part of the budget setting process.	<b>None</b>
	HMRC records of payments including tax/NIC deductions	Yes	Council operate Sage Payroll and appears to be operating correctly	<b>None</b>
	HMRC year-end reconciliation (from HMRC website)	Yes		<b>None</b>
	Employees summary for year			<b>None</b>
	Council is registered with the Pensions Regulator and pension compliance e.g. opt out arrangements and discretions	Yes	Registered. LGPS scheme operated	<b>Council should have a policy on pension's discretion.</b>
	Contracts of Employment	Yes		<b>None</b>
	Chairman's Allowance and other members allowances treated correctly	No	PAYE not deducted	<b>Mayors allowance is paid as a lump sum therefore the allowance is taxable within PAYE (ref EIM 65970)</b>
<b>Asset and Investment registers were complete and accurate and properly maintained</b>				
<b>Asset Register</b>	Asset Register has been completed and current	Yes	Asset register adjusted and appears to be correct.	<b>None.</b>
	In year asset movements recorded	No		<b>As part of the year end procedures the asset register should contain the previous year's register to identify in-year movements (acquisitions and disposals).</b>
	Security of assets undertaken including marking	No	<i>Council might wish to consider security marking portable assets</i>	<b>None</b>
	Valuation of assets undertaken correctly and	Yes		<b>None</b>

	Assets insured correctly			
	Asset condition survey undertaken	Yes	Facilities manager undertakes the review.	<b>None</b>
	Investment reviews undertaken	Yes		<b>None</b>
<b>Periodic and year end bank account reconciliations properly carried out</b>				
	Evidence and records of in-year bank Reconciliations and frequency	Yes		<b>None</b>
	Copy of the year end bank reconciliation	Yes		<b>None</b>
<b>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.</b>				
	Audit trail from cash book to trial balance and I & E/balance sheet	Yes		<b>None</b>
	End of year summary and supporting statement	Yes		<b>None</b>
	List of current assets and liabilities (i.e. debtors, creditors etc.)	Yes		<b>None</b>
	Records of leases, licences etc.	Yes		<b>None</b>
	Copies of in-year reports of debtors/creditors to Council including longevity of debt/credit.	No		<b>Council should receive regular in-year reports of aged debt for monitoring and to ensure debts do not become irrecoverable.</b>
	Reserves		Reserves at the year-end stand at 1.17 of annual expenditure.	<b>None</b>
<b>Council has met its responsibilities as a trustee (if applicable)</b>				
	Trust funds have been administered correctly including disposal of grants/dividends etc.			<b>None</b>
<b>Transparency Code</b>				
	The Code is designed to increase democratic accountability and make it easier for local people to contribute to the local decision making process. It enables people to play a bigger role in society and to open the markets for local business, voluntary and community sectors and social enterprises to run services or manage public assets.		The Councils website appears to contain some information required by the Code but cannot locate other information including some quarterly (e.g. procurement information) and annual information (e.g. details of land holdings). The website does not appear to contain information considered a minimum requirement	<b>The Council should consider a review of published information to ensure compliance with the Transparency Code and items suggested by the ICO Model Publication Scheme.</b>

			by the Information Commissioner's Model Publication scheme.	
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