



HUDSON ACCOUNTING LTD.  
INTERNAL AUDIT REPORT:  
TO THE MEMBERS OF LISKEARD TOWN COUNCIL  
YEAR ENDED 31ST MARCH 2020

ISSUE DATE: 20/07/2020  
ISSUED TO: TOWN CLERK & 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 and the Transparency Code.

### **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 2019.

Selective testing was carried out and the relevant policies, procedures and controls were reviewed. Documentation was requested electronically, and other testing was carried out remotely due to the coronavirus pandemic.

## **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.

In giving our 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.

***The review undertaken obtained a level of assurance which has allowed us to complete the Internal Audit Report element of the Annual Governance & Accountability Return with no qualifications, thus in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the Council***

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.

Also attached, as Appendix 1 is a copy of the completed Internal Audit Report required as part of the Annual Governance & Accountability Return.

## 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.

**A. Appropriate accounting records have been properly kept throughout the financial year.**  
The accounting records are maintained on RBS Omega software, which is sector specific.  
They were up to date and appeared free from material errors.

**B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.**

### *Financial Regulations*

Financial Regulations based on the national model documentation are in place and were last reviewed in August 2019.

**Financial Regulation 11.1(b) sets out the requirement to comply with the Public Contracts Regulations 2015 and places a limit of £60,000 (the Council's own threshold for a formal tender process).**

*The Regulations apply to procurements above £25,000 whether they are subject to a formal tender process or not and it is suggested that the wording is amended to reflect this and that the Regulations are followed for all such procurement activity.*

### *Purchasing*

**Purchase orders are used and are kept in a separate file rather than being appended to the invoice.**

*The audit trail would be enhanced if purchase orders were attached to the invoice once payment has been agreed. The Council's accounting system has a purchase order module which also allows commitments to be taken into consideration when monitoring budgets and may be worth considering.*

### *Payment*

**Payments are included on payment schedules which are reported to and approved by Members, the values included are exclusive of VAT, so the total amount of actual payments are not included.**

*The control should be in respect of payments made not the impact on the Council's accounts and thus the total value of payments should be included in future.*

**Within the sample tested payments had been supported by invoices, certified by the RFO and VAT had been accurately recorded.**

**Internet banking controls are about to be strengthened to incorporate Member 'release' of payments.**

### *Grants:*

**A sample of grant payments made was traced to Member approvals and found to be in order.**

**C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.**

### *Insurance*

**Statutory insurances are in place and the Fidelity Guarantee is adequate at £700K.**

### *Risk Assessment & Internal Controls*

**The Council reviewed its risk management arrangements in June 2019 and must be mindful of the requirement to review the effectiveness of its internal controls prior to approving the Annual Governance Statement.**

*The Coronavirus pandemic has had significant impacts on local councils not only in terms of the way that work is carried out but for some there will be significant losses of income and potentially increased costs. The Council's experience should be reflected in its risk management arrangements and continuity planning as well as any financial impact being included in its budget management processes and reserves policies.*

*In addition it is suggested that a formal appraisal of the impact of the pandemic, including (the unlikely) possibility that there is an impact on the 2019/20 accounts, is carried out as part of the Councils approval of the Annual Governance Statement, specifically Assertion 8.*

#### *GDPR*

**The Council is registered as a data controller with the Information Commissioner and has published a suite of policies designed to ensure compliance with the General Data Protection Regulations.**

#### *Business Continuity*

**Computer systems are password protected and regular back-ups are performed.**

**There are some procedure manuals in place, primarily at the TIC.**

Without a comprehensive set of procedure notes the Council is potentially vulnerable to service disruption in times of staff turnover or absence, it is therefore recommended that:

#### **Recommendation 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.**

#### *Cash*

**An Investment Strategy is in place designed to ensure that the Council's investment activity is in line with its primary objectives of security and liquidity.**

- D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.**

#### *Budget setting*

**The budget and precept for 2020/21 were properly approved at Full Council in January 2020 following the production of detailed estimates and due consideration of the impacts on both earmarked and the general reserve.**

**There was however no policy in respect of the level of general reserve that can be held although this has been agreed since the end of the financial year.**

#### *Budget monitoring*

**Budget monitoring reports are presented at most Committee meetings.**

#### *Adequacy of Reserves*

**Total reserves are £391,904 of which the general reserve is £94,175 equating to 16.4% of gross expenditure in 2019/20; below generally accepted parameters and the Council's own minimum reserve policy.**

#### **Recommendation 2**

**The Council reviews its current reserves to ensure it is in compliance with best practice and its own reserve policy.**

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

*TIC/Museum*

Testing revealed that in a couple of instances takings had not been banked; new procedures have been implemented and we will test them during 2020/21.

*Allotments*

There are allotment registers in place that are used to generate invoices to plot holders; testing revealed no issues to report.

*Lettings*

A room hire booking system is in place and invoices are raised on the accounting system. Testing showed that charges had been correctly applied and income promptly banked.

*Shop Rents*

Rental income is charged in line with the leases provided; in one instance a copy of a renewed lease could not be located so we will test that one during the next financial year.

*VAT claims*

VAT claims are up to date.

- F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.**

Petty cash is sparingly used and is well controlled. VAT is recovered where possible.

- G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.**

Salaries are paid in accordance with Member approvals.

PAYE and NI contributions have been properly applied and paid over to HMRC.

Pension contributions have been applied based on FTE pay rather than actual pay meaning that some employees have had too much deducted; the Council has been alerted to this by the pension authority and steps to address the matter have been taken.

- H. Asset and investments registers were complete and accurate and properly maintained.**

An asset register is in place that meets the needs of proper practice and the value of assets held is accurately reflected in the accounting statements.

- I. Periodic and year-end bank account reconciliations were properly carried out.**

Monthly bank reconciliations have been performed on all bank accounts and they are reviewed by the RFO. There is no evidence that a member has been verifying bank reconciliations in line with Financial Regulation 2.2.

It is recommended that:

**Recommendation 3**

**A member verifies bank reconciliations on at least a quarterly basis.**

- J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure) agreed to the cash book, supported by an appropriate audit trail from underlying records, and where appropriate debtors and creditors were properly recorded.**

The accounts were prepared on an income and expenditure basis and were in accord with underlying records.

Supporting documentation for the external auditor has been prepared.

**K. IF the authority certified itself as exempt from a limited assurance review in 2018/19, it met the exemption criteria and correctly declared itself exempt.**

**NOT APPLICABLE.**

**L. The authority has demonstrated that during summer 2019 this authority has correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations.**

**The Council allowed the correct number of days for public inspection and published the requisite documentation.**

**M. Trust funds (including charitable). The council met its responsibilities as trustee.**

**Trust transactions are separate from those of the Council and Charity Commission Returns have been submitted where required.**

**INTERNAL AUDIT REPORT RESPONSE RECORD – LISKEARD TOWN COUNCIL**

No	Recommendation	Management Response	Timescale/ Responsibility	Follow Up (for auditor use)
<b>FINAL REPORT 2019/20</b>				
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			
2	The Council reviews its current reserves to ensure it is in compliance with best practice and its own reserve policy.			
3	A member verifies bank reconciliations on at least a quarterly basis			

# Annual Internal Audit Report 2019/20

## LISKEARD TOWN COUNCIL

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation **during** the financial year ended 31 March 2020.

The internal audit for 2019/20 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Agreed? Please choose one of the following		
	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	✓		
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic and year-end bank account reconciliations were properly carried out.	✓		
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		
K. IF the authority certified itself as exempt from a limited assurance review in 2018/19, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2018/19 AGAR tick "not covered")</i>			✓
L. The authority has demonstrated that during summer 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.	✓		
<b>M. (For local councils only)</b> Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes	No	Not applicable
	✓		

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

16/05/2020      05/06/2020      20/07/2020

Name of person who carried out the internal audit

S P HUDSON CPFA

Signature of person who carried out the internal audit

*S. P. Hudson* REQUIRED

Date

20/07/2020

\*If the response is 'no' you must include a note to state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

\*\*Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).