

LICHFIELD CITY COUNCIL
INTERNAL AUDIT REPORT
2018-2019

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Internal Auditor

ANNUAL REPORT OF INTERNAL AUDIT 2018-2019

Introduction

The purpose of this report is to:

- Provide the Council with an internal audit opinion of the effectiveness of the systems of financial control, risk management and control arrangements based on the work undertaken during the year
- Summarise internal audit activity
- Raise any particular issues arising from that work

Overall Opinion

Based on the findings of the work undertaken during the year, my overall opinion on the soundness of the system of internal control is that it was adequately controlled. The overall opinion for each review conducted is given in the Appendices. Areas for improvement were identified in a number of reviews and action plans agreed.

Background

The Local Government Accounts and Audit Regulations 2011 require every Authority to maintain an adequate and effective system of internal audit of its accounting records and its system in accordance with proper internal audit practices.

Internal Audit is an assurance function that primarily provides an independent and objective opinion to the Council on the control environment comprising risk management, control and governance, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to proper, economic, efficient and effective use of resources.

Internal Audit must ensure that all activities of the Council are subject to an internal audit review. The identification of these activities has been agreed with the Town Clerk.

The annual Audit Plan for 2018-2019 was approved by the Audit Committee on the 23 March 2016, and is reproduced for information as **Appendix A**.

The findings of work undertaken and recommendations are at **Appendix B**.

A summary of the recommendations and management response are at **Appendix C**.

The Management and Insurance risk register details are at **Appendix D**.

The Annual Internal Audit Report as required for the Annual Accountability Return for the year ended 31st March 2019 will be completed as the statement of accounts for 2018-2019 is prepared. Details are contained in **Appendix E**.

AUDIT PLAN 2018-2019

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- 3.12 Any other areas Identified during the year of Audit

4. MANAGEMENT AND INSURANCE REGISTER

1. FINANCIAL SERVICES

1.1 Fraud and Corruption Checklist

The Anti Fraud and Corruption Checklist Action Plan sets out tasks for the production of clear, written instructions and procedures for all staff on: -

- Cash collection/ handling duties
- Credit income duties
- Order for work, goods and services
- Creditor payments
- Cheque dispatch procedures
- Petty Cash
- Banking duties
- Payroll processing

The financial procedure notes are in place and are being updated.

1.2 Main Accounting System

The purpose of the review to ensure the main Accounting System provides complete and accurate data for the production of budget reports and the publication of the Annual statement of Accounts.

I am pleased to note that there are good controls operating.

1.3 Creditors

The purpose of the review is to look at the ordering, receipt and payment of goods and services; and that the financial regulations have been adhered to and the appropriate controls are in place and in operation.

Payment Terms

With reference to the Government's objective to pay Small Medium Enterprises (SME's) within 30 Days, I have taken a sample of the Council's invoices. 54% (46% 2017/18) have been paid within 10 days and 92% (94% 2017/18) are paid within 30 days from date of receipt of invoice.

Based upon a six-month sample It takes on average an additional 11 days (16 days 2017/18) for the cheques to clear Lichfield City Council's bank account.

I am pleased to note that there are good controls operating.

- That financial regulations have been complied with
- All payments are appropriate and legitimate
- There is adequate documentation

1.4 Sundry Debtors

The purpose of the review is to look at the controls and operations relating to bookings and admissions.

I am pleased to note that there are good controls operating;

- Price increases are agreed by Council
- Price changes are implemented
- There is adequate documentation
- That bad debt is managed, and any write off action required is taken promptly

1.5 Payroll

The purpose of the review was to identify whether there are appropriate controls in place and in operation.

I am pleased to note that there are good controls operating in relation to staffing matters;

- The responsibility is clearly defined in the Council's Financial Regulations
- Personnel records are kept securely
- All payments are appropriate and legitimate

Staffordshire Pension Fund: The Town Clerk has nominated the Internal Auditor to be the Local Government Pension Scheme Regulations Employers' Internal Dispute Resolution Procedure (IDRP) Nominated Contact.

1.6 Management of VAT

The purpose of the review is to identify whether there are appropriate controls in place and in operation and to review the partial exemption calculation.

- To examine the current systems, procedures and controls relating to Vat entries into the financial information system
- To ensure VAT is accounted for and recovered appropriately
- Ensure the VAT return is completed correctly and on time
- That the partial exemption calculation is completed and reviewed

I have reviewed the returns made to HM Revenue and Customs, and the authority's partial exemption calculation, and confirm that the appropriate controls are in place.

The HM Revenue and Customs (HMRC) monthly VAT claim is completed online via the Government Gateway.

I am pleased to note that there are good controls operating.

I note that HRMC is currently reviewing VAT on Market Fees, which are currently exempt from VAT.

Making Tax Digital - Lichfield City Council from the 1st October 2019 will need to keep digital records and submit VAT returns using software that works with Making Tax Digital

1.7 Banking Arrangements

The purpose of the review is to identify whether there are appropriate controls in place and in operation, ensuring all cash collections and banking arrangements are in accordance with Financial Regulations.

I am pleased to report that there are good controls in relation to banking matters.

- Financial Regulations have been adhered to
- All receipts and payments are dealt with promptly
- Adequate separation of duties

1.8 Petty Cash

The purpose of the review is to identify whether the appropriate controls are in place and in operation.

I am pleased to report that there are good controls operating.

- The responsibility is clearly defined in the Council's Financial Regulations
- Receipts obtained for all reimbursements and approved

1.9 Income Monitoring

I have reviewed the income received by the authority and checked that all fees and charges have been reviewed and reported in accordance with financial regulations.

I am pleased to note that all the requirements have been met.

1.10 Budgetary Control

To ensure that the Budget has been approved, monitored and reported in accordance with Financial Regulations and that the level of reserves are at an adequate level to meet the needs of the organisation.

I am pleased to note that the Budget is approved, monitored and controlled in accordance with the Council's Financial Regulations.

1.11 End of year closedown

An important measure of proper financial control and accountability is the timely closure and publication of audited accounts.

I am pleased to report that there are good controls operating.

1.12 Statement of Account

The statutory target for presenting the Annual return to Members for approval is 30 June. The Annual Return for 2017-18 accounts was approved and published by Council on 18 June 2018, and I am pleased to report that the requirements under the Accounts and Audit Regulations for 2017-18 were met.

Section 3 - External auditor's certificate and opinion 2017-18

The external auditor on 24 September 2018 issued an unqualified report and the Notice of conclusion of Audit and right to inspect the annual return was published on the web site www.lichfield.gov.uk on 24 September 2018.

Appointment of external auditor.

From 2017/18 the Smaller Authorities Audit Appointments (saaa) a company appointed by the Department of Communities and Local Government as the 'specified person' to procure and appoint external auditors to smaller authorities, have appointed for the period 2017-2022 MAZERS LLP for Staffordshire.

2. STRATEGIC POLICIES

2.1 The Treasury Management Policy and Strategy Statement for 2018-19

Approved by the Audit Committee on 15 March 2018 and subsequently approved by Council on 23 April 2018.

The purpose of this statement is to establish how the authority will manage its activities in relation to borrowing and investments

Borrowing

The authority has undertaken no borrowing during 2018-19.

2.2 Investment Policy

Investments have been made in accordance with the Investment Strategy.

	2017/18		2018/19	
	Actual 30/11/17	Actual 31/03/18	Actual 30/11/18	Estimate 31/03/19
Average Account Balance	£1,140,000	£925,000	1,772,235	£1,325,000
Interest	£100	£237	£848	£2,480
Average Interest Rate	0.02%	0.026%	0.07%	0.20%

2.3 Treasury Management Practices (TMP's)

The treasury management practices set out the manner in which the Council will seek to achieve its treasury management policies and objectives and how it will manage and control those activities.

- TMP 1 - Risk management
- TMP 2 - Best Value and Performance Plan
- TMP 3 - Decision making and analysis
- TMP 4 - Approved instruments, methods and analysis
- TMP 5 - Organisation, clarity and segregation of responsibilities and dealing arrangements
- TMP 6 - Reporting requirements and management information arrangements
- TMP 7 - Budgeting, accounting and audit arrangements
- TMP 8 - Cash and cash flow management
- TMP 9 - Money Laundering
- TMP 10 - Staff training and qualifications
- TMP 11 - Use of external service providers
- TMP 12 - Corporate Governance

The RFO has complied with the TMP's 1 to 12

3. SPECIFIC REVIEW

3.1 Financial Regulations and Procedures

To ensure that Financial Regulations and procedures have been complied with.

I can confirm that finances have been administered in accordance with Financial Regulations and Procedures adopted by the Council.

3.2 Contract Standing Orders

To identify amendments and updates to Contract Standing orders and that they have been complied with.

I can confirm that Contracts have been administered in accordance with Financial Regulations and Procedures adopted by the Council.

3.3 Review of 2017-2018 Internal Audit Recommendation

I confirm that the majority of the recommendations for 2017-2018 have been actioned, and in discussion with the Town Clerk for those recommendations not yet actioned, new completion dates have been agreed. **Appendix C.**

3.4 Capital Works

The purpose of the review is to look at the Contract works during 2018-2019, to confirm that the Financial Regulations have been adhered to and the appropriate controls are in place and in operation.

I can confirm that the contract works have been administered in accordance with Financial Regulations and Procedures adopted by the Council and that there are good controls operating.

3.5 The Local Government Transparency Code 2015

The Government's transparency agenda encourages local authorities to make public data openly available.

It defines Local Authority as "a parish council which has gross annual income or expenditure (whichever is the higher) exceeding £200,000".

Information to be published:

Quarterly (published no later than one month after the quarter date)

- Expenditure exceeding £500
- Government procurement card (not applicable to LCC)
- Procurement Information

Annually

- Local Authority Land
- Social Housing Assets (not applicable to LCC)

- Grants to voluntary, community and social enterprise organisations
- Trade union facilities (not applicable to LCC)
- Parking Account (not applicable to LCC)
- Parking Spaces (not applicable to LCC)
- Senior Salary
- Constitution
- Pay Multiples
- Fraud (not applicable to LCC - relates to Social Housing and Council Tax Reduction Scheme)

The Council adopted the Code of Recommended Practice for Local Authorities on 17 October 2011.

The purpose of this review is to ensure that the Transparency agenda has been actioned.

I can confirm that requirements of The Local Government Transparency code have been met.

However, I have the following recommendation to make;

Recommendation 1

- The Town Clerk updates the Pay Policy Statement

3.6 Insurances

The Council's risk register identifies that the Council's business is protected against loss, damage or claims made upon it.

The Council has a combined insurance policy with Zurich Municipal for buildings and property, public and employer's liability.

The Council has an insurance Policy with Ecclesiastical Insurance for The Samuel Johnson Museum.

The Town Clerk reviews the Insurance Risk Register **Appendix D** and the Insurance policy in March of each year and arranges for additional cover as circumstances arise.

I have reviewed the outstanding and settled Claims since 2011/12

I can confirm that that appropriate insurance cover for identified risks is in place.

However, I have the following recommendation to make;

Recommendation 2

- That the Town Clerk review the Public Liability claims as part of the Health and Safety review,

3.7 Code of Conduct and Disclosure of Interest

Members

The Localism Act 2011 contains provisions which replace the previous standards framework established under the Local Government Act 2000. These provisions are contained in section 26-37 and Schedule 4 of the Act and took effect from 1 July 2012. The new provisions apply to both members and co-opted members of parish councils. The changes affect members of principal councils too, but with some slight differences in application as compared to parishes.

The Town Clerk submitted a detailed report to Council 25th June 2012.

At Council on 25 June 2012 it was resolved that with effect from 1 July 2012 the Council adopt until further notice, the code of conduct as contained in Appendix 2 to the minutes, and that the Town Clerk arrange a training session for members on the new Code.

I can confirm that the Code of Conduct and disclosure of interest for members is included on Lichfield City Council's Web site.

3.8 The Samuel Johnson Birthplace Museum

The following Museum document has been adopted by Council, 24 March 2018:

- The Museum Forward Plan 2018-2020

The Council approved the following policy 24 April 2017

- Access Policy Statement

The Council approved the following policies 20 April 2015

- Environmental Policy Statement
- Collections Documentation Policy
- Collections Care and Conservation Policy
- Collections Development Policy

Dr Johnson's Birthplace Trust, Charity number: 500046

The Charity Commission Online Return for the period 1 April 2017 to 31 March 2018 has been submitted.

I can confirm that the Council met its responsibilities as trustee.

3.9 Policy and Procedure Documentation –Employees

I confirm that the following Booklets and leaflets have been issued to all employees:

- Health and Safety at Work Act Policy
- Risk Assessment Form – Building Condition / Specific Activities
- Disciplinary Procedure
- Employment Equality (Age) Regulations 2006
- Equal Opportunities Policy Statement
- Grievance Procedure
- Internet and email guidance
- Prevention of Money Laundering
- Whistle Blowing Policy & Fraud Investigation Manual

- Child Protection Policy & Procedure
- Complaints Procedure
- Maternity Policy
- Electronic Payment Terminals – Operating Procedures
- Sickness Policy **23/04/18**
- Social Media and Electronic Communication Policy **23/04/18**
- Information and Data Protection Policy **23/04/18**
- The management of Transferable Data Policy **18/06/18**
- Training and Development Policy for Employees, Councillors and Volunteers **18/06/18**
- Code of Conduct for Employees **18/06/18**

The Town Clerk has engaged Keelys LLP to provide an Employment Health check Plan which includes a review of current policies.

The Town Clerk has engaged Terrain Health and Safety Consultants to provide Health & Safety services including risk assessments' of City Council Building's and working practices.

Employees have been notified of updates of policies.

No significant issues have been identified in this area of my review.

3.10 Review of Corporate Governance

The objective of this review is to ensure that the Council has robust corporate governance documentation and procedures in place and that Council meetings are conducted in accordance with adopted Standing Orders and that no actions of a potential unlawful nature have been or are being considered for implementation.

No significant issues have been identified in this area of my review.

I have the following recommendation to make;

Recommendation 3

- I would Recommend that the Town Clerk circulate National Association of Local Councils - The Good Councillor's' Guide 2018

3.11 Further Developments

I note the following items reported Council:

- Repair and Renovation Programme 2018/19 (Council 24/04/17)
- Market and Market Square Hire-Legislative Arrangement (Council 29/01/18)
- Boley Park Community Hall-Renewal of Lease (Council 31/07/18)
- Section 106 Agreement: South Lichfield Development: St Johns Ward. (Council 31/07/18)
- Electronic Payments Phase 3 (Council 03/12/18)

Future Developments to be reported;

- HRMC-Making Tax Digital
- Temporary Payroll Services-Churches together in Lichfield-Shelter for the Homeless.

3.12 Other Activities during the year

I have completed a detailed review of the following;

2018- 0 Electronic Payments and Card Machine Provision

The Council Agreed on 31 November 2015 to receive electronic payments.

I have reviewed the recording and reconciliation of payments received to date and I am pleased to note there are good controls operating.

Year	Transactions	Payments	Fees	Average %
2015/16	49	£1,024	£47	4.6%
2016/17	438	£11,630	£234	2.0%
2017/18	600	£19,976	£256	1.3%
2018/19 Estimate	642	£18,800	£250	1.3%

2018-1 Street Lighting Service

I have completed a detailed review of the E-On highway lighting and maintenance charges. I note that for 2018/19 Maintenance costs have increased by 3.6% and energy costs have increased by 21.4%. E-on has advised that the low-pressure sodium (SOX) lamps are to be discontinued and will need updating/replacing.

Year	No Street Lights	KWH	Rate	Cost	Maintenance Cost	Total Cost
2016/17	136	45777.18	0.131	£6,020	£3,437	£9,457
2017/18	136	45777.18	0.145	£6,609	£3,460	£10,069
2018/19	136	45777.18	0.176	£8,020	£3,584	£11,604

I have the following recommendation to make;

Recommendation 4

- That the Town Clerk set up a renewal/replacement programme for street lighting

2018-2 Grounds Maintenance Service

I have completed a detailed breakdown of the Service Level Agreement (SLA) and works instructions with Lichfield District Council and I can confirm that all payments are made in accordance with financial regulations and standing orders.

Year	SLA value	RPI Increase	Ad Hoc Works
2016/17	£119,216	0	£5,672
2017/18	£123,985	4%	£10,048 as at December 2018

2018-3 Official Orders

I have reviewed the raising of Official Orders. No significant issues have been identified in this area of my review.

2018-4 Section 137 Payments

I have reviewed Grant Aid Funding. I can confirm that the total grants awarded were paid in accordance with the Council minutes and the total paid is well within the Local Government Act 1972 - section 137 limits.

Year	Estimated Electorate	Amount Specified section 137(4)a LG Act 1972	Section 137 Limit	Grants Paid
2015/16	25820	£7.36	£190,035	£35,714
2016/17	25820	£7.42	£191,584	£35,185
2017/18	25820	£7.57	£195,457	£36,445
2018/19Estimate	25820	£7.86	£202,945	£39,140

2018-5 Guildhall Bar Charges

I have reviewed the Bar Charges arrangement with Lichfield Arts. I am pleased to note that there are good controls operating in relation to the raising of invoices and the payment of commission.

Year	Bar Charges	Commission	No Functions
2015/16	£2,380	£238	21
2016/17	£2,330	£233	25
2017/18	£3,405	£340	34
2018/19Estimate	£2,330	£230	25

2018-6 Markets Miscellaneous Income

I have reviewed the miscellaneous income (Commercial Lets and Wednesday Market) relating to the Market Square and can confirm they have been raised in accordance with Council's approved charges policy.

Year	Commercial Hire	Wednesday Market	Total
2015/16	£13,670		£13,670
2016/17	£13,200		£13,200
2017/18	£16,600	£4,086	£20,686
2018/19Estimate	£18,390	£4,000	£22,390

However, I have the following recommendation to make;

Recommendation 5

- That the Town Clerk review the market Square commercial hire rate

2018-7 PRS Licence

I have reviewed the PRS for Music Returns and the recharges to Lichfield Arts and can confirm they have been raised and paid in accordance with agreed terms and conditions of the PRS for Music Licence.

Year	Total Number of Functions	Total PRS Fees Paid	Lichfield Arts		Other Hirers	
			No Functions	Fees	No Functions	Fees
2015/16	31	£1,528	30	£1,385	1	£143
2016/17	40	£1,794	34	£1,559	6	£235
2017/18	47	£2,224	39	£1,889	8	£335
2018/19Estimate	41	£2,110	33	£1,780	8	£330

2018-8 Johnson Birthplace Museum Third Party Payments

I have reviewed the receipts and payments made in relation to book sales at the Johnson Birthplace Museum , I am pleased to note there are good controls operating.

Year	Book Sales	Payments to Suppliers	Net Sales
2015/16	£3,595	£2,377	£1,218
2016/17	£3,946	£2,638	£1,308
2017/18	£4,306	£2,850	£1,456
2018/19 Estimate	£4,120	£2,760	£1,360

2018-9 Energy Provision

I have reviewed the energy supplier's invoices from 2015 to date. I am pleased to note there are good controls operating.

Year	KWH	Cost	Standing Charge	Total Cost
Electricity				
2015/16	83082	£9,345	£493	£9,838
2016/17	91034	£9,565	£542	£10,107
2017/18	84638	£10,150	£602	£10,752
2018/19 Estimate	85000	£9,230	£1,770	£11,000
Gas				
2015/16	221273	£6,048	£1,954	£8,002
2016/17	234200	£5,789	£2,003	£7,792
2017/18	266490	£6,296	£1,910	£8,206
2018/19 Estimate	270000	£6,800	£1,950	£8,750

2018-10 Business Rates

I have reviewed the impact of business rates revaluation from 01/04/17. I confirm that all payments are made in accordance with financial regulations and standing orders.

Year	No Properties	RV	Business Rates	Business Rate reliefs	Net Business Rates	Lichfield BID
2016/17	4	69,300	£34,302	-£3,479	£30,823	£935
2017/18	4	71,500	£33,348	-£1,641	£31,707	£1,046
2018/19	4	71,500	£34,349	-£580	£33,769	£1,046

2018-11 Telephone Services

I have reviewed the telephone charges from 2015 and I confirm that all payments have been in accordance with financial regulations and standing orders.

Year	Rental Charge	Cost of Calls	Total Cost
2015/16	£3,238	£943	£4,181
2016/17	£3,870	£1,379	£5,249
2017/18	£3,914	£1,624	£5,538
2018/19 Estimate	£4,110	£1,220	£5,330

2017-12 Water Charges

I have Analysed water charges from 2015 and I can confirm that all payments were made in accordance with Financial Regulations and Standing Orders.

Year	Water		Surface Water		Total Cost
	Standard Charge	Usage	Standard Charge	Usage	
2015/16	£316	£959	£276	£1,442	£2,993
2016/17	£304	£906	£354	£1,443	£3,007
2017/18	£355	£2,116	£376	£412	£3,259
2018/19 Estimate	£360	£1,650	£120	£1,010	£3,140

2018-13 Photocopier Service

I have reviewed the photocopier agreements with RICOH and I confirm that all payments are made in accordance with Financial Regulations and Standing Orders.

Year	Rental	Black & White usage	Colour usage	Total Cost
2015/16	£1,857	£227	£1,244	£3,328
2016/17	£1,575	£144	£1,393	£3,112
2017/18	£1,641	£173	£1,144	£2,958
2018/19 Estimate	£1,840	£265	£1,705	£3,810

2018-14 Market Stall Erection and Skip Hire

Market Stall Erection Contract - I have produced a database of charges from 2012 to date. The contract was put out to tender (see Council report 28 November 2016) and subsequently awarded to **All-Fit Towbars & Trailers** for five years with an option to extend for a further three years. This has resulted in an increase of £2,751 in the contract value. and I can confirm that all payments are made in accordance with Financial Regulations and Standing Orders.

Year	Market Stall Erection Cost	Storage Costs
2015/16	£29,897	£3,340
2016/17	£35,343	£3,684
2017/18	£34,234	£3,504
2018/19 Estimate	£35,930	£3,770

Market Skip Hire - I have reviewed the hire charges from 2011/12 to date; The Contract was reviewed by the Town Clerk and further quotes were received and subsequently the contract was reassigned August 2017 producing estimated annual savings of £6,600.

I can confirm that all payments are made in accordance with Financial Regulations and Standing Orders.

Year	Waste Charges	Number of occasions
2015/16	£13,393	95
2016/17	£14,183	104
2017/18	£10,244	105
2018/19 Estimate	£7,870	104

2018-15 Glass Collection

-Bottle Bank Collection Services

I have reviewed the Glass Recycling returns to SCC and the Recycling Credit payments to the Mayor and Sheriff's Charity and I confirm that all payments are made in accordance with Financial Regulations and Standing Orders.

Year	Tonnage	Recycling Credits	Average Credit per Tonne
2015/16	8.548	£413	£48.33
2016/17	11.749	£589	£50.15
2017/18	10.871	£562	£51.69
2018/19Estimate	10.000	£530	£53.00

-Guildhall Glass Collection

I have reviewed the Wheelie Bin Glass collection service provided by Weir Waste Services(from 01/11/18 BIFFA Waste Services) for the Guildhall this currently cost the authority £770 per annum the majority of the glass relates to Lichfield Arts Functions, I confirm that all payments are made in accordance with Financial Regulations and Standing Orders.

However, I have the following recommendation to make;

See 2017/18 Internal Audit Recommendation - 5

2018-16 Payroll Expenses

The purpose of the review was to identify whether there are appropriate controls in place and their operation. Procedures are in accordance with legislation and the Council's agreed policy. Expenditure on staffing is processed and recorded/monitored correctly.

I am pleased to note there are good controls operating.

Exemptions and Dispensations - expenses covered by an exemption, business travel, phone bills, business entertainment, uniform and tools for work.

To qualify for an exemption-

- Paying a flat rate to your employee as part of their earnings-this must be **either a** benchmark rate or a special (bespoke) rate approved by HRMC
- Paying back the employee, actual costs

Evidence is required if actual costs are paid.

I am pleased to note there are good controls operating.

2018-17 Christ Church Interment Fees

I have completed a detailed breakdown of the Interment Fees and maintenance costs. I can confirm that the Interment Fees received are in accordance with the Agreement.

Year	Interment Fees	Number of Burials	Number of Cremated	Number of Memorials
2015/16	£1,684	7	1	8
2016/17	£983	3	0	9
2017/18	£871	4	0	7
2018/19Estimate	£750	4	1	4

2018-18 Market Income

I have completed a detailed review of market receipts for rent/services charges. I am pleased to note there are good controls operating.

Year	Friday Market	Saturday Market	Farmers Market	Tuesday Market	Total
2015/16	£54,393	£54,803	£11,196	£27,120	£147,512
2016/17	£52,381	£58,677	£8,173	£28,568	£147,799
2017/18	£47,229	£54,204	£5,945	£26,299	£133,677
2018/19 Estimate	£49,070	£58,090	£7,660	£30,620	£145,440

However, I have the following recommendation to make;

Recommendation 6

- The Town Clerk reviews the operational arrangements for the markets and the collection of income.

2018-19 Budget /Precept Process

I have reviewed the budget /precept process for 2018-19 and I am pleased to note there are good controls operating.

2018-20 Capital Works -Budgets

I have reviewed individual Capital Works against the budget for 2018/19 and I am pleased to note there are good controls operating.

2018-21 Election Expenses 2018

Lichfield City Council has received details of the election expenses for the by-elections.

By-election	Cost £	Cost per electorate
Stowe Ward December 2017	£6,560	£1.66
Stowe Ward February 2018	£4,010	£1.00 (net of Neighbourhood Plan referendum costs)
Curborough Ward July 2018	£2,958	£1,80 (50% LCC,50%LDC)
Stowe Ward September 2018	£6,560	£1.66 estimated awaiting final invoice

I confirm that all payments are made in accordance with financial regulations and standing orders.

2018-22 Donegal House Rental Agreements

I have Reviewed Lease Agreements, we are currently receiving £18,740 per annum in rental income, I note that a tenant has given notice. I am pleased to note there are good controls operating.

The Council on 12/03/13 recommended Lichfield Arts commencing 17/12/12 pay a contribution of £3,500 towards the operating costs of Donegal House the charge to be deducted from the grant paid to the Lichfield Arts

This was an interim arrangement subject to the renting of the upper floors. This has been successful, therefore a formalise lease and rental agreement should be arranged.

I have the following recommendation to make;

See 2017/18 Internal Audit Recommendation - 6

2018-23 Land Registry

I have reviewed the Land Register schedules and I have established that there is detailed registration of LCC assets. Some areas are subject to some legal issues being resolved

2018-24 The Draft Data Protection Regulation(GDPR)

The General Data Protection Regulation (GDPR) took effect from 25 May 2018
It replaces the existing law on data protection (the Data Protection Act 1998) and gives Individuals more rights and protection regarding how their personal data is used by councils
Local councils and parish meetings must comply with its requirements, just like any other Organisation.

The Council on 05/03/18 approved the preparation for the General Data Protection Regulations

2018-25 Sale of Land

I have reviewed the options agreement and I can confirm that the receipt has been received in accordance with Financial Regulations and Standing Orders,

2018-26 Direct Debits

The Council on 29 January 2018 approved the payment of regular service provision by Direct Debit. and I can confirm that all payments are made in accordance with Financial Regulations and Standing Orders, for the period April to December 2018, 194 transaction have been made totalling £356,337 resulting in savings of £86.

2018-27 Community Infrastructure Levy (CIL)

I have reviewed the income and expenditure and can confirm that they are in accordance with the requirements of the Community Infrastructure Levy(Amendment)Regulations 2013. I note regulation 62A, that the Council must prepare a report for any year in which it receives CIL receipts and must publish the report on its web site and send a copy of the report to the charging authority no later than 30 June following the reported year

I have the following recommendation to make;

Recommendation 7

- That the Town Clerk produces an annual reporting statement as required and submit to Lichfield District Council by 30 June each year.

2018-28 Sheriffs Ride

I have analysis the cost of the Sheriffs ride since 2014-15

I confirm that all payments are made in accordance with financial regulations and standing orders. Regarding the Lunch provide which a charge of £20.00 including vat is made. I note that of 110 provided in 2018-19 51 (46%)were complimentary.

Year	No Riders	Net cost of Ride	No Lunches	Net Cost of Lunches
2015/16	43	£3,412	120	£1,039
2016/17	40	£3,122	122	£976
2017/18	34	£4,025	110	£860
2018/19Estimate	41	£4,700	110	£980

I have the following recommendation to make;

Recommendation 8

- That the Town Clerk reviews the allocation of complimentary lunches provided at the Sheriffs ride.

2018-29 Computer Services

I have reviewed the Computer charges and I confirm that all payments are made in accordance with Financial Regulations and Standing Orders.

Year	Contract	Equipment Maintenance Software Upgrades	Total
2015/16	£3,842	£2,010	£5,852
2016/17	£4,069	£9,510	£13,570
2017/18	£4,872	£5,074	£9,946
2018/19 Estimate	£6,490	£670	£7,160

2017-2018 Internal Audit Recommendation Summaries

No	Details	Management Response	Timescale
1	Financial Regulations and Procedures <ul style="list-style-type: none"> ➤ That the Town Clerk looks at updating of the Financial Regulations in relation to the payment of suppliers by electronic means as soon as possible. ➤ That the Town Clerk includes an annex to Financial Regulations and Procedure in relation to the retention of Documents and produce procedure notes for the disposal of documents paper/electronically 	Agreed	To be completed by March 2019 Completed March 18
2	Transparency <ul style="list-style-type: none"> ➤ That the Building and Open Spaces details be updated to reflect all listed building property and asset details ➤ The Town Clerk notifies Historic England to amend the List Entry name from Donegal House (Tourist Information Centre), attached Railings to Donegal House, and attached Railings. ➤ That the Organisational chart be updated to reflected the changes at Dr Johnson Birthplace. 	Agreed	Completed March 2018
3	Policy and Procedure Documentation – Employees <ul style="list-style-type: none"> ➤ That the Town Clerk produces a sickness policy ➤ That the Town Clerk produce a code of conduct for employees 	Agreed	Completed April 18 Completed November18
4	Review of Corporate Governance <ul style="list-style-type: none"> ➤ I would Recommend that the Town Clerk circulate The Department for Communities and Local Government-The Good Councillors' Guide to Finance and Transparency 	Agreed	Completed March 2018
5	Glass Collection- Guildhall Glass Collection <ul style="list-style-type: none"> ➤ That the Town Clerk look at the current arrangement for the disposal of Glass at the Guildhall, 	Agreed	To be completed by March 2018 Reported to Council December 2018
6	Donegal House Rental Agreements <ul style="list-style-type: none"> ➤ That the Town Clerk arranges to formalise lease/License agreement in relation to Lichfield Arts use of Donegal House. 	Agreed	To be completed by March 2018 Reported to Council December 2018
7	Land Registry <ul style="list-style-type: none"> ➤ That the Town Clerk reviews the Land Registration details and complete the areas that are still outstanding. ➤ That the Town Clerk arrange for land registry Files to be scanned 	Agreed	Ongoing Completed Sept 2018

2018-2019 Internal Audit Recommendation Summaries

No	Details	Management Response	Timescale
1	Insurances ➤ That the Town Clerk review the Public Liability claims as part of the Health and Safety Review.	Agreed	Review ongoing
2	The Local Government Transparency Code 2015 ➤ The Town Clerk submits an updated Pay Policy Statement	Agreed	Updated September 2018
3	Review of Corporate Governance ➤ I would Recommend that the Town Clerk circulate National Association of Local Councils - The Good Councillor's' Guide 2018.	Agreed	To be implemented May 2019
4	Street Lighting Service ➤ That the Town Clerk set up a renewal/replacement programme for street lighting	Agreed	3 Year Programme starting 2019/20
5	Market Miscellaneous Income ➤ That the Town Clerk review the market Square commercial hire rates.	Agreed	Reported to Council January 2019
6	Market Income ➤ The Town Clerk reviews the operational arrangements for the markets and the collection of income.	Agreed	Review Ongoing
7	Community Infrastructure Levy (CIL) ➤ That the Town Clerk produce an annual reporting statement as required and submit to Lichfield District Council by 30 June each year.	Agreed	As required
8	Sheriffs Ride ➤ That the Town Clerk reviews the allocation of complimentary lunches provided at the Sheriffs ride.	Agreed	To be completed by September 2019

APPENDIX D

INSURANCE RISK REGISTER

Category	Area of activity	Risks	Likely frequency	Severity	Review frequency	Triggers for action
Elected Members	Policy decisions Resource allocation Political agenda and priorities Probity Professional Conduct	Injury Assault Fraud, dishonesty and corruption Defamation Breach of confidentiality Libel and slander	Low	Medium	Annually	Per incident
Employees	Professional Advice Professional judgements Financial management Contract management Project planning/management Lack of skills, experience and relevant competency Inappropriate or insufficient training	Liability claims for physical injury Defamation Professional indemnity Fraud, dishonesty and corruption HSE prosecution Breach of Data Protection	Low	Medium	Annually	Per incident Internal Audit work plan
The General Public	Affected by: All services-directly provided All services-commissioned and contracted out Joint and partnership arrangements All premises maintained, managed or occupied	Complaints Legal challenge Ombudsman investigation Liability claims for physical injury Liability claims for damage to property	Low	Medium	Annually	Per incident
Planning	Management information relating to service provision and future needs	Service not resourced and/or fully provided	Low	High	Annually	Budget Reports Estimates
Project Management	All major schemes	Poor value for money Bad professional advice	low	Medium	Per scheme	Per Scheme
Management of Information held	Policies and codes of practices for record systems Information security and data protection Employee records and training	Defence of criminal, civil and employment tribunal actions Judicial challenge Challenge under Human Rights Act	Low	Low	Annually	Per incident Internal Audit work plan
Reputation	Provision of services	Failure to recruit high calibre staff Loss of public confidence	Low	High	Annually	Vacancy Per incident
Business continuity planning	Provision of services	Failure to deliver services	Low	High	Annually	Per incident Internal Audit work plan
Business interruption	All premises	Loss of Gross Income	Low	High	Annually	Per incident

MANAGEMENT RISK REGISTER

The Council is required under Regulation 4 of the Accounts and Audit Regulations 2011 to ensure that the financial management and accounting control systems of the Council are adequate and effective, and that the Council has a system of Internal Control which facilitates the effective exercise of the Council's functions and which includes risk management arrangements. In carrying out this requirement, there are roles for Members and Officers of the Council who will draw information and guidance from legislation and the work done by independent bodies such as the Internal Auditors and financial auditors.

Activity	Identified Risk	Assessment and Action	Notes
Financial	To ensure that the Council maintains responsibility for the finances of the Council and that the procedures to be followed are set out for everyone to understand. That ongoing checks of the Council's financial dealings are carried out and reported to the Council	The Council has in place Financial Regulations and procedure notes that detail the controls and procedures to be followed and responsibilities. These are aimed to secure efficient and prudent control of the Council's finances. Financial reports are presented for consideration by Council and/or the Audit Committee.	The Council on 24 June 2014 Adopted a local Government Pension Scheme-Employer Discretions Policy
Financial	That core activities of the Council are given precedence in allocation of the Council's financial and human resources.	The Council will give due regard to the Strategic Plan objectives when determining priorities for allocation of resources.	
Financial	That the Council's finances are sufficient to enable it to continue providing its identified priority services	Regular reports are submitted to Council comparing actual expenditure to date to budget. Budgets are set with due regard to previous expenditure levels, inflationary pressures, and foreseeable variations in service levels, costs and other factors. There is also a general reserve in place for unexpected and unbudgeted expenditure so as to allow the Council to continue to operate.	
Financial	That the Council is run efficiently and effectively	In addition to internal management checks, there are annual financial and systems audits carried out by the Council's internal auditor through the agreed Internal Audit programme. There is an annual external audit carried out by the Council's auditors.	
Financial	To protect the Council against theft from an officer or former officer of the Council	The Council has fidelity insurance. The Council has an approved anti-fraud and corruption checklist.	The Anti Fraud and Corruption Strategy, Whistle blowing Policy and Fraud Investigation Manual also Money Laundering Policy including the Bribery Act 2010 have been approved by Council March 2012, updated March 2017
Financial	The loss of computerised financial records and other records	The Council has an approved back-up and security strategy for its computer systems and records.	

Activity	Identified Risk	Assessment and Action	Notes
Financial	That the Council's business is protected against loss, damage or claims made upon it.	The Council has a combined insurance policy with Zurich Municipal for buildings and property, public and employer's liability.	
Health and Safety	Failure to comply with Health and Safety legislation	The Council has a comprehensive Health and Safety Risk Assessment for its activities and premises.	The Town Clerk has engaged Terrain Health & Safety Consultants to provide services including risk assessments of city council building's and working practices
Central Administration	The Council has in place sufficient qualified and/or experienced staff to operate and manage its activities and structures are in place to protect the operations against the loss of a key member of staff	The Town Clerk (RFO) is supported by a Deputy Clerk to deputise in his absence and a separate Internal Auditor (who formerly undertook the Council's Treasurer function). Other key administrative staff have assigned duties, but are multi-skilled and there is considerable shared knowledge of roles to ensure the continuation of operations in the event of one person being unavailable to carry out their duties. There are a team of Premises Attendants employed to ensure the smooth operation of the Guildhall. Written procedure notes are available for key duties, and premises manuals are largely complete. The Staffing Committee undertakes an annual review of the staffing establishment available to service the Council's functions.	
Central Administration	How would operations continue following the loss of premises due to a major incident?	Emergency office accommodation can be provided in Guildhall rooms.	
Markets Operation	Interruption/cancellation of Markets activities	If the Market Square was unavailable alternative arrangements could be made to operate in the streets (as happened during Market Square repaving works.) Net income from the Markets activities could reduce significantly before it affected the overall financial position of the Council.	
Room Hire at Guildhall	Interruption/cancellation of room hire through loss of building by fire etc	The building and contents are insured against loss. Loss of the Guildhall would not in itself affect the ability of the Council to function. No business interruption insurance is held as the income lost from Guildhall hire would be sufficiently mitigated by reduced operating costs.	
Community Centres	Loss of properties through fire etc. Failure/disbandment of management committees.	The building and contents are insured against loss. Temporary closure during reconstruction of the Community Centres would not in itself affect the ability of the Council to function.	Council 30/11/15 agreed to take on the temporary, day to day management of Boley Hall.

Activity	Identified Risk	Assessment and Action	Notes
		The Council has sufficient experience from operating Guildhall to temporarily take over running of the Community Centres should a management committee cease to function (as evidenced at Boley Hall).	
Grounds maintenance	The contractor goes into liquidation, or tender price on contract rises significantly.	Current contract is with Lichfield District Operational Services (District Council's DSO) the Council has entered into an ongoing Service Level Agreement.	.
Land	Loss of land, or public open space, through encroachment, adverse possession etc	Boundaries of areas known, recorded and inspected.	Registration of land holdings is substantially completed and ongoing. Some areas are subject to some legal issues being resolved
Twinning	Interruption/cancellation of Twinning activities	Twinning activities are a non-essential activity.	
Johnson Birthplace	Loss of properties through fire etc.	The building and contents are insured against loss. Temporary closure during reconstruction would not affect the ability of the Council to function.	
Legal	Litigation against Council	Council has Public Liability and Employer's liability insurance. Control measures in place to reduce likelihood of successful claims	
Data Protection	Non-compliance with the General Data Protection Regulations	Upgrade to server and workstation monitoring. Retention of Documents Secure website and enquire forms	The Council has formally adopted the following Policies - Retention of Documents Policy 5/0318 -Information & Data Protection Policy 23/04/18 -Social Media & Electronic Communication Policy 23/04/18 -Recoverable Media Policy 18/06/18

APPENDIX E

ANNUAL INTERNAL AUDIT REPORT 2018/19

The Smaller Authority's Internal Audit, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in operation **during** the financial year ended 31 March 2018.

Internal Audit has been carried out in accordance with this smaller 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 the smaller authority.

		Agreed		
		Yes	No	Not Covered
A	Appropriate accounting records have been properly kept throughout the financial year.	√		
B	This smaller authority met 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 council approvals, and PAYE and NI requirements were properly applied.	√		
H	Assets 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	Trust funds (including Charitable) - The Council met its responsibilities as a trustee	√		

For any other risk area identified by the council (list any other risk areas below or on separate sheets if needed) adequate controls existed:
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