



## **Final Internal Audit Report**

# **Bishop's Stortford Town Council 2018/19**

**June 2019**

**Issued to:** James Parker – Chief Executive Officer  
Mark Westwood – Finance Manager

**Town Clerk to  
supply a copy to :** Bishop's Stortford Town Councillors

**Report Status:** Final

**Reference:** Z01/19/001

**Overall  
Assurance:** Good

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## 1. EXECUTIVE SUMMARY

### Introduction

- 1.1 This review was undertaken as part of the planned provision of internal audit services to Bishop's Stortford Town Council covering the 2018/19 financial year.
- 1.2 Bishop's Town Council is a market town which consists of 5 wards represented by 18 Councillors. The population of Bishop's Stortford in 2011 was around 40,000 and continues to grow with new housing developments in the town.
- 1.3 The Council is the trustee for the Brazier Trust which was a gift of a piece of land, part of which is a car park which generates its income and the remainder forms part of the town meads.
- 1.4 The purpose of the tests performed on a selection of key controls is to give the Town Council assurance that internal controls are operating effectively and to enable the annual return to be completed and signed.

### Overall Audit Opinion

- 1.5 In relation to the Bishop's Stortford Town Council's internal control framework the overall audit opinion is that we can provide overall **good assurance** that there are effective controls in operation for those elements of the risk management processes covered by this review to meet the Town Council's objectives. These are detailed in the Assurance by Risk Area table in section 2 below.
- 1.6 For definitions of our assurance levels, please see Appendix C.

### Summary of Recommendations

- 1.7 We have made one low priority recommendations to improve the existing control environment. This is included in Appendix A.
- 1.8 The audit work undertaken in this audit is detailed in Appendix B and for definitions of our assurance and priority levels, please see Appendix C.
- 1.9 The responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity.

### Annual Governance Statement

- 1.10 This report provides good levels of assurance to support the Annual Governance Statement.

## 2. ASSURANCE BY RISK AREA

2.1 Our specific objectives in undertaking this work, as per the Terms of Reference, were to provide the Council with assurance on the adequacy and effectiveness of internal controls, processes and records in place to mitigate risks in the following areas:

Risk Area	None	Limited	Satisfactory	Good
Maintenance of proper financial records				
Compliance with the Council's Financial Regulations and proper accounting for VAT				
Adequacy of Risk Management arrangements				
Effective budgeting and budgetary control				
Identification of income due and timely collection and banking of such monies				
Proper administration of petty cash				
Proper administration of salaries of employees including PAYE and allowances for Town/Parish Councillors				
Maintenance of an accurate and reliable Asset Register and insurance				
Properties owned by the council				
The completion of regular bank reconciliations				
The proper preparation of year-end accounts				
To ensure that the annual return is being completed				
Processes are in place to combat fraud or irregularities				
The Council has met its responsibilities as a trustee.				

<b>Overall</b>				
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2.2 See definitions for the above assurance levels at Appendix C

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
1.	<p><b>Risk Assessment</b></p> <p>A risk assessment document was in place but had not been reviewed during the year which is contrary to Financial Regulations which state that it should be reviewed annually. It is usually reviewed in May; however, due to a change of staff, it had not been put on an agenda to review in the year.</p> <p><u>Associated Risk</u></p> <ul style="list-style-type: none"> <li>• Contrary to financial regulations.</li> <li>• New risks may not have had a mitigating control put in place potentially leading to financial or reputational loss to the council.</li> </ul>	Low	<p>We recommend that the Town Council ensures that this review is carried out annually.</p> <p>We acknowledge that at the point of this report the 2019/20 review of the risk assessment has taken place.</p>	<p>Ensure that the risk assessment review takes place annually.</p> <p><b>Responsible Officer:</b> Mark Westwood, CFO</p>	30 June 2019





No	Control Area	Work Undertaken
1.	<b>Financial Regulations &amp; Standing orders</b> The Council's Financial Regulations and Standing Orders specify appropriate systems of accounting and internal control.	Financial Regulations were last updated in May 2017 and were not updated this year as it is a biennial review. Standing Orders were amended and approved by Full Council on 14 May 2018.
2.	<b>Payments</b> Payments are evidenced by valid authorised invoices and the treatment of VAT is correct.	Payments are appropriate and authorised invoices are retained to support the payment. VAT is treated correctly.
3.	<b>Risk Management</b> The Council has effective risk management processes to manage risks to the achievement of its objectives.	The risk management process was not reviewed this year contrary to the financial regulations which state they should be reviewed annually. See recommendation 1 in the Management Action Plan.
4.	<b>Budget Setting &amp; Monitoring</b> The annual precept requirement resulted from an adequate budgetary process, performance against budget is monitored and reserves are appropriate.	<p>An adequate budget setting process is in place where three scenarios were taken to the Finance &amp; General Purposes Committee on 22 January 2018. From the minutes of the meeting it appears little discussions took place at that time but we were informed that the scenarios would have been discussed by the councillors on receiving the papers prior to the meeting. The budget was approved by Full Council on 5 February 2018.</p> <p>The precept notification was £19 different to that agreed at the budget setting as the estimated tax base and the actual were slightly different. The actual tax base figure was not available at the time of the budget setting.</p> <p>Budgetary Control is monitored by the FGP Committee at each</p>

		meeting where they are presented with the spending and variances.
5.	<b>Income</b> Income is received in full, properly recorded and promptly banked. VAT treatment is correct. Security of cash is effective.	The annual precept was received in two instalments in the year. All income was received, recorded and banked promptly where necessary. VAT was correctly accounted for.  All cash received is held securely and banked intact.
6.	<b>Petty Cash</b> Petty cash payments are supported by valid receipts, expenditure is approved and VAT appropriately accounted for.	Petty cash payments are supported by valid receipts and are appropriate. These were recorded with the proper accounting for VAT.
7.	<b>Payroll</b> Salaries to employees and members allowances are paid in accordance with contracts and council approvals. Income tax and NI deductions are properly accounted for.	The Town Council approved an increased budget of 2.5% for 2018/19 salaries for the Chief Executive Officer to allocate to staff based on performance and workload. Councillors also approved a 2.5% increase for the Chief Executive Officer.  Members, with the exception of the Town Mayor, do not receive an allowance. This allowance is paid through the payroll.  Income tax, NI and other deductions are properly accounted for and paid to the outside bodies in a timely manner.
8.	<b>Asset Register</b> Asset / investment registers are complete and accurate.	The Asset Register is updated annually with the acquisitions and disposal of assets recorded at year end. The Asset Register is complete and accurate.
9.	<b>Property</b>	Properties owned by the Council are well managed and

	Properties owned by the Council are well managed and maintained	maintained as demonstrated by the budget available and expenditure incurred to maintain them.
10.	<b>Bank Reconciliation</b> Regular bank reconciliations are completed and errors investigated and cleared promptly.	Monthly bank reconciliations are carried out and agree with the bank statements. If necessary where differences are found, errors are investigated and cleared.
11.	<b>Year-End Procedures</b> Year-end accounts are prepared on the correct accounting basis (e.g. Receipts & Payments or Income & Expenditure), agreed with the Cashbook and supported by an adequate audit trail from underlying records including debtors and creditors. The annual return is completed and returned in a timely manner.	Year-end accounts are prepared using the income and expenditure method. The accounts agreed with the cashbook, bank statements and supporting records with an adequate audit trail.  The annual return is completed, approved by Full Council and sent to the external auditors in a timely manner.
12.	<b>Managing the Risk of Fraud</b> Processes and controls minimise the risk of fraud.	A range of controls are in place to minimise the risk of fraud to or within the Council.
13.	<b>Trusteeship</b> The Council has met its responsibilities as a trustee.	Bishop's Stortford is trustee for the Brazier Trust which has a good income source and runs through the council accounts. The councillors have regular trustee meetings to discuss issues. Annual accounts are produced for the trustees and these are audited by an independent examiner in May of each year.
14.	<b>Review of previous Audit Recommendations</b> Recommendations from previous assurance reviews have been implemented in a timely manner.	No recommendations were made by either internal or external audit last year.



Assurance Level	Definition
Good	The design and operation of the internal control framework is effective, thereby ensuring that the key risks in scope are being well managed and core objectives will likely be achieved. There are minor reportable audit findings.
Satisfactory	The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements.
Limited	The system of internal control is only partially effective, with important audit findings in key areas. Improvement in the design and/or operation of the control environment is necessary to gain assurance risks are being managed to an acceptable level, and core objectives will be achieved.
No	The system of internal control has serious gaps, and controls are not effective in managing the key risks in scope. It is highly unlikely that core objectives will be met without urgent management intervention.

Priority Level			Definition
Corporate	Critical		Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
	High		Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
Service	Medium		Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low / Advisory		Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.