



Final Internal Audit Report

Bishops Stortford Town Council

June 2018

Issued to: James Parker – Chief Executive
Mark Westwood – Chief Financial Officer

Chief Executive to supply a copy to: Bishops Stortford Town Councillors

Report Status: Final

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Overall Assurance: Full

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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 Bishops Stortford Town Council.
- 1.2 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

- 1.3 In relation to the Town Council's internal control framework the overall audit opinion is that we can provide overall **full 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 and definitions of our assurance levels are in Appendix B.
- 1.4 The Town Council has a robust budget setting process and budgetary control is reviewed at each meeting of the Finance & General Purposes Committee. Financial management of income and expenditure, including the payment of salaries, is carried out in accordance with the Council's Financial Regulations. The full risk assessment review that took place ensured that controls were in place to mitigate all the risks to the Town Council.
- 1.5 The cash book including entries for VAT was recorded correctly in year supported by balancing monthly bank reconciliations. This resulted in accurate end of year figures for the annual accounts and end of year return.
- 1.6 A new property was purchased, previously tenants, which was one of the additions to the asset register at the end of the year and was insured in a timely manner. A new PWLB loan was taken out to cover this purchase.

Summary of Recommendations

- 1.7 No recommendations are made in this report for the areas covered by this audit.
- 1.8 The audit work undertaken to complete this audit is detailed in Appendix A.
- 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	Moderate	Substantial	Full
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.					
Overall					

2.2 See definitions for the above assurance levels at Appendix B.

No	Control Area	Work Undertaken
1.	Financial Regulations & Standing orders The Council's Financial Regulations and Standing Orders specify appropriate systems of accounting and internal control.	The Financial Regulations were reviewed by the Finance & General Purposes (FGP) Committee before being adopted at the Full council meeting on 22 May 2017 and Standing Orders were amended and approved by the Full council on 20 June 2017.
2.	Payments 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.	Risk Management The Council has effective risk management processes to manage risks to the achievement of its objectives.	Risk management processes are adequate to manage the risks. The risk management process was reviewed by the FGP Committee on 22 May 2017 and adopted by the Council on 19 July 2017.
4.	Budget Setting & Monitoring The annual precept requirement resulted from an adequate budgetary process, performance against budget is monitored and reserves are appropriate.	An adequate budget setting process is in place where two scenarios were taken to the FGP Committee on 23 January 2017 to discuss and a decision was made on which scenario to recommend the Full Council to approve. The budget was approved by the Full Council on 6 February 2017. Budgetary Control is monitored by the FGP Committee at each meeting where they are presented with the spending and variances. The Reserves held are at an appropriate level.

5.	Income Income is received in full, properly recorded and promptly banked. VAT treatment is correct. Security of cash is effective.	<p>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.</p> <p>All cash received is held securely and banked intact.</p>
6.	Petty Cash Petty cash payments are supported by valid receipts, expenditure is approved and VAT appropriately accounted for.	<p>Petty cash payments are supported by valid receipts and are appropriate. These were recorded with the proper accounting for VAT.</p> <p>The recommendation made in 2016/17 had been implemented with improved recording of petty cash transactions.</p>
7.	Payroll Salaries to employees and members allowances are paid in accordance with contracts and council approvals. Income tax and NI deductions are properly accounted for.	<p>The Town Council approved an increased budget of 3% for 2017/18 salaries for the Chief Executive to allocate to staff based on performance and workload.</p> <p>A reorganisation took place during the year which was enabled by some staff leaving. Increased responsibilities and therefore a pay rise was given to two members of staff.</p>
8.	Asset Register Asset / investment registers are complete and accurate.	<p>The Asset Register is updated annually with the acquisitions and disposal of assets recorded at year end. This year included the ownership of a new property. The Asset Register is complete and accurately recorded.</p>
9.	Property Properties owned by the Council are well managed and maintained	<p>As stated above a new property was purchased during the year where they were previously tenants.</p>

		Properties owned by the Council are well managed and maintained shown by the expenditure that is spent to maintain them.
10.	Bank Reconciliation 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 identified and cleared.
11.	Year-End Procedures Year-end accounts are prepared on the correct accounting basis (eg. 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.	Managing the Risk of Fraud Processes and controls minimise the risk of fraud.	A range of controls were found to be in place to minimise the risk of fraud to or within the Council.
13.	Trusteeship The Council has met its responsibilities as a trustee.	Bishops Stortford are trustees for the Brazier Trust which has a good income source and runs through the council accounts. Annually accounts are produced for the trustees and it is audited by an independent examiner. This audit has already been carried out for this year.

14.	Review of previous Audit Recommendations Recommendations from previous assurance reviews have been implemented in a timely manner.	Two recommendations were made by the internal auditors last year which had been implemented in a timely manner. The external auditors did not make any recommendations.
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Levels of assurance	
Full Assurance	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives. No weaknesses have been identified.
Substantial Assurance	Whilst there is a largely sound system of control, there are some minor weaknesses, which may put a limited number of the system objectives at risk.
Moderate Assurance	Whilst there is basically a sound system of control, there are some areas of weakness, which may put some of the system objectives at risk.
Limited Assurance	There are significant weaknesses in key control areas, which put the system objectives at risk.
No Assurance	Control is weak, leaving the system open to material error or abuse.

Priority of recommendations	
High	There is a fundamental weakness, which presents material risk to the objectives and requires urgent attention by management.
Medium	There is a significant weakness, whose impact or frequency presents a risk which needs to be addressed by management.
Merits Attention	There is no significant weakness, but the finding merits attention by management.