



Final Internal Audit Report

Bishops Stortford Town Council 2020-21

June 2021

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

CEO to provide copies to: Bishops Stortford Town Councillors

Report Status: Final

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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 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 **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.
- 1.4 In reaching our overall assurance opinion we have concluded that appropriate, up to date and approved documents are in place and accounting records are accurately maintained throughout the year to enable the production of a balancing set of accounts for the council to sign off along with the annual return.

Audit Commentary

- 1.5 Financial Regulations are reviewed biennially unless processes need to be amended. The Financial Regulations were reviewed in November 2020 to include the implementation of the electronic saving of documents. Standing Orders are reviewed annually and this takes place in May each year.
- 1.6 Our audit testing showed that Income and Expenditure is supported by valid authorised invoices and accurately recorded, separating VAT where appropriate. We confirmed that VAT claims are made quarterly in a timely manner. There were only a small amount of petty cash claims and these were correctly accounted for with supporting receipts.
- 1.7 We have confirmed that risk assessments were reviewed during the year where reference to the coronavirus pandemic had been considered, they were formally adopted at the Full Council meeting in October 2020.
- 1.8 The budget setting process starts in October/November 2020 to have the draft figures by the end of the year. This enables the draft to be submitted for review by the Finance and Policy Committee in January 2020 and approval by the Full Council in early February 2020. The precept notification deadline from East Herts Council is late February so the precept can be notified in a timely manner. The precept for 2020-21 was £1,096,515. The Monitoring of the budget is carried out by the Finance and Policy Committee. This Committee meet five times a year and budget monitoring is undertaken at the meeting following the end of each quarter. The budget monitoring does not show forecasting, it highlights the difference between budget and spend with details of any large overspends being reported to the Committee by the Finance Manager.

- 1.9 The Council do not follow NJC scales for their payroll with the exception of two members of staff who have been working at the council for many years. Annually approved by the members is an average percentage pay rise across the members of staff. This does not mean that each member of staff gets the same rise but the increases must average out to no more than the percentage agreed, for 2020-21 it was 3%. Two changes to pay during the year were also reviewed, one new starter and one increase in hours. The Chief Executive Officer does not need to seek approval of changes to pay if increases do not exceed the budget approved by the Council at the start of the year. Councillors do not receive any allowance with the exception of the Town Mayor whose pay goes through the payroll.
- 1.10 Bank Reconciliations are produced on a monthly basis. For the two months that we reviewed, July 2020 and March 2021, we confirmed that both reconciliations balanced and the March 2021 figures agreed with the final accounts.
- 1.11 The Council are responsible for three trusts, Brazier Trust, Market Square Toilets and Sworder Field. The Brazier Trust supports itself from its income and have trustee meetings when required during the year. For the latter two, their expenditure is supported by a revenue grant from Bishops Stortford Town Council to break-even and discussions about these take place at the Finance and Policy Committee and the Full Council meetings. Separate accounts are prepared for each and approved by the trustees.
- 1.12 During the Coronavirus pandemic, most staff have been working at home with remote access to systems. Through our testing, we have confirmed that the internal control environment and governance arrangements have remained strong with the changes to operational delivery resulting from the pandemic.
- 1.13 For definitions of our assurance levels, please see Appendix B.

Summary of Recommendations

- 1.14 No recommendation for improvement in control areas have been made so there is no management action plan appended. The audit work undertaken is shown in Appendix A.
- 1.15 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.

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.				
Overall				

2.2 See definitions for the above assurance levels at Appendix B

Area	Control	Control Satisfactory
1. Maintenance of proper accounting records and preparation of Accounting Statements	• Accuracy of Accounting Records	Yes
	• End of Year accounts	Yes
2. Adoption of the Council's Financial Regulations, Contract Standing Orders and Governance	• Financial Regulations	Yes
	• Standing Orders	Yes
	• Meeting Minutes and declaration of conflicts of interest	Yes
3. Payment Controls including treatment of VAT and Section 137 expenditure	• Payment of invoices	Yes
	• VAT on payments	Yes
	• Section 137 expenditure	Yes
4. Risk Management Processes	• Risk Assessment	Yes
5. Budget setting and monitoring	• Budget Setting	Yes
	• Precept notification	Yes
	• Budget Monitoring	Yes
6. Income received and VAT	• Receipt of Precept	Yes
	• Receipt of income	Yes
	• VAT on income	Yes
	• Banking of income	Yes
7. Petty Cash Payments	• Petty Cash payments	Yes
	• VAT on cash payments	Yes

Area	Control	Control Satisfactory
8. Payroll records including Income Tax, National Insurance and Pensions	• Pay policy/process	Yes
	• Annual salary increases	Yes
	• Individuals salary increase	Yes
	• Members/Mayors Allowances	Yes
	• Salary deductions paid to external bodies (Tax and Pension)	Yes
9. Completeness of Asset and Investment Registers	• Asset Registers	Yes
	• Investments	Yes
10. Bank Reconciliations	• Bank Reconciliations	Yes
11. Trusteeships	• Trusteeship Accounts	Yes

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.
Service	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.
	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.