



Final Internal Audit Report

Harpenden Town Council 2016/17

June 2017

Issued to:	Carl Cheevers – Town Clerk
Copied to:	Paul Smith – Finance Manager Harpenden Town Council Members
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 Harpenden 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 **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.
- 1.4 The Town Council has a robust budget setting process and budgetary control is reviewed at each meeting of the Policy & Finance 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 We found one example of an inappropriate use of the corporate credit card that is issued to the Town Clerk. This was made in error by a member of staff but the controls in place meant that this was identified on receipt of the monthly credit card statement and the error rectified immediately.
- 1.6 For definitions of our assurance levels, please see Appendix B.

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.	<p>Financial Regulations & Standing Orders The Council's Financial Regulations and Standing Orders specify appropriate systems of accounting and internal control.</p>	<p>Financial Regulations and Standing Orders had been reviewed and updated. Financial Regulations were approved and adopted by Full Council on 9 May 2016. Standing Orders were approved by Full Council on 30 November 2015.</p> <p>At the time of the audit a full review of the Financial Regulations and Standing Orders was being reported to the Full Council on 8 May 2017.</p>
2.	<p>Payments Payments are evidenced by valid authorised invoices and the treatment of VAT is correct.</p>	<p>Payments were evidenced by valid authorised invoices. The correct application of VAT was shown and appeared on the VAT claim. Payments using the corporate credit card were reviewed and all were for appropriate items with the exception of one payment made in error using the card which was identified and dealt with immediately the monthly statement showing purchases made was received.</p>
3.	<p>Risk Management The Council has effective risk management processes to manage risks to the achievement of its objectives.</p>	<p>A full review of the risk register was undertaken by a member working party, set up for this purpose. The updated risk register was approved by the Council on 30 January 2017.</p>
4.	<p>Budget Setting & Monitoring The annual precept requirement resulted from an adequate budgetary process, performance against budget is monitored and reserves are appropriate.</p>	<p>An effective budget setting process took place by the Town Council prior to the start of the 2016/17 financial year with the involvement of the accounts working party and the Policy & Finance Committee. The 2016/17 budget was approved on 25 January 2016.</p>

		Budget Monitoring takes place at each Policy & Finance Committee meeting where reports are presented showing variances and end of year forecasts.
5.	<p>Income Income is received in full, properly recorded and promptly banked. VAT treatment is correct. Security of cash is effective.</p>	<p>The correct precept was received in full at the start of the year from St Albans City & District Council. Income is promptly banked and VAT is treated correctly. Cash is held securely in the safe with a limited float available at Reception during the day. Amounts held in the safe are within the insurance limits.</p>
6.	<p>Petty Cash Petty cash payments are supported by valid receipts, expenditure is approved and VAT appropriately accounted for.</p>	<p>Petty cash is used for appropriate small amounts of expenditure and is supported by receipts. VAT is properly accounted for.</p>
7.	<p>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>	<p>Salaries to employees and members are agreed at the start of the year and Income tax and NI deductions are properly accounted for and paid to HMRC in a timely manner. The Town Mayor has part of the allowance up front with the rest paid through the payroll at the end of the term.</p>
8.	<p>Asset Register Asset / investment registers are complete and accurate.</p>	<p>The Asset Register was updated for new assets acquired during 2016/17. The register was complete and accurate.</p>
9.	<p>Property Properties owned by the Council are well managed and maintained</p>	<p>No new properties were acquired by the Council during 2016/17 and those they own I was told are well managed and maintained.</p>

10.	<p>Bank Reconciliation Regular bank reconciliations are completed and errors investigated and cleared promptly.</p>	Regular bank reconciliations were completed and two of these were checked. No errors were found.
11.	<p>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.</p>	<p>Year-end accounts are prepared using the income and expenditure method. The accounts agreed with the cashbook, bank statements and supporting records.</p> <p>The annual return is completed, approved by Full Council and sent to the external auditors in a timely manner.</p>
12.	<p>Managing the Risk of Fraud Processes and controls minimise the risk of fraud.</p>	A range of controls were found to be in place to minimise the risk of fraud to the Council.
13.	<p>Trusteeship The Council has met its responsibilities as a trustee.</p>	Harpenden Town Council does not have any trustee responsibilities.
14.	<p>Review of previous Audit Recommendations Recommendations from previous assurance reviews have been implemented in a timely manner.</p>	<p>No recommendations were made by the external auditors from their 2015/16 work.</p> <p>Although no formal recommendations were made in the 2015/16 internal audit, two areas were noted where changes should be considered. These changes were implemented.</p>

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.