



## **Final Internal Audit Report**

# **Buntingford Town Council - 2022/23**

**May 2023**

**Issued to:** Jill Jones – Town Clerk

**Copied to  
(Final Only):** Buntingford Town Councillors

**Report Status:** Final

**Reference:** Z5602/23/034

**Overall  
Assurance:** Substantial

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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 Buntingford Town Council (BTC).
- 1.2 Buntingford is a historic market town in Hertfordshire. The Town Council consists of twelve Councillors who were elected to serve a four-year term. Amongst its responsibilities, the Town Council continue to maintain green space and play areas within the town. It also manages Layston Court Gardens under agreement with East Herts Council.
- 1.3 BTC also continue to operate the Seth Ward Community Centre and has delegated the day-to-day management of the Norfolk Road Pavilion to the Buntingford Cricket Club.
- 1.4 The purpose of the audit tests performed is to give BTC assurance that key internal controls are in place and operating effectively. It also enables the Annual Governance and Accountability Return (AGAR) to be completed and signed.

### Overall Audit Opinion

- 1.5 In relation to the BTC's internal control framework, the overall audit opinion is that we can provide **substantial assurance** that there are effective controls in operation for those elements of the risk management processes covered by this review. These are detailed in the Assurance Area table in section 2 below.

### Audit Commentary

- 1.6 Financial Regulations and Standing Orders are reviewed annually by the Town Clerk and have also been reviewed and approved by Full Council for the 2022/23 financial year. We noted that the Financial Regulations and Standing Orders are readily available on the Council's website.
- 1.7 It was confirmed that twelve Councillors had completed a declaration of interest at the start of their elected term. These had also been signed and dated stating, where applicable, any conflict of interest. This was subsequently noted at the Full Council Meeting. Based upon our sample testing of Council minutes, it was noted that no further declarations had been recorded.
- 1.8 The treatment of VAT applied to creditor payments was confirmed as accurate and included on associated VAT returns in a timely manner. Expenditure records matched invoices for those examined during our sample testing.
- 1.9 The Council has continued to maintain a clear petty cash log and has retained evidence of purchases based upon the sample reviewed during the audit. With regards to the independent review of petty cash, Financial Regulations (point 3.6) state "*the petty cash is to be reviewed on a quarterly basis by the Mayor or Deputy*". An examination of the petty cash slips showed that these had been reviewed three times throughout the year and on one of these occasions it was carried out by the Admin Officer.
- 1.10 It was confirmed that risks are assessed annually by the Town Clerk and were presented

to Full Council for approval on 27/01/2022. Budget setting also took place over three months, October, November, and December, with input from Committees prior to approval by Full Council. The 2022/23 budget was approved at the Full Council meeting on 27/01/2022. The approved budget also matched the precept form submitted to East Herts Council.

- 1.11 Audit evidence also demonstrated formal budget monitors were issued to Full Council on four occasions in 2022/23. These dates being June 2022, September 2022, January 2023, and March 2023. We confirmed that Full Council received a list of income and payments, which were sent out with the agenda one week before the actual meeting.
- 1.12 There were no changes in pay for staff during 2022/23, apart from the agreed annual pay increase. A sample review of the payroll run confirmed the pay of four members of staff. Payments to outside bodies for pension, tax and national insurance were also confirmed as correct and made in a timely manner.
- 1.13 A sample of bank reconciliations from 2022/23 were reviewed, covering the Barclays Current account, Barclays Active Saver account and the Post Office account. These reconciled with appropriate evidence retained to support the reconciliations. We noted that the Current account was typically reconciled on a weekly basis and occasionally every two weeks depending on workload. The Active Saver account was reconciled monthly and the Post Office account on a yearly basis. These all coincided with when the bank statements were issued. We noted that these were all signed by the Town Clerk and not dated.
- 1.14 The final ledger figures (nominal balances) were correctly transferred into the end of year accounts. Supporting evidence for the bank balances were provided to support the figures in the end of year accounts.

### **Summary of Recommendations**

- 1.15 Our recommendations are included in Appendix A and the audit work undertaken is shown in Appendix B. We have provided one Low priority recommendation for consideration by the Council. This relates to independent checks carried out on petty cash.
- 1.16 The responsibility for a sound system of internal control rests with the Council 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.

### **Advisory Actions**

- 1.17 We reviewed the Council's bank reconciliations and found that they were all reconciled within a timely manner. The Town Clerk has signed all copies as required; however they were not dated to show when this was carried out. We therefore advise that whoever completes the reconciliations signs and dates the document on the day of completion.

### **Annual Governance Statement**

- 1.18 This report provides substantial levels of assurance to support the Council's Annual Governance Statement.

## 2. ASSURANCE 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:

Assurance Area	No	Limited	Reasonable	Substantial
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				
<b>Overall</b>				

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>Petty Cash</b></p> <p>We reviewed all petty cash payments made during the 2022/23 financial year.</p> <p>During our review we noted that the petty cash was independently checked three times during the year, and on one of these occasions it was carried out by the Admin Officer.</p> <p>Financial Regulations, point 3.6, state <i>'The Mayor or Deputy Mayor shall undertake quarterly spot checks of compliance with Financial Regulations i.e. review of purchase card or petty cash payments'</i></p> <p><u>Associated Risk</u></p> <p>Where petty cash is not spot checked in accordance with Financial Regulations, it may lead to errors not being identified in good time and corrective action not being taken.</p>	Low	We recommend that the petty cash is verified on a quarterly basis by either the Mayor or Deputy Mayor in accordance with Financial Regulations, point 3.6.	<p><b>Responsible Officer:</b></p> <p>We will ensure the petty cash check is undertaken by the Mayor or Deputy Mayor</p> <p><b>Target Date:</b></p> <p>Immediate</p>	

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	N/A
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	N/A
	• Banking of income	Yes
7. Petty Cash Payments	• Petty Cash payments	Yes
	• VAT on cash payments	Yes

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



Assurance Level	Definition
<b>Substantial</b>	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priority Level		Definition
Corporate	<b>Critical</b>	 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	<b>High</b>	 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.
	<b>Medium</b>	 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.
	<b>Low</b>	 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.