INTERNAL AUDITORS FINAL REPORT FOR 2019-2020,
REVIEW OF INTERNAL AUDIT PROCEDURES
APPOINTMENT OF INTERNAL AUDITOR
STATEMENT OF INTERNAL CONTROL

1.0 Background

1.1. In March 2019 the Council reviewed the scope of Internal Audit procedures required and appointed a new Internal Auditor in June on a 3 year contract subject to satisfactory performance at the end of Year 1. The Internal Auditor performs an Interim Audit in October/November and a Final Audit once Year End accounts have been produced.

1.2. The Internal Auditor completed the final Audit on Monday 8th June. They have signed the Annual Internal Audit report on the Annual Return for 2019-20 (Appendix 1) and their report and recommendations are detailed in Appendix 2. Only Full Council can approve the Internal Auditors report however the Auditors report and recommendations were considered by the Finance & Policy Committee on 16th June

1.3. In respect of the Internal Auditors recommendations the Clerk advised the Finance Committee as follows:

RECOMMENDATION	Clerk's notes
Public Sector deposit Fund setup as a separate Cash Book on RBS Omega	When investment proposal for reserves decided then this and any other new deposit accounts will all be set up as separate cash books
Increase level of |fidelity guarantee	Currently being addressed in request for quotation to insurance companies for Council's Insurance for next 3 years - for consideration by Council in July
High Level Review in respect of resources, functionality, procedures and current Financial Regulations to better suit the needs of the Council	Current resourcing levels are an issue given the substantial increase in financial transactions the Council now undertakes compared to 4 years ago. The addition of new sales and purchase ledgers to RBS Omega with little opportunity for more than cursory training has not helped. it is essential the functionality and operation of the accounts software is also reviewed to ensure it is being used to its best advantage with a view to reducing the level of duplication/manual report preparation (e.g. into current Schedule of invoices for payments and Schedule of Expenditure)

1.4. The scope of the Internal Audit (Appendix 3) has also been reviewed by Finance & Policy Committee as part of the Corporate Governance Review Timetable and a view was taken on whether the Internal Auditor should be appointed to complete the remaining two years of the contract. Following the recent visit the Clerk has discussed with the Internal Auditor about the incorporation of an additional visit during the year to enable more transactional checking and also training for Councillors and Finance staff on the annual accounting statements including balance sheets, reconciliations etc and processes leading up to the approval of the Annual; Return

1.5. Having reviewed Performance against the Corporate Governance Timetable and following consideration of the Internal Auditors Report and Recommendations, the Town Council is now in a position to consider the Statement of Internal Control for signing by the Chairman of Town Council.

1.6. The Statement of Internal Control below is the last document to be reviewed and signed to enable the Town Council to address the 8 Assertions in the Annual governance Statement. This has already been approved by Finance and Policy Committee for signing by the Chairman of the Committee.

KEYNSHAM TOWN COUNCIL

STATEMENT OF INTERNAL CONTROL 2019-2020

Scope of Responsibility

Keynsham Town Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

Keynsham Town Council is responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Town Council's functions and which include the arrangements for the management of risk.

The Town Council has adopted a Corporate Governance Review Annual Timetable which is reviewed annually.

	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Statement of Internal Control												
AGAR												
Internal Audit review												
Appt Int Auditor												
Annual Risk Mgt												
Insurance Review												
Capital Projects												
Financial Risks And Reserves												
Investments Review												
Budget												
Financial Regulations Standing Orders												
H & S Risk Assessments												
Asset Register												
Internal Control review (all)												

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives: it can therefore only provide reasonable and not absolute assurance of effectiveness.

The Internal Control Environment

The key elements of the Town Council's internal control environment are as follows:

- The Town Council has adopted an Annual Corporate Governance Review Timetable.
- The Town Council has adopted Standing Orders, which set out how the Council operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Standing Orders were reviewed in April 2019.
- The facilitation of policy and decision-making through the establishment of policy committees and full Council. These committees function within approved Terms of Reference that are reviewed annually. Meetings are open to the public except where personal or confidential matters are being discussed in accordance with the relevant legislation.
- The Council publishes documents which contain details of key decisions, these include Council and Committee Minutes, The Annual Report and the Annual Budget.
- In accordance with the Transparency Code 2015, as a local authority with expenditure >£200,000; the Council ensures publication on the website of required information including that required as part of the Model Publication Schedule.
- In accordance with the Accounts and Audit Regulations, the Town Council has provided proper opportunity during the year for the Exercise of Electors rights in inspecting the accounts. A notice was displayed on the website on 19th June 2019 for the duration and removed after the 30 day inspection period which ended on 31st July 2019.
- Services are delivered by people who have relevant experience. All posts have a detailed job description and person specification. Additional training needs are identified through the annual appraisal scheme.
- The Town Council is an equal opportunity employer and has in place policies to safeguard it and its staff. These include Health and Safety, Lone Working, Grievance and Disciplinary and the Town Clerk is responsible for updating these in line with legislation changes and notifies the Council accordingly.
- The financial management of the Council is conducted in accordance with approved policy and the financial rules set out in the Council's Financial Regulations which are reviewed according to the Corporate Governance Timetable and last reviewed in March 2020.
- The Council has designated the Town Clerk as Responsible Finance Officer in accordance with Section 151 of the Local Government Act 1972.
- The system of internal financial control can provide reasonable assurance that assets are safeguarded (annual inventory) that transactions are properly authorised and recorded and that material errors or irregularities are either prevented or would be detected within a timely period.
- The Finance & Policy Committee review the system of Internal Control annually according to the Corporate Governance Timetable and make recommendations to the Town Council meeting.
- The Town Council appoints an internal auditor (Bridget Bowen) to act as its internal auditing body through a procurement process. They are appointed annually and work to an agreed Internal Audit specification that is reviewed annually.

Continued overleaf

- The Town Clerk reviews the Risk Assessment annually for approval by Town Council. This was conducted in October 2019. The accompanying Risk Management Strategy is reviewed annually by the Finance and Policy Cttee.
- The Council undertakes an Annual Review of the Council's Asset Register and Insurance Cover in July prior to renewal in August.
- The Finance & Policy Committee, review the Annual Risk and Reserves Policy and advise the Council on the level at which general reserves should be maintained for the coming year.
- The Council follows a 4-step Budgeting process as follows:

Sept/October	Review of Capital projects, ear marked reserves and CIL and recommendations for projects/provision to EMR for the following year (Finance Cttee).
	Review of Financial Risks and reserves policy and amount of General Reserve to be maintained.
November	Annual Salary review by Personnel Committee.
	Consideration of applications for large grants from Community organisations (Town Council).
	Review of Committee budgets (EATH, Env & Sustainability, Grants) Town Council.
December	Preliminary budget discussed.
January	Approve Budget and Precept.

- The Council has an objective and professional relationship with external auditors as evidenced by the Annual Audit letter.

Review of Effectiveness

Keynsham Town Council has responsibility of conducting, at least annually, a review of the system of internal control. This work is informed by the work of the Internal Auditor, the Town Clerk and also by comments and recommendations made by the external auditor, overseen by the Finance and Policy Committee.

Chairman of Finance & Policy Committee Date

Chairman of Council Date

Town Clerk and RFO Date

RECOMMENDATIONS FROM FINANCE & POLICY COMMITTEE

(i) To note the Internal Auditors completion of the report on the Annual Return (Appendix 1)

(ii) To approve the Auditors report and recommendations (Appendix 2)

(iii) To instruct the RFO to undertake the high level review of processes

(iv) To approve the Internal Audit procedures specification document unamended (Appendix 3)

(v) To approve continuation of the contract with the current Internal Auditor for Years 2 and 3.

(vi) To approve the statement of Internal Control for signing by the Chairman of Town Council when circumstances permitl

APPENDIX 1

Annual Internal Audit Report 2019/20

KEYNSHAM TOWN COUNCIL

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation **during** the financial year ended 31 March 2020.

The internal audit for 2019/20 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Agreed? Please choose one of the following		
	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	✓		
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic and year-end bank account reconciliations were properly carried out.	✓		
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		
K. IF the authority certified itself as exempt from a limited assurance review in 2018/19, it met the exemption criteria and correctly declared itself exempt. *(If the authority had a limited assurance review of its 2018/19 AGAR tick "not covered")*			✓
L. The authority has demonstrated that during summer 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.			✓

M. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes	No	Not applicable
			✓

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken: 4 OCT 19 8 JUN 20 (DD/MM/YY)

Name of person who carried out the internal audit: BRIDGET BOWEN FCA (INTERNAL AUDITOR)

Signature of person who carried out the internal audit: Bridget Bowen (SIGNATURE REQUIRED)

Date: 8 JUNE 2020

*If the response is 'no' you must include a note to state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).

Appendix 2

Bridget.C.Bowen Chartered Accountant

ICAEW CHARTERED ACCOUNTANTS

Bridget.C.Bowen FCA
86 High Street
Weston
Bath BA1 4DD

Tel: 07465 416597
Email: bridget.c.bowen@outlook.com

Dr Cheryl Scott
Clerk to Keynsham Town Council
15-17 Temple Street
Keynsham
BS31 1HF

14 June 2020

Dear Dr Scott

KEYNSHAM TOWN COUNCIL

Internal audit report - Year ended 31 March 2020

The Accounts and Audit (England) Regulations 2015 (as amended) require all Town and Parish Councils to undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

I am bound by the ethical guidelines of the Institute of Chartered Accountants of England and Wales. I confirm that I am independent of the Council.

The internal audit work I have carried out has been planned to enable me to give my opinion on the control objectives set out in the Annual Internal Auditor's Report on the 2019-20 Annual Governance and Accounts Return.

I have complied with the legal requirements and proper practices set out in:

- 'Governance and Accountability for Local Councils – A Practitioners' Guide (England)' 2019
- The Accounts and Audit (England) Regulations 2015 (as amended).

I was appointed as internal auditor to the Town Council on 18 June 2019.

My final internal audit visit for 2019-20 was on 8 June 2020 and I was assisted remotely by Tim Light FMAAT.

Background

The Clerk commenced employment with the Council in 2016. She obtained her CiLCA qualification in January 2019.

Keynsham Town Council has income and expenditure of between £600,000 and £700,000 and is subject to review by the external auditor, PKF Littlejohn. The Council had a clean annual report from the external auditor for 2018-19.

The Council is not a sole manging trustee.

The Council adopted the General Power of Competence in 2019.

It is good practice for the Council to comply with the Local Government Transparency Code 2015.

The Council's accounting records are maintained on RBS Omega.

Internal audit checks

We have undertaken a series of audit tests on the Council's financial records, vouchers, documents, minutes, policies, procedures and insurance documentation to ascertain the efficiency and effectiveness of the Town Council's internal control framework. This internal audit report is based on the audit testing carried out at the visit.

During this visit we checked the following:

- Minutes of Council Meetings
- Bank and cash
- Income and expenditure
- A review of a sample of staff contracts of employment
- Risk assessment and insurance
- Asset register
- Transparency code
- Action taken on the recommendations in this report
- Year end checks

Findings

Details of good practice noted, my recommendations and other matters to be brought to the Council's attention are set out below.

Good practice

- The Council maintains its books and records on RBS software
- The Council has begun to use the ledgers on RBS Omega from 1 September 2019
- The Clerk is aware of the requirements of GDPR and the Council is registered with the ICO
- The Clerk is CiLCA qualified
- All records were up to date and easy to follow
- The budgeting process is detailed and thorough and monitored throughout the year
- Bank reconciliations are carried out promptly each month and were accurate
- VAT claims are made regularly
- The Finance Committee takes an active scrutiny role

Good practice continued

- The risk assessment has been adopted during the year
- The Council complies with the Local Government Transparency Code 2015 (Larger authorities)
- Action has been taken, or is underway, on all of the recommendations in the last internal audit report

Recommendations

Bank and cash

- The PSDF is set up as a separate cash book on RBS Omega

Risk assessment

- The Council should consider increasing the level of its fidelity guarantee to an amount that covers the bank balances at 31 March 2020 plus half the precept

Processing and payment of invoices

- Expenditure was difficult to audit because there are discrepancies between the schedules of invoices for authorisation at meetings, and the schedules of expenditure for each month. This is because one schedule is prepared for the period between meetings, and the other for a calendar month. There were inaccuracies in the dates recorded on both schedules. Not all invoices had been evidenced at the time of payment as being authorised. I understand that some evidence of authorisation had been added at a later date.

  The RFO has plans to improve the accuracy of data input and adherence to proper procedures for invoice processing and payment. Periodic overview by the RFO will be introduced.

  It appears that there is currently insufficient resource in the finance department to manage the number of transactions now made the Town Council.

  I recommend that a high-level review of the processes in place is undertaken and that the Council considers amending its Financial Regulations to improve the process to suit the activities and needs of the Council.

Other matters

- The Annual Internal Audit Report was completed with positive responses to all relevant objectives with the exception of objective L relating to the notice of public rights in 2019 which was not covered because the webmaster was unable to provide evidence of the date on which the notice was published. I am able to confirm that the dates of the public inspection period of 2019 allowed for 30 consecutive working days and included the first 10 working days of July.

Conclusion

Based on the tests I have carried out at this internal audit visit, in my view, the internal control procedures in operation are, in all significant respects, adequate to meet the needs of Keynsham Town Council.

Next visit

The next internal audit visit will be arranged for the end of the second quarter of 2020-21.

Next Steps
This report should be noted and taken to the next meeting of the Town Council. The Council should decide what action will be taken on the recommendations I have made.

Kind regards

Yours sincerely

Bridget Bowen FCA

Internal auditor

INTERNAL AUDITOR'S ANNUAL REPORT

Year ended 31 March 2020

Keynsham Town Council

Objective	Explanation
L	The Notice that was published has been seen and remains on the website. However the webmaster is not able to provide an audit trail of when the Notice was published. I have seen an email from the Town Clerk dated 2 June 2019 instructing the Notice to be put on the website. I am able to confirm that the dates of the public inspection period of 2019 allowed for 30 consecutive working days and included the first 10 working days of July.
M	The Council is not a sole managing trustee

APPENDIX 3

Internal Audit Contract - Keynsham Town Council
2019/2020, 2020/2021 and 2021/2022 Financial Years

As a smaller authority, Keynsham Town Council is required under Regulation 5(1) of the Accounts and Audit Regulations 2015 to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'

The Town Council is therefore seeking to engage an Internal Auditor for the 2019/2020 financial year and subject to satisfactory progress, also to offer the subsequent 2020/2021 and 2021/2022 financial years to review and report to the Council whether its systems of financial and other internal controls over its activities and operating procedures are effective and in accordance with the most recently published statutory and non-statutory guidance as issued by the Joint Panel on Accountability and Governance (currently March 2018)

Key Principles

- The Town Council needs the successful applicant to show that they are independent from the management of financial controls and procedures of the Council.
- The person or persons carrying out internal audit must also evidence that they are competent to carry out the role.

Essential competencies would include:

- understanding bookkeeping and accounting processes including income/expenditure accounting utilising Rialtas Omega software;
- understanding the role of internal audit in reviewing systems;
- awareness of relevant risk management issues; and
- understanding accounting requirements within the legal framework and powers of Category 2 local councils;
- Experience of Internal Audit of Town Councils with expenditure exceeding £500k.

Scope of Audit

As a Category 2 authority with expenditure over £25k but below £6.5m, Keynsham Town Council is obliged to complete an Annual Governance and Accountability Return (AGAR).

The Council's Internal Auditor will be required to complete the Internal Audit report in the Council's AGAR which requires assurances in 10 separate areas.

1) Appropriate accounting records have been properly kept throughout the financial year.
2) The authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.
3) The authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.
4) The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.
5) Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.
6) Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.

7) Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.
8) Asset and investments registers were complete and accurate and properly maintained.
9) Periodic and year-end bank account reconciliations were properly carried out.
10) Accounting statements prepared during the year were prepared on the correct accounting basis(receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.

The scope of the Internal Audit should therefore include (but not be limited to) a review of the following:
a) The Town Council's Standing Order and financial regulations.
b) The Town Council's arrangements to safeguard public money safely and efficiently including procedures and controls for recording and administration of
- payment of accounts,
- income receipts,
- cash handling including petty cash,
- debt collection.

c) Town Council Accounting Records and Bank Reconciliations.
d) Precept determination and budgetary control.
e) Salaries and PAYE.
f) VAT.
g) Fixed assets and equipment.
h) Investments, loans and long term liabilities.
i) Town Council general and ear-marked reserves.
j) Assessment and Management of Risk including Insurance Cover.
k) Corporate Governance (Committee and Council minutes to ensure decisions are taken lawfully).
l) Year End procedures.

Reporting and timetable
The Town Council's Financial Year runs from 1st April to 31st March. The Internal Auditor is expected to provide an interim report at approximately month 7 and a final report following year end in sufficient time to enable the Town Council to approve the report and AGAR at its Annual Town Council meeting in mid-May.
The report should include:
• Description and scoping of the risk areas covered;
• Prioritisation of any recommendations;
• A conclusion about the overall adequacy and effectiveness of the council's internal control arrangements; and
• Management's draft response including a recommended action plan identifying individual responsibilities and timing.