
Burgess Hill Town Council

Internal Audit Report: 2018-19 (Final)

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*For and on behalf of
Auditing Solutions Ltd*

Background and Scope

The Accounts and Audit Arrangements introduced from 1st April 2001 require all Town and Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually. The Council complied with the requirements in terms of independence from the Council decision making process appointing Auditing Solutions Ltd to provide the function to the Council: this report sets out those areas examined during the course of our recent final visit to the Council, which was undertaken on 21st May 2019 and supplements the interim work on 13th & 14th November 2018 and 8th January 2019.

Internal Audit Approach

In concluding our review of the Council's processes and records for 2018-19 we have again examined a selection of the Council's fundamental central financial control functions in order to provide assurance to members and the electorate that the systems continue to operate in accordance with best practice and approved Council procedures: we have also had regard to the materiality of those transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts and Annual Governance and Accountability Return (AGAR in short).

As in previous years, we have assessed the risks associated with each financial system, based on previous experience of the extent of potential for those risks coming to fruition and tailored our review programme accordingly.

Overall Conclusion

We are pleased to conclude that, in all the areas examined this year, the Council continues to have effective systems in place to ensure that transactions are free from material misstatement. The Responsible Finance Officer (RFO) and his staff are again to be commended on the quality of work produced and the high standards of documentation provided for the purposes of our audit visits

We are again pleased to report that no issues have been identified from the work completed to warrant formal comment or recommendation and we have duly signed off the Internal Audit Report at Page 3 within the AGAR, assigning positive assurances throughout.

Detailed Report

Review of Accounting Arrangements & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. The Council remains a full Sage software user, with Current and Interest Bearing Deposit accounts operated at NatWest Bank with separate cashbooks in the nominal ledger records. There is currently one supplementary Term deposit holding (at Santander Bank), which is being “rolled over” on a monthly basis until such time as members determine an appropriate longer-term investment. Consequently: -

- We have again verified that an appropriate nominal ledger structure remains in place;
- We have checked and agreed the opening Trial Balance in the Sage software for 2018-19 to the closing Financial Statements for 2017-18 to ensure that all the detailed balances have been properly rolled forward with no matters arising to warrant formal comment or recommendation;
- We have checked and agreed three sample months’ receipts and payments transactions (April & September 2018 and March 2019) from both the Current account and Special Interest Bearing account cashbooks to relevant bank statements, including the daily “sweep” transfers; and
- Finally in this area we have checked and agreed the software based bank reconciliations as at 30th April, 30th September, 18th December 2018 and 31st March 2019 on the Current account and as at 31st October & 18th December 2018 and as at 31st March 2019 on the Interest Bearing account to ensure that there are no long-standing, uncleared items or other another anomalous entries arising.

Conclusions

There are no matters arising in this area to warrant formal recommendation currently.

Review of Corporate Governance

Our objective in this area is to ensure that the Council has a robust regulatory framework in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and Financial Regulations and that, as far as we are able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation.

- We note that the Council’s extant corporate documentation such as Standing Orders, Financial Regulations & Members’ Code of Conduct are subject to ongoing review and were most recently considered fit for purpose in June and July 2016, having been appropriately revised in accord with contract limits and publication regulations;
- We have extended our examination of the minutes of Full Council and its Key Area Groups’ meetings (with the exception of Planning) for the year to end March 2019 to ensure that, as far as we can practically be expected to be aware no issues exist affecting the Council’s financial stability in the short, medium or long-term exist; and

- We have previously noted the potential development and public consultation for a new “Performance Venue” in the town and, at the first interim visit for 2018-19, noted the conclusion of the consultation process and that the project will move forward with both Quantity Surveyors and Project Managers being appointed and a professional fund-raiser engaged to proceed to the next stages. We note from examination of minutes to March 2019 that the project continues to be progressed in the planning stages and the fund raising areas but nothing significantly formal has been established for its commencement at present.

Conclusions

There are no matters arising in this area to warrant formal recommendation currently.

Review of Expenditure

Our objective here is to ensure that: -

- Council resources are released in accordance with the Council’s approved procedures and budgets;
- An official order has been raised for supply of goods and services on each occasion where one would be anticipated;
- Payments are supported by appropriate documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and/or an acknowledgement of receipt, where no other form of invoice is available;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have extended testing in this area and examined a sample of payments in the year to 31st March 2019, including all those individually in excess of £3,000 together with a further selection of every 30th cashbook transaction (irrespective of value) during the period. Our test sample comprised approximately 90 payments, totalled just under £400,000 and represented 40% of all non-pay expenditure incurred during the year.

With regard to VAT, we note that the RFO continues to make timely, electronic return submissions: we have previously examined the detail of the March 2018 debtor and return and verified the disclosure in the Statement of Accounts and at the first interim visit we have noted the appropriate conclusion of the September 2018 submission in accord with the underlying Sage control account balances as required. Subsequently, at this final visit, we note the conclusion of the March 2019 submission.

Conclusions

There are no matters arising in this area to warrant formal recommendation currently.

Assessment and Management of Risk

Our aim here is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health / safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage any risks identified in order to minimise the opportunity for their coming to fruition.

- We have previously noted that the Summary Risk Assessments are presented to Full Council annually and are pleased to note that those for 2018-19 were duly re-considered and agreed in May 2018: these are supported by various H&S assessments in relation to the Cemetery and the Town's maintenance team but we have not separately identified such at this stage; and
- We note that the Council's insurance cover continues to be provided by Zurich and have obtained a copy of the current year's policy schedule (to July 2019): both Public and Employer's Liability remain at £10 million whilst Fidelity Guarantee remains at £500,000 and there is adequate Business Interruption cover in place.

Conclusions

There are no matters arising in this area to warrant formal recommendation currently.

Precept Determination and Budgetary Control

We aim, in this area of our work, to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the amount to be precepted on the District Council, that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans. Consequently:

- We note from examination of current Council and Key Area Group minutes that periodic budget monitoring reports continue to be considered by members of the Finance Group (most recently to 31st December 2018), minutes of which are subsequently affirmed by Full Council, and there are no significant, un-explained variances arising therein;
- We noted previously from Agenda papers for meetings held in January 2019 that members had been provided with the proposed budgets and Precept for 2019-20 and, subsequently, we note from our examination of minutes that their deliberations were concluded at Full Council on 28th January 2019 with the Precept being formally adopted, and properly recorded, at £801,093; and
- We note that Total Reserves as at 31st March 2019 stood at just under £845,000, which comprised of specific Earmarked items totalling £646,000 and the residual General Fund of £199,000: the latter represents two to three months gross expenditure at current levels and is considered to be more than acceptable to meet the needs of the Council at present.

Conclusions

There are no matters arising in this area to warrant formal recommendation currently.

Review of Income

In considering the Council's income streams, we aim to ensure that robust systems are in place to ensure the identification of all income due to the Council from its various sources, to ensure that it is invoiced in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council.

- We are pleased to note that members continue to review the Council's scales of fees and charges annually, those for 2018-19 having been affirmed at the Finance Key Area Group meeting in November 2017 and those for 2019-20 being similarly approved by the Group in November 2018;
- As noted earlier in this report, we have checked and agreed three sample months' receipts transactions from cashbooks to relevant bank statement;
- As noted later in this report, we have checked and agreed the bank interest arising on the Santander term deposit account to March 2019;
- We have examined a sample of About Town advertising (using the recent 2018 Winter magazine) to ensure that the appropriate fees and charges were being levied for each company therein and that these were being paid without undue delay;
- We have tested a sample of Help Point sales from periodic "invoices" raised in Sage to reflect the daily takings registered on the till readings;
- We have tested a sample of Council Chamber bookings from the daily electronic diaries being maintained by officers to ensure that the fees charged were in accord with the published scales; and
- We have examined a recent Aged Debtors balance report (as at 5th December 2018) and register of outstanding Sales Ledger invoices with no matters identified to warrant further enquiry or explanation by officers and we also note the sound comments being raised on a periodic basis to reflect the steps being taken to "chase" outstanding monies.

Conclusions

There are no matters arising in this area to warrant formal recommendation currently.

Petty Cash and Credit Card Usage

We are required, as part of the Internal Audit Certification process in the Annual Return to assess and give a view on the effectiveness of control over any petty cash account in use by the Council.

- The Council operates a reasonably limited petty cash scheme in the Administration office, "topped up" as and when required by either cheque encashments or Help Point receipts. We have examined two sample months' transactions (September & October 2018) to ensure that each payment was properly supported by an appropriate supplier invoice and that any recoverable VAT was separately identified.

No issues arise from this testing: sequentially numbered vouchers continue to be maintained, all payments were properly authorised and the RFO undertakes independent, periodic reconciliations from Sage control account to the cash balances held; and

- We also note that a NatWest Commercial charge card is in place, with a monthly credit limit of £5,000 settled by automatic monthly direct debit. The card is retained in the possession of the RFO, who is currently the only authorised user, generally for emergency purposes or to take advantage of internet supplier deals. In a similar manner to the review of Petty Cash noted above, we have examined a sample of transactions (those for September 2018) to ensure that each was appropriate for the Council's activities and properly supported by suppliers' invoices / till receipts.

Conclusions

There are no matters arising in this area to warrant formal recommendation currently.

Salaries and Wages

In examining the Council's payroll function, we aim to confirm that extant legislation was being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HM Revenues and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme as further revised from 1st April 2018 in relation to the employee contribution percentage bandings. We have examined the payroll procedures in place and the physical payments made to staff in 2018-19 by reference to the September 2018 documentation, the underlying detail for which continues to be produced "in house" by the RFO utilising bespoke SAGE payroll software. Consequently:

- Gross pay rates have been checked to ensure that the NJC pay award for 2018-19 had been duly implemented;
- PAYE Tax Codes and National Insurance Tables have been checked to ensure that appropriate allowances are being applied for the year following the annual budgetary increases in personal thresholds with effect from April 2018;
- Local Government Pension Scheme deduction rates have been checked to ensure they are in accord with the revisions to the bases of employee contributions, most latterly with effect from 1st April 2018 (albeit relatively minor changes to the salary banding widths);
- Variable hours and expenses have been verified to individuals' timesheets and claim forms;
- We have checked and agreed the net pay computations on pay slips to the payroll summaries and resultant bank statement and cashbook transactions; and
- We note that electronic monthly returns are made in a timely and accurate manner in accord with current HMRC legislation (aka Real Time Initiative).

Conclusions

There are no matters arising in this area to warrant formal recommendation currently.

Asset Registers

The Accounts and Audit Regulations 1996 required all councils to develop and maintain a register of assets identifying detail of all land, buildings, vehicles, furniture and equipment owned by the Council.

We have previously drawn attention to the change in accounting practice requiring asset values to be disclosed in the Annual Return at purchase cost or, where that value is unknown, the best approximation to that value. Subsequent years' Returns should, consequently, identify that same value and not be subject to depreciation or inflationary increases as included in the annual insurance schedule and we are pleased to note compliance with the current reporting requirements, a comprehensive register continues to be maintained with only limited movement in the year for occasional acquisitions and disposals. Consequently, we have checked and agreed the values recorded at Box 9, Page 5 of the AGAR to the supporting registers.

Conclusions

There are no matters arising in this area to warrant formal recommendation currently.

Investments and Loans

Our objectives here are to ensure that the Council is "investing" surplus funds, be they held temporarily or on a longer term basis, in appropriate banking and investment institutions, that an appropriate investment policy is in place, that the Council is obtaining the best rate of return on any such investments made and that interest earned is brought to account correctly and appropriately in the accounting records.

We also aim to ensure that any loan repayments due to or payable by the Council are processed in accordance with the respective and relevant loan agreements.

- We previously noted in our final report for 2016-17 that the twelve month, fixed term Bond held with Santander Bank had matured in December 2016 and we had subsequently verified the monthly re-investments and maturities, including the interest thereon which was being similarly "rolled over", to the end of March 2018. At this final visit, we note that this remained the case throughout 2018-19 and have verified the closing entries in the bank reconciliations and AGAR to their third party advice notes;
- The Council currently has two PWLB liabilities and we have checked and agreed the bi-annual repayments 2018-19 to their third party advice notes as part of the higher value supplier testing noted earlier in this resume and, subsequently, have verified the closing balances disclosed at Box 10, Page 5 of the AGAR; and
- We note from our examination of minutes that members gave approval to a further loan application (in July 2018) and that this was duly granted approval by DoC&LG but will not be drawn down until the "Performance Venue" project goes forward in a future financial year.

Conclusions

There are no matters arising in this area to warrant formal recommendation currently.

Statement of Account and Annual Return

The 1996 Accounts and Audit Regulations (as amended from time to time) require all Councils to prepare annually a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council's financial affairs.

We are again pleased to note the comprehensive file of working papers prepared by the RFO for this purpose and have checked and agreed the content of the Council's Accounts by reference to the underlying year-end Sage Trial Balance to such workings, also ensuring the accurate transfer of resultant data to Page 5 of the AGAR.

Conclusions

There are no matters arising in this area to warrant formal comment or recommendation, and we have, as noted in the opening preamble to this report, duly signed off the Internal Audit Report at Page 3 within the AGAR.