

Burgess Hill Town Council

Internal Audit 2016-17

Summary of Work Undertaken at First Interim Visit on 5th October 2016

Accounting Records and Bank Reconciliations

- 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) on a fixed twelve month period maturing in December 2016;
- We have again verified that an appropriate cost centre and nominal ledger structure remains in place;
- We have checked and agreed the opening Trial Balance in the Sage software for 2016-17 to the closing Financial Statements for 2015-16 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 a sample months' receipts and payments transactions (August 2016) from the Current 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 2nd September 2016 to ensure that there are no long-standing, uncleared items or other another anomalous entries arising: no such issues arise.

Review of Corporate Governance

- We note that the Council's extant corporate documentation such as Standing Orders, Financial Regulations, Members' Code of Conduct are subject to on-going review and were considered fit for purpose (most latterly June and July 2016) and were appropriately updated for recent contract limits and publication legislation; and
- We have commenced our examination of the minutes of Full Council and its Key Area Groups meetings (with the exception of Planning) for the early months of the year to date (end august 2016) to ensure that, as far as we can practically be expected to be aware, no issues exist affecting the Council's financial stability either in the short, medium or long-term exist.

Review of Payments

- We are pleased to note that there continues to be sound control over the authorisation of, and payments for, supplier invoices and other similar expenditures (still predominantly paid by cheque);
- We have commenced our testing of payments at this first interim stage, examining a sample of all those payments individually in excess of £3,000 together with a more random sample of every 30th cashbook transaction (irrespective of value) to mid-September 2016. This sample comprised approximately 50 payments totalling just over £382,700 and representing 76% of all non-pay related costs in the period to that date. We have ensured that each payment was supported by a relevant invoice; that an official order had been placed for all goods and services where appropriate (a number of utilities and other services are already contractually provided), that the correct nominal ledger codes had been allocated and that VAT had been properly separated and accounted for via the standard nominal ledger control account; and
- Other than noting that VAT returns continue to be submitted on a regular quarterly basis, no further testing was considered necessary at present with just one full quarter having elapsed since our previous detailed consideration of the 31st March 2016 Statement of Accounts.

Assessment and Management of Risk

- We have previously noted that the Summary Risk Assessments are presented to Full Council annually and are pleased to note that those for 2016-17 were duly re-considered and agreed in May 2016: these are supported by various H&S assessments in relation to the Cemetery and the maintenance team but we have not separately identified such at this first interim 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 2017): 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.

Precept Determination and Budgetary Control

- Other than noting from examination of current Council and Area Group minutes that periodic budget monitoring reports continue to be considered by members of the Finance Group, minutes of which are subsequently affirmed by full Council, no further work was undertaken in this area, the first visit being too early for any meaningful variances to be identified or for any considerations of the Precept for 2017-18.

Review of Income

- Other than noting that members have properly considered and approved revised scales of fees and charges for 2016-17 for the Council activities such as the Cemetery, Allotments and Community Centre lettings (and the sample testing of cashbook receipts to relevant bank statements noted above), no further work has been undertaken in this area at present.

Petty Cash and Charge Card Transactions

- 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 a sample of two months’ transactions (April and August 2016) to ensure that each payment was properly supported by an appropriate supplier invoice and / or till receipt 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 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 Payments noted above we have examined a sample month’s transactions (August 2016) in full to ensure that each was appropriate for the Council’s activities and properly supported by suppliers invoices / till receipts with no issues arising.

Salaries and Wages

We have commenced our examination of the payroll procedures in place and the physical payments made to staff to date in 2016-17 by reference to the August 2016 documentation, the underlying detail for which continues to be produced “in house” by the RFO utilising bespoke SAGE payroll software. Consequently:

- PAYE Tax Codes have been checked to ensure that appropriate allowances are being applied for the year following the annual budgetary increases in personal allowances with effect from April 2016;
- National Insurance Table deduction rates have been checked to ensure that computations would be made accurately, particularly ensuring appropriate update to reflect the government’s withdrawal of reduced rate contributions for members of employers’ occupational schemes;

- Local Government Pension Scheme deduction rates have been checked to ensure they are in accord with the revisions to the bases of employee contributions effective from 1st April 2015;
- 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).

Investment and Loans

- We noted in our final report for 2015-16 that the Council had "invested" £285,000 in a twelve month, fixed rate Term deposit with Santander Bank in December 2015. There has been no subsequent movement in this balance at the time of this first interim visit for 2016-17 and we shall verify its maturity (and potential re-investment) in December 2016 at a future visit;
- The Council previously had one existing PWLB liability and we have checked and agreed the first instalment repayment for 2016-17 to third party advice notes as part of the higher value supplier testing noted earlier in this resume; and
- We note that the Council has finally drawn-down the previously approved additional lending for the purchase of the ex-RBL building in August 2016 prior to the expiry of the extension of the DCLG authority: no repayments had yet to be made for testing at this interim stage.