
Burgess Hill Town Council

Internal Audit Report: 2013-14 (Final update)

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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 visits to the Council for 2013-14, which took place on 12th & 13th November 2013 and 21st May 2014.

Internal Audit Approach

In carrying out our review of the Council's records for 2013-14 we have examined 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.

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

No issues have been identified this year warranting formal comment or recommendation and we have duly signed off the Internal Audit Certificate at Section 4 of the year's Annual Return assigning positive assurances in each relevant area.

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. To that end, we have: -

- Ensured that the ledgers, utilising the Sage software, remain in balance at the end of the financial year;
- Verified that the closing balances reported in the 2012-13 Statement of Accounts have been correctly rolled forward as opening balances for 2013-14;
- Checked and agreed transactions in the Council's NatWest bank account cashbook to the relevant bank statements for the sample periods of September to October 2013 and from 12th February to 31st March 2014;
- Checked and agreed transactions in the Council's NatWest business reserve account cashbook to the relevant bank statements for the full financial year;
- Checked and agreed bank transfers between the NatWest Current and Reserve account cashbooks (automatically generated by the bank daily on a "sweep" basis to ensure a level £10,000 is maintained in the current account) to the relevant bank statements, also for September to October 2013 and from 12th February to 31st March 2014. Checked detail on the bank reconciliation for the current and business reserve accounts as at 31st October 2013 and 31st March 2014 to ensure that no long-standing uncleared cheques or other anomalous entries exist and that the Sage Trial Balance values for the same were accurate.

Conclusions

We are pleased to confirm that the Cash Book entries reconciled with the corresponding entries on the Bank Statements with no long-outstanding cheques or other anomalous entries apparent as at 31st March 2014.

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 continues to be serviced by "Key Area Groups" rather than committees and have examined the minutes of the Full Council and these Groups for the financial year. We are again pleased to record that no issues affecting the Council's financial stability appear to exist at present: also, that we have identified no legal issues whereby the Council may be considering or have taken decisions that might result in ultra vires expenditure being incurred;

- We are pleased to also note that the Council continues to develop, review and formally adopt a series of protocols and procedural documentation to be observed by both members and officers and consider these to represent best practice;
- We also note that the Standing Orders and Financial Regulations were last reviewed and re-adopted by the Audit Committee in November 2012. We understand that the Council will be reviewing these documents again in 2014; and
- We noted the Council's response to the requirements of the Localism Act 2011 in areas such as preparation of the Neighbourhood Plan; preparation to cope with the potential withdrawal of the Council Tax Support scheme; delegated functions and place shaping, which involves co-operation with the County Council and District Councils.

We would also draw members' attention to the recent repeal of Section 150(5) of the LG Act 1972 that previously required all payable orders to be signed by two members: also to approval of the use of electronic banking facilities. We would draw attention to the recent JPAG (Joint Practitioners Accounting Committee) release of an update to the "Governance and Accountability for Local Councils – A Practitioner's Guide" (copy attached) which provides further guidance on the safeguards that need to be implemented should councils change their approach to banking arrangements. NALC has also recently re-issued updated Financial Regulations that take account of these changes in legislation.

Conclusions

There are no matters arising in this area: we shall continue to monitor governance issues and review minutes at future visits, together with considering the impact of any changes implemented in the light of the repeal of Section 150(5) of the 1972 LG Act.

Review of Expenditure

Our aim 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.

In order to check compliance with the above objectives, we have examined a sample of payments including those in excess of £1,500 together with every 30th non-pay related

payment in the year. Our test sample, which includes 12 Direct Debits and 93 cheque payments totals £357,300 and equates to 57% of non-pay expenditure incurred during the year.

Conclusions

We are pleased to report that no issues have been identified among the sample of payments selected for examination, with all criteria met. We are also pleased to record that VAT returns continue to be prepared and submitted to HMRC in a timely and accurate manner.

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 are pleased to note that the RFO ensures that risk assessments are reviewed and updated regularly with the latest edition of documentation approved at the full Council meeting on 6th May 2014; and
- We have reviewed the current year's Zurich Municipal insurance policy and schedule and consider that it continues to meet the general needs of the Council.

Conclusions

There are no matters arising in this area.

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.

We note that the Council agreed its budget and set the 2014-15 precept at £754,562 at its meeting on 24th February 2014, also noting that Mid Sussex District Council has withdrawn the Council Tax Support Scheme in 2014-15. In order to deal with this situation the Council is making provision from reserves to cover any shortfall.

Finally we note that Earmarked Reserves have been reviewed during the year and that General Reserve movements in respect of the annual Surplus / Deficit and other variations have been considered when the Annual Accounts are presented for adoption.

Conclusions

No significant matters arise in this area.

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 undertook testing in this area at our interim visit, listing all payments over £2,000 and examining the basis under which charges were levied. Our review sample included 24 payments of which 14 were payments by Councils in respect of delegated functions as well as the precept. The remaining payments in the sample related to VAT recharges; roundabout sponsorship and contributions to the Town Centre Partnership. We note that members reviewed the scale of fees and charges in January 2013 to be effective in 2013-14.

Finally, in this area, we reviewed the aged debtor schedule at our interim visit. The total outstanding was £25,184 of which £9,331 related to accounts more than 3 months old. These amounts were generally invoices where payments are made over a year, although one invoice where the debtor, a long standing supporter of the "Around Town Magazine" has disappeared without trace. This invoice remained unpaid at the financial year-end and will, we understand, be taken to the Council to seek approval to write it off in June 2014. We shall confirm this situation at our next visit.

Finally in this area, we have updated our year-on-year analysis of income across the various budget heads with no significant or un-anticipated variances existing warranting further enquiry of officers.

Conclusions

We are pleased to record that no significant issues have been identified in respect of the identification and recovery of income with cash and cheque income banked routinely each week.

Petty Cash Account

We have examined the operation of the Council's petty cash account with a view to ensuring probity of transactions and accuracy of recording of detail of expenditure incurred in order that we may assign an appropriate comment in the Annual Return's Internal Audit Certificate for the financial year. We have: -

- Examined a sample of petty cash account payments during the period and confirmed the balance of Cash held in the Finance office; and
- Ensured that VAT has been identified, wherever appropriate, and coded to the VAT control account for subsequent recovery; and

Conclusions

No issues have arisen from testing completed in this area.

Salaries and Wages

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HM Revenue 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 verifying that the appropriate employee banding percentages, as most recently amended from 1st April 2013, have been applied.

We have examined the June 2013 payroll, noting that this continues to be prepared monthly by the RFO using Sage software and have examined the following specific areas:

- We have checked detail of the monthly gross salary paid to each member of staff to the approved Spinal Column rates;
- Examined the Contract of Employment relating to the one appointment made during the year;
- Where changes in basic working hours and / or other permanent amendments to staff terms and conditions have arisen, we have verified detail to the relevant supporting letters and / or minutes confirming the changes;
- We have verified that the appropriate tax code and NI deduction tables have been applied by reference to the HMRC Basic PAYE Tools software;
- Verified the LGPS pension percentage deductions applied to staff contributing to the pension fund to ensure compliance with the contribution banding arrangements;
- Ensured that the net pay amounts transferred to individuals' accounts were in line with the Sage pay slips produced for the month; and
- Ensured that any additions to pay were appropriately supported by certified time sheets or travel expense claims.

Conclusions

We are pleased to report that no issues have been identified in this area of review.

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 year's Returns should, consequently, identify that same value and not be subject to depreciation or inflationary increases as included in the annual insurance schedule. The only change in values that should arise annually now is in relation to any new acquisitions or deletion of assets disposed of or taken out of service.

Conclusions

We are pleased to note compliance with the current reporting requirements, the asset value recorded for 2013-14 being uplifted by the cost of new acquisitions in the year.

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.

A Council investment of £250,000 was made with Santander on 12th July 2013, being invested until 12th December 2013 at 0.56%: on maturing, it was re-invested at 0.8% for a year to 12th December 2014

The Council has one PWLB loan repayable bi-annually. We verified payment of both half-yearly instalments to appropriate prime documentation at our interim visit and have now verified the accurate disclosure of the residual year-end loan liability (£48,000) in the year’s Annual Return at Box 10.

Conclusions

No matters warranting formal comment or recommendation arise in this area at present.

Statement of Account and Annual Return

The 1996 Accounts and Audit Regulations required all Councils to prepare annually a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council’s financial affairs.

We have reviewed and agreed the content of the Council’s Accounts by reference to the year-end Sage Trial Balance and RFO’s working papers, also ensuring the accurate transfer of resultant data to the Annual Return.

Conclusions

On the basis of the satisfactory completion of our review programme this year, we have duly signed off the Internal Audit certificate at Section 4 of the Annual Return, assigning positive assurances in each relevant area.