
Burgess Hill Town Council (2012-13 Interim)

Internal Audit Report

Prepared by Alistair Morrison

Stuart J Pollard

Director
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 interim visit to the Council for 2012-13, which took place on 11th & 12th September 2012 and also incorporates the work undertaken on the Sidney West Charity Accounts for 2011-12 leading to our completion of the Independent Examiner's Certificate in readiness for the submission of the Accounts to the Charity Commission.

Internal Audit Approach

In commencing our review of the Council's records for 2012-13 we have examined certain 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 to date, 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.

With regard to the Sidney West Charity, the financial ledger for 2011-12 was split from the Council's bank accounts. The segregation of accounting activities for the Charity has required additional work in order that we may satisfy ourselves as to the soundness of controls over income and expenditure associated with the Charity's activities before "signing-off" the Charity Commission Independent Examiner's report. We have adopted a similar approach to the review of these records as to those of the Council, also examining a sample of payments and income streams accordingly. We are pleased to confirm that we have undertaken appropriate work and duly signed off the Examiner's Certificate for 2011-12 with no issues arising and enabling officers to finalise the Charity's Accounts for approval by the Trustees prior to submission to the Charity Commissioners.

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 current date;
- Verified that the closing balances reported in the 2011-12 Statement of Accounts have been correctly rolled forward as opening balances for 2012-13;
- Checked and agreed transactions in the Council's NatWest bank account cashbook to the relevant bank statements for the sample months of May to July 2012;
- Checked and agreed transactions in the Council's NatWest business reserve account cashbook to the relevant bank statements for the financial year to date;
- 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 May to July 2012;
- Checked detail on the bank reconciliation for the current and business reserve accounts as at 31st July 2012 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 reported after our last visit that time did not permit us to complete the bank reconciliation at either our interim visit in 2011-12, nor at our final visit, because the period between reconciliations was longer than expected. The work we carried out indicated that the council's records were in order when we vouched, where able, the entries between the Sage nominal ledge account detail and bank statements. All transfers between the business reserve and the current account during this period were confirmed, as were the cheque payments and many of the income transactions, although we experienced some difficulty in confirming detail of income transactions as bankings were, in several cases, reflected as several entries in the cash book. In most cases supporting summations were agreed with the totals on the bank statements indicating that no issues of concern exist.

Subsequently, at this interim visit, we have undertaken a more comprehensive check of transactions including those from 1st May to 31st July 2012. We have also been able to confirm the validity of the period-end reconciliation and are pleased to report that no issues of concern have been identified in this area at present.

However, in checking the schedule of unrepresented cheques, we noted one long-standing cheque for £3.15 of which the RFO is aware and arranging to write this cheque back accordingly.

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 to date. 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; and
- We also note that the Standing Orders and Financial Regulations were last reviewed and re-adopted with a minor amendment at the July 2011 meeting.

Conclusions

There are no matters arising in this area at present: we shall continue to monitor governance issues and review minutes for the remainder of the year at future visits.

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 to date. Our test sample, which includes 4 Direct Debits, includes 35 payments totalling £95,894 and equates to 52% of non-pay expenditure incurred to date.

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 in a timely and accurate manner and are, as now required by current legislation, submitted to HMRC electronically.

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 8th May 2012.; 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 at present.

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.

It is currently too early for the Council to have formally considered its budgetary and precept requirements for 2013-14, but, as previously, we acknowledge the effectiveness of the detailed procedure in place for considering the current year's precept requirement.

Conclusions

No significant matters arise in this area at the present time. We shall undertake more detailed work in this respect at future visits.

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 have undertaken testing in this area, examining a sample of income received for Lettings at 38 Church Road, the management fee for the Sidney West Centre Charity, Council Chamber Lettings and Income related to Burials. We previously noted that members review the scale of fees and charges to be levied annually, approving the current year's at the Finance Key Area Group November 2011 meeting;

We have also examined the Nominal Activity report, from which we selected an invoice from each Income Cost Centre and traced detail from booking to banking, also agreeing detail to relevant bank statements via paying in slips and credit card records.

Finally, in this area, we have reviewed the aged debtor schedule noting only one account dating back to 2011 relating to an annual contract, split into 4 quarterly payments, the last of which is payable in December 2012.

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 IA Certificate for the financial year. We have: -

- Examined a sample of petty cash account payments agreeing detail to supporting vouchers, invoices and till receipts for August 2012;
- Ensured that VAT has been identified, wherever appropriate, and coded to the VAT control account for subsequent recovery; and
- We have also confirmed that the individual cheques drawn on the current bank account reimbursing the petty cash float have been processed appropriately.

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 2012, have been applied.

To meet that objective, we have examined the June 2012 payroll, noting that this continues to be prepared monthly by the RFO using Sage software examining the following specific areas:

- We have checked detail of the monthly salaries paid to each member of staff to the approved Spinal Column rates;
- 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 revised contribution banding arrangements revised with effect from 1st April 2012;
- 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.

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.

The Council “invested” £250,000 in a Fixed Rate Business Bond with Santander during 2010-11 at a rate of 2.5% per annum: this matured in October 2011 and was “re-invested” for a further year at an increased rate of 2.75% per annum reaching maturity on 30th September 2012 and we note that the Council had, at the time of our visit, still to decide how it might re-invest the balance.

The Council has one PWLB loan repayable bi-annually. We have verified payment of the first half-yearly instalment to appropriate prime documentation.

Conclusions

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