

Burgess Hill Town Council

Internal Audit 2017-18

Summary of Work Undertaken at First Interim Visit on 4th October 2017

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), which is being “rolled over” on a monthly basis until such time as members determine an appropriate longer-term investment;
- 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 2017-18 to the closing Financial Statements for 2016-17 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 month’s receipts and payments transactions (August 2017) 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 1st September 2017 to ensure that there are no long-standing, uncleared items or other another anomalous entries exist with no issues arising to warrant any formal comment or recommendation.

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 revisions to tender limits and contracts publication regulations; 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 2017) 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 2017. This sample comprised approximately 45 payments totalling just under £391,000 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 2017 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 2017-18 were duly re-considered and agreed in May 2017: 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 2018): 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 2018-19.

Review of Income

- Other than noting that members have properly considered and approved revised scales of fees and charges for 2017-18 for the Council's activities such as the Cemetery, Allotments and Community Centre lettings (and the sample testing of cashbook receipts to relevant bank statements for August 2017 as 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 month's transactions (August 2017) 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 Petty Cash noted above we have examined a sample month's transactions (August 2017) 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 2017-18 by reference to the August 2017 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 2017-18 had been duly implemented;
- PAYE Tax Codes and National Insurance Table Rates 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 2017;
- 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 2017 (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).

Investments and Loans

- 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 2017. We note that this remains the case for the early months of 2017-18 and shall consider any revisions to this process at the next interim visit; and
- The Council currently has two existing PWLB liabilities and we have checked and agreed the first instalment repayments for 2017-18 (in June and September) to third party advice notes as part of the higher value supplier testing noted earlier in this resume.