
**Burgess Hill Town Council (2013-14 Interim)
& Sidney West Charity (2012-13)**

Internal Audit Report

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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 interim visit to the Council for 2013-14, which took place on 12th & 13th November 2013 and also incorporates the work undertaken on the Sidney West Charity Accounts for 2012-13 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 2013-14 we have again 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 to date, the Council continues to operate effective systems to help 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, accounting for 2012-13 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 2012-13 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 date of this first visit for the 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 September and October 2013;
- 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 September and October 2013; and
- Checked detail on the bank reconciliation for the current and business reserve accounts as at 31st October 2013 to ensure that no long-standing uncleared cheques or other anomalous entries exist and agreed to the Sage Trial Balance values for that date.

Conclusions

We are pleased to be able to confirm that no issues have been identified from testing undertaken to date in this area. We shall undertake further work at future visit, including verifying the accurate reporting of year-end balances in the Accounts / Annual Return for the year.

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;
- We noted last year that the Standing Orders and Financial Regulations were last reviewed and re-adopted by the Audit Committee in November 2012; and.
- We noted the Council's response to the requirements of the Localism Act 2011 in areas such as the 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.

Conclusions

There are no matters arising in this area: we shall continue to monitor governance issues and review minutes 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 all those individually in excess of £1,500 together with every 30th non-pay related payment to date. Our test sample includes 8 Direct Debits and 64 cheque payments totalling £183,100 and equates to 56% of non-pay expenditure incurred during the year 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 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 7th May 2013; 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 with Employer's and Public Liability both in place at £10 million and Fidelity Guarantee cover set at £0.5 million.

Conclusions

There are no matters arising in this area currently: we shall continue to monitor the Council's approach to risk management at future visits.

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 are pleased to note that members continue to receive regular budget monitoring reports based on the Sage accounting software with over/under-spends and the level of earmarked reserves the subject of regular review.

Conclusions

The Council has yet to formally consider and determine its budgetary and precept requirements for 2014-15 and we will, consequently, examine this aspect at our final visit, together with considering the year-end outturn and level of retained reserves.

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, at this interim visit, examined all receipts over £2,000 considering the basis under which payment was due to the Council. This sample included 24 receipts of which 14 related to payments by other Councils in respect of delegated functions. The residue related to VAT recharges for roundabout sponsorship, and contributions to the

Town Centre Partnership. We also note that members reviewed the scale of fees and charges applying for 2013-14 in January 2013.

Finally, in this area, we have reviewed the current aged debtor schedule with total outstanding debt of £25,184 of which £9,330 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. We shall continue to monitor recovery of outstanding sums at future visits.

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. We shall undertake further detailed work at future visits also updating our year-on-year analysis of income across the various nominal account headings once the year's Accounts have been closed down.

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 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.

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.

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 latest Council investment of £250,000 was made with Santander on 12th July 2013, being invested until 12th December 2013 at 0.56%.

The Council has one PWLB loan repayable bi-annually. We have verified payment of both half-yearly instalments to appropriate prime documentation, though the second payment was due to be made during the week after this visit.

Conclusions

No matters warranting formal comment or recommendation arise in this area at present. We shall ensure the accurate disclosure of closing “investment” and “loan liability” balances in the statement of Accounts / Annual Return at our final visit.