

# **Burgess Hill Town Council**

## **Internal Audit 2015-16**

### **Summary of Work Undertaken at First Interim Visit on 21<sup>st</sup> October 2015**

#### **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 2015;
- 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 2015-16 to the closing Financial Statements for 2014-15 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 two sample months' receipts and payments transactions (April and September 2015) from the Current account cashbook to relevant bank statements;
- We have checked and agreed all receipts and payments transactions for the six months to September 2015 (due to the relatively low volumes) from the Interest Bearing Deposit account cashbook to relevant bank statements; and
- Finally in this area we have checked and agreed the software based bank reconciliations as at 30<sup>th</sup> April and September 2015 to ensure that there are no long-standing, uncleared items or other anomalous entries arising: one very minor item is awaiting presentation since its issue in October 2014, despite several reminders by the RFO, and will be written back to the Income and Expenditure account in due course.

#### **Review of Corporate Governance**

- We noted in the previous year's interim update & final audit reports 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 July 2015): subsequently, we have confirmed with the RFO that no further changes of note have been implemented

and that he is aware of the forthcoming revisions to the NALC models for revised tender limits and extant contract 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 (mid-September 2015) 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 40<sup>th</sup> cashbook transaction (irrespective of value) to 30th September 2015. This sample comprised approximately 50 payments totalling just over £143,000 and representing 49% 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 31<sup>st</sup> March 2015 Debtors and 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 2015-16 were duly re-considered and agreed in May 2015: these are supported by various H&S assessments in relation to the maintenance team and have separately identified such at this first interim visit; 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 2016): 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 2016-17.

## **Review of Income**

- Other than noting that members have properly considered and approved revised scales of fees and charges for 2015-16 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. We have examined a sample of two months’ transactions (August and September 2015) 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 the Sage control account 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 2015) 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 2015-16 by reference to the September 2015 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 2015;
- National Insurance Table deduction rates have been checked to ensure that computations would be made accurately depending on whether the employee was a member of the pension scheme or not;
- 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 1<sup>st</sup> 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 interim update and final reports for 2014-15 that the Council had "invested" £285,000 in a twelve month, fixed rate Term deposit with Santander Bank in December 2014. There has been no subsequent movement in this balance at the time of this first interim visit for 2015-16: we shall verify its maturity (and potential re-investment) in December 2015 at a future visit; and
- The Council has one existing PWLB liability: we have checked and agreed the first instalment repayment for 2015-16 to third party advice notes as part of the higher value supplier testing noted earlier in this resume. Additionally, we noted in our final report that a further loan application was approved by the DCLG for the purchase of the ex-RBL building but with completion not expected until the summer of 2016, no drawdown has yet been made.