
Burgess Hill Town Council

Internal Audit Report: 2015-16 (Final)

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*For and on behalf of
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 recent final visit to the Council, which was undertaken on 15th June 2016 and supplements the interim work undertaken (and previously reported on) in October 2015 and January 2016.

Internal Audit Approach

In concluding our review of the Council's processes and records for 2015-16 we have examined a selection of 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 all the areas examined this year, the Council continues to have effective systems in place to ensure that transactions are free from material misstatement. The Responsible Finance Officer (RFO) and his 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 visits

We are again pleased to report that no issues have been identified from the work completed warranting formal comment or recommendation: we have duly "signed off" the Internal Audit Certificate within the Annual Return, assigning positive assurances in each relevant category, leaving the original documentation with the RFO for submission to members for approval and, subsequently, onward transmission to the external auditors.

This report has been prepared for the sole use of Burgess Hill Town Council. To the fullest extent permitted by law, no responsibility or liability is accepted by Auditing Solutions Ltd to any third party who purports to use or rely on, for any reason whatsoever, this report, its content or conclusions.

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 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 three sample months' receipts and payments transactions (April & September 2015 and March 2016) from the Current account cashbook to relevant bank statements;
- We have checked and agreed all receipts and payments transactions for the six months April to September 2015 (due to the relatively low volumes), together with those for March 2016, 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 30th April & September 2015 and 31st March 2016 to ensure that there are no long-standing, uncleared items or other another anomalous entries arising: one very minor item was awaiting presentation since its issue in October 2014 at the previous interim visit, despite several reminders by the RFO, and we note this was subsequently cleared by write back to the Income and Expenditure account prior to the year-end.

Conclusions

We are pleased to report that no issues have been identified in this review area this 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" and have extended our examination of the minutes of the Full Council and these Groups for the remainder of the financial year (including early April 2016);
- We noted in the previous year's final audit report that the Council's extant corporate documentation such as Standing Orders, Financial Regulations, Members' Code of Conduct are subject to ongoing review and were considered fit for purpose (most recently in 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;

- We note that the General Power of Competence was formally re-adopted in May 2015, subsequent to the Council elections, in accord with extant legislation; and
- There would appear to be no significant issues affecting the Council's financial stability in existence, either in the shorter or longer term: also, 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 note the ongoing works to ensure the successful transfer of the ex-British Legion building into Council ownership and the development of a Community Centre facility, which will of course incur considerable costs but, at present, there are no substantial works in place. We also note the more recent time consuming exercises of the Neighbourhood Plan and the sale by the District Council of the retail / residential development site in the Town.

Conclusions

There are no matters arising in this area to warrant formal recommendation.

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.

We have extended our sample of payments examined to include those to 31st March 2016, including all those individually in excess of £3,000 together with a more random sample of every 40th cashbook transaction (irrespective of value) during the year. Our test sample comprised 85 items in all, totalling £294,000 and representing 52% of all non-pay related expenditure incurred during the year.

With regard to VAT, we note that the RFO continues to make timely, electronic return submissions: we have previously examined the detail of the March 2015 debtor and return and verified the disclosure in the Statement of Accounts and at the previous interim update visit we have noted the appropriate conclusion of the September 2015 submission as required.

We have also verified the March 2016 submission to supporting Sage control account balances and to the year-end balance disclosed in the Statement of Accounts.

Finally in this area, we have updated our year-on-year analytical review of expenditure incurred across the range of Council activities with no significant, un-identified variances warranting further explanation by officers.

Conclusions

There are no issues arising in this area to warrant formal recommendation.

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 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 but we have not separately identified such at this final 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.

Conclusions

There are no issues arising in this area to warrant formal recommendation.

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 have:

- Noted that draft budgets and precept deliberations had been considered by the Finance Key Group in November 2015, with formal conclusions deferred to February 2016: examination of remaining minutes at this recent final visit confirmed that the Precept was formally adopted, and properly recorded in the minutes, at £794,562;
- Noted that sound, periodic (usually quarterly) budget monitoring reports continue to be considered by members of the Finance Group (most recently in February 2016), minutes of which are subsequently affirmed by Full Council; and

- Finally in this area, we note that Total Reserves as at 31st March 2016 stood at £480,000, which comprised specific Earmarked items of £321,000 and the residual General Fund of £159,000: the latter represents approximately three months net expenditure at current levels and is considered to be more than adequate.

Conclusions

There are no issues arising in this area to warrant formal recommendation.

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 are pleased to note that members continue to review the Council's scales of fees and charges annually, those for 2015-16 having been affirmed at the Financed Group meeting in November 2014;
- As noted earlier in this report, we have checked and agreed three sample months' receipts transactions from cashbooks to relevant bank statements;
- We have, in accord with the previously agreed five-year rolling programme of work, tested the operations of the Help Point and its associated banking processes. These are considered to be sound, with appropriate segregation of duties between the day-to-day takings / till operations and the physical receipting and coding to Sage nominal ledgers. We are also mindful of the relatively immaterial nature of the sums involved (approximately £3,000) and do not consider it necessary to expand the testing work into areas such as stock control, with all expenditure arising on such "bought in" goods written off directly to I&E as and when incurred; and
- At the previous interim update visit, we have visually examined all miscellaneous income (excluding Cemetery and About Town tested in 2014-15) nominal ledger transaction reports for the year to early January 2016 to ensure that there were no obvious errors or omissions where income could reasonably have been expected, such as periodic rentals: no such issues were identified.

Finally in this area, we have updated our year-on-year analytical review of income arising across the range of Council budget headings with no significant, un-identified variances to warrant further explanation by officers.

Conclusions

There are no matters arising in this area to warrant formal recommendation.

Petty Cash and Credit Card Usage

We are required, as part of the Internal Audit Certification process in the Annual Return to assess and give a view on the effectiveness of control over any petty cash account in use by the Council.

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, with all payments properly authorised and the RFO undertaking independent, periodic reconciliations from Sage control to the cash balances held.

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.

Conclusions

There are no matters arising in this area to warrant formal recommendation.

Salaries and Wages

In examining the Council’s payroll function, we aim to confirm that extant legislation was being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HM Revenues 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 as further revised from 1st April 2015 in relation to the employee contribution percentage bandings. To meet that objective, we have: -

- Examined salary payments processed in September 2015 for each employee, the underlying detail for which continues to be produced “in house” utilising bespoke SAGE payroll software, agreeing detail to the Council’s approved NALC pay scale;
- Checked and agreed Income tax and NI deductions from employees’, together with the employer’s NI contributions for September salaries to the current year’s HMRC Tax & NIC tables following the changes announced in central government’s budget;
- Checked and agreed the employees’ superannuation contributions again for September 2015, ensuring compliance with the changes in the basis of contributions effective from 1st April 2015;
- Ensured that appropriate time sheets have been completed for all relevant staff and are certified as correct for payment, verifying the additional payments actually processed in September 2015; and
- Ensured that all staff net salaries, together with the monthly payment to HMRC and the Pension Fund Administrators have been paid in accordance with the underlying payroll documentation for September 2015.

Conclusions

There are no matters arising in this area to warrant formal recommendation.

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.

We are pleased to note compliance with the current reporting requirements, a comprehensive register continues to be maintained with only limited movement in the year for occasional acquisitions and disposals. We have checked and agreed the values recorded at Box 9, Section 2 of the Annual Return to the supporting registers at cost.

Conclusions

There are no matters arising in this area to warrant formal comment or recommendation.

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 placed a term deposit of £285,000 with Santander in December 2014 (including some Sidney West funds): we have subsequently verified its maturity in December 2015 to bank statements and have also verified, to supporting bank advice notes, that £250,000 has been re-invested for a further 12 month term to December 2016 at 1.00%.

The Council has one PWLB loan repayable bi-annually. We have, as part of our above expenditure review, verified payment of both half-yearly instalments (May and November 2015) to the PWLB third party repayment demand notices. Additionally, we noted in our final report for 2014-15 that a further loan application was approved by the DCLG for the purposes of the purchase of the ex-RBL building but with completion not expected until the summer of 2016, no drawdown has yet been made. Finally, we have checked and agreed the disclosure of residual outstanding balances recorded at Box 10, Section 2 of the Annual Return.

Conclusions

There are no matters arising in this area to warrant formal comment or recommendation.

Statement of Account and Annual Return

The 1996 Accounts and Audit Regulations (as amended from time to time) require all Councils to prepare annually a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council's financial affairs.

We are again pleased to note the comprehensive file of working papers prepared by the RFO for this purpose and have checked and agreed the content of the Council's Accounts by reference to the underlying year-end Sage Trial Balance to such workings, also ensuring the accurate transfer of resultant data to Section 2 of the Annual Return.

Conclusions

There are no matters arising in this area to warrant formal comment or recommendation, and we have, as noted in the opening preamble to this report, "signed off" the Internal Audit Certificate within the Annual Return, assigning positive assurances in each relevant category.