

## **Burgess Hill Town Council**

*Internal Audit Report: 2020-21 (Interim)*

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*For and on behalf of  
Auditing Solutions Ltd*

## **Background and Scope**

The Accounts and Audit Arrangements introduced from 1<sup>st</sup> 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 work, again undertaken remotely due to the on-going Covid 19 pandemic during March and April 2021, and we wish to thank the RFO and his colleague for their support in providing electronic documentation as and when requested.

## **Internal Audit Approach**

In continuing our review of the Council's processes and records for 2020-21 we have again 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 the areas examined to date, the Council continues to have effective systems in place to ensure that transactions are free from material misstatement and we are again pleased to report that no issues have been identified from the work completed to date to warrant formal comment or recommendation.

# 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. 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. Consequently: -

- 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 2020-21 to the closing Financial Statements for 2019-20 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 October 2020) as far as practical from both the Current account 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 31<sup>st</sup> October 2020 on both the Current account and the Interest Bearing account to ensure that there are no long-standing, uncleared items or other anomalous entries arising.

### Conclusions

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

## 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’s extant corporate documentation such as Standing Orders, Financial Regulations & Members’ Code of Conduct are subject to ongoing review and were most recently considered fit for purpose in June and July 2016, having been appropriately revised in accord with contract limits and publication regulations;
- We have undertaken an examination of the minutes of Full Council and its Key Area Groups’ meetings (with the exception of Planning) for the year up to and including 2<sup>nd</sup> February 2021 to ensure that, as far as we can practically be expected to be aware no issues exist affecting the Council’s financial stability in the short, medium or long-term exist; and

- We have previously noted the potential development and public consultation for a new “Cultural Quarter” and that the project had moved forward with both Quantity Surveyors and Project Managers being appointed and a professional fund-raiser engaged to proceed to the next stages. At this interim stage for 2020-21, we note that discussions and debates continue and that the main concern would appear to continue to be overall level of external funding required together with noting that the previous PWLB application approval is in need of renewal.

### ***Conclusions***

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

## **Review of Expenditure**

Our objective 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 undertaken testing in this area with an examination of a sample of payments in the year to end October 2020, including all those individually in excess of £3,000 together with a further selection of every 40<sup>th</sup> cashbook transaction (irrespective of value) during the period. Our test sample comprised approximately 30 payments, totalling more than £71,000 and we shall extend this work to March 2021 as part of the final work.

With regard to VAT, we note that the RFO continues to make timely, electronic return submissions: we have previously examined the detail of the September 2019 and March 2020 returns and verified the disclosure of the year-end debtor in the Statement of Accounts, and subsequently at the stage we have not undertaken any further detailed testing.

### ***Conclusions***

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

## 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 were pleased to note that those for 2019-20 were duly re-considered and agreed at the Annual Meeting in May 2019: these are supported by various H&S assessments in relation to the Cemetery and the Town's maintenance team but we have not separately identified such at this interim stage. With no Annual Meeting held in May 2020 due to the strict Covid restrictions at the time it would appear that this remained outstanding as at January 2021; 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 2021): Public Liability has been increased to £15 million whilst Employer's Liability, Fidelity Guarantee Business Interruption / Loss of Revenue cover remains in place at £10 million, £500,000 and £70,000 respectively.

### *Conclusions*

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

## 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. Consequently:

- We note from examination of current Council and Key Area Group minutes that periodic budget monitoring reports and accompanying variance analysis commentaries continue to be considered by members of the Finance KAG, minutes of which are subsequently affirmed by Full Council, and there are no significant, unexplained variances arising therein; and
- We noted from our examination of the minutes that Full Council had duly considered and approved the Budgets and Precept for 2021-21, adopting the latter at £923,047 at its meeting held in January 2021.

### *Conclusions*

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

## 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 2020-21 having been affirmed at the Finance Key Area Group meeting in the previous municipal year;
- As noted earlier in this report, we have checked and agreed two sample months' receipts transactions from cashbooks to relevant bank statement;
- We have examined a sample of Cemetery activities from April to October 2020 by reference to the detailed Sage nominal ledger transaction report (approximately 30 items in all were considered) to ensure that charges for each interment were in accord with the published scales depending on Ashes or Full Burial, with or without Exclusive Rights and so on and that there was no undue delay in settlements of funds and relevant entries in the Sage nominal ledgers;
- We have noted the introduction of a periodic market in the town and the pitch fees were duly considered by members to take effect from September 2020; and
- We note that clearly the pandemic has caused disruption in other areas of the Council's income streams such as Advertising, Room Hire and Help Point sales and shall consider the year-end outturns in due course.

### *Conclusions*

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

## 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 by either cheque encashments or Help Point receipts. We have not yet examined any samples of the transactions for the current year but with no methodology changes of note compared with the testing in 2019-20 do not consider this area to be material at present.
- We have also previously noted 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, no methodology changes have been identified and we shall consider sample transactions at the final stage

### **Conclusions**

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

## **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 (albeit immaterially) from 1<sup>st</sup> April 2020 in relation to the employee contribution percentage bandings. We have undertaken our examination of the payroll procedures in place and the physical payments made to staff to date in 2020-21 by reference to the October 2020 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 the year had been duly implemented;
- PAYE Tax Codes and National Insurance Tables have been checked to ensure that appropriate allowances are being applied for the year (noting that there were no budgetary increases in personal allowance thresholds with effect from April 20);
- 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 1<sup>st</sup> April 2020 (albeit relatively minor changes to the salary banding widths);
- We note that electronic monthly returns are made in a timely and accurate manner in accord with current HMRC legislation (aka Real Time Initiative).

### **Conclusions**

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

## **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.

- We previously noted in our final report for 2019-20 that the term deposit held with the Santander Bank was being “rolled over” on a monthly basis and we had verified the re-investments and maturities, including the interest thereon, to the end of March 2020. At this stage, we understand that this remains the case during 2020-21 to date; and
- The Council currently has two PWLB liabilities and we have checked and agreed the first instalment repayments for 2020-21 (in May and August 2020) to their third party advice notes as part of the higher value supplier testing noted earlier in this resume.

### *Conclusions*

*No matters warranting formal comment or recommendation arise in this area currently.*