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## Signature Details

<b>Name:</b>	Graham Fairbairn
<b>Email:</b>	Graham@burgesshill.gov.uk
<b>Date &amp; Time:</b>	24/10/2022 10:27:47 (BST)
<b>IP Address:</b>	87.75.102.39
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## MULBERRY & CO

Chartered Certified Accountants  
Registered Auditors  
& Chartered Tax Advisors

9 Pound Lane  
Godalming  
Surrey, GU7 1BX

t + 44(0)1483 423054  
e office@mulberryandco.co.uk  
w www.mulberryandco.co.uk

Our Ref: MARK/BUR008

Mrs S Crirdland  
Burgess Hill Town Council  
96 Church Walk  
Burgess Hill  
West Sussex  
RH15 9AS

21 October 2022

Dear Steven

**Re: Burgess Hill Town Council  
Internal Audit Year Ended 31 March 2023 – Interim Audit report**

### **Executive summary**

Following completion of our interim internal audit on 21 October 2022 we enclose our report for your kind attention and presentation to the council. The audit was conducted in accordance with current practices and guidelines and testing was risk based. Whilst we have not tested all transactions, our samples have where appropriate covered the entire year to date.

Our report is presented in the same order as the assertions on the internal auditor report within the published AGAR. The start of each section details the nature of the assertion to be verified. Testing requirements follow those detailed in the audit plan previously sent to the council, a copy of this is available on request. The report concludes with an opinion as to whether each assertion has been met or not at the interim audit. Where appropriate **recommendations for action are shown in bold text and are summarised in the table at the end of the report.**

Our sample testing did not uncover any errors or misstatements that require reporting to the external auditor at this time, nor did we identify any significant weaknesses in the internal controls such that public money would be put at risk.

It is clear the council takes governance, policies and procedures seriously and I am pleased to report that overall, the systems and procedures you have in place are fit for purpose and whilst my report may contain recommendations to change these are not indicative of any significant failings, but rather are pointers to improving upon an already well-ordered system.

It is therefore our opinion that the systems and internal procedures at Burgess Hill Town Council are well established and followed.

### **Regulation**

The Accounts and Audit Regulations 2015 require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts. In addition to this, a smaller authority is required by Regulation 5(1) of the Accounts and Audit Regulations 2015 to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

Internal auditing is an independent, objective assurance activity designed to improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The purpose of internal audit is to review and report to the authority on whether its systems of financial and other internal controls over its activities and operating procedures are effective.

Internal audit's function is to test and report to the authority on whether its specific system of internal control is adequate and working satisfactorily. The internal audit reports should therefore be made available to all Members to support and inform them when they considering the authority's approval of the annual governance statement.

### Independence and competence

Your audit was conducted by Andy Beams of Mulberry & Co. We confirm we are independent from the management of the financial controls and procedures of the council and neither the internal auditor or the firm have any conflicts of interest with the audit client, nor do they provide any management or financial assistance to the client.

Your auditor has over 30 years' experience in the financial sector with the last 12 years specialising in local government.

### Engagement Letter

An engagement letter was previously issued to the council covering the 2022/23 internal audit assignment. Copies of this document are available on request.

### Planning and inherent risk assessment

The scope and plan of works including fee structure was issued to the council under separate cover. Copies of this document are available on request. In summary, our work will address each of the internal control objectives as stated on the Annual Internal Audit Report of the AGAR. As part of the inherent risk assessment, we have concluded that:

- There have been no reported instances of breaches of regulations in the past
- The client uses an industry approved financial reporting package
- The client regularly carries out reconciliations and documents these
- There is regular reporting to council
- The management team are experienced and informed
- Records are neatly maintained and referenced
- The client is aware of current regulations and practices
- There has been no instance of high staff turnover

It is our opinion that the inherent risk of error or misstatement is low, and the controls of the council can be relied upon and as such substantive testing of individual transactions is not required. Testing to be carried out will be "walk through testing" on sample data to encompass the period of the council year under review.

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## A. BOOKS OF ACCOUNT

### **Internal audit requirement**

*Appropriate accounting records have been properly kept throughout the financial year.*

### **Audit findings**

The interim audit was conducted on site with the council's Responsible Financial Officer (RFO). This is the first internal audit conducted by Mulberry & Co following the retirement of the council's previous internal auditor.

The RFO provided me with an overview of the council's structure and primary facility provisions within the town. The council has eighteen councillors at present, although this may increase in future due to boundary changes and the development of the Northern Arc.

The requested information advised in advance of the visit had been prepared for my arrival, and I have the impression that accounting records are neatly maintained and easily accessible. Other information was reviewed through discussion with the RFO and a review of the council website [www.burgesshill.gov.uk](http://www.burgesshill.gov.uk)

The council uses SAGE accounting software for recording the day-to-day financial transactions of the council. The system is used regularly to record transactions and produce management information reports for review at council and Key Rae Group meetings as required.

Meeting agendas are logically structured and minutes show clear resolutions being made by committee and council. I make no recommendation to change this system.

## B. FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS

### **Internal audit requirement**

*This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.*

### **Audit findings**

*Check the publication and minuting of the prior year audited AGAR and notice of conclusion of audit.*

The External Auditor's Report for 2021/22 was qualified. The External Auditor stated 'As part of our testing in relation to this authority being an intermediate size Council, we requested information showing the review of certain governance documents including Financial Regulations and Standing Orders. Although the Council were able to provide these documents had been reviewed, the review was not during the Financial Year ending on 31 March 2022. The Council is required to review all of these areas on a regular basis per the JPAG Practitioners' Guide at Section 1.14, best practice being annually. Where reviews are undertaken under a different pattern, they should be diarised to ensure these are completed regularly.'

*The Internal Auditor has answered 'Yes' to Box M of their report despite the council not satisfying the Audit and Accounts Regulations 2015, Regulation 15(2) in regard to the public notice of public rights period during the financial year 2020/21 which required the AGAR to be approved prior the public rights period being announced. We should therefore have anticipated this response to have been 'No.'*

The Report and Certificate have been published on the council website along with the Notice of Conclusion of Audit and will be reported to council at the next available meeting having been received too late for the September meeting.

I note that previous internal audit reports have been presented to council and that this has been recorded in the minutes of the appropriate meeting.

*Confirm by sample testing that councillors sign statutory office forms*

I confirmed by sample testing that councillors sign "Acceptance of Office" forms. The council website provides details of councillors and includes their individual Register of Members' Interests Forms.

*Confirm that the council is compliant with the relevant transparency code*

As the council's income and expenditure exceeds £25,000, it is not a statutory requirement to follow the requirements of the Local Government Transparency Code, although it is recommended best practice to do so. I note from a review of the council website that it is complying with the spirit of the code and publishes the required information. This should be reviewed regularly to ensure it remains up to date.

*Confirm that the council is compliant with GDPR*

The council is fully aware of GDPR and has undergone training. It was noted the council has established common email addresses for all councillors. This is recommended because it gives a natural segregation between work and personal lives, making it clear beyond doubt in what capacity a councillor is acting. In addition to this it gives control to the council, adds a degree of professionalism and in the event of a FOI request limits access to personal computers.

The council has a Privacy Notice and Accessibility Statement on the home page of its website, and it is clear the council has made every effort to comply with the website requirements.

*Confirm that the council meets regularly throughout the year*

In addition to full council, the council has a committee structure in place. The council refers to them as Key Area Groups, but applies the equivalent legislative procedures as defined in the Local Government Act as for committees. A diary of upcoming meeting dates is published on the council website along with historic agendas, minutes and supporting papers for each meeting.

*Check that agendas for meetings are published giving 3 clear days' notice.*

I was able to confirm that at least 3 clear days' notice is given on agendas. Whilst I have not tested every single committee and council meeting there was no evidence of non-compliance in giving three clear days' notice of the meeting. I note that non-confidential supporting papers are also published on the website in accordance with the requirements of the Information Commissioner's Office (ICO).

*Check the draft minutes of the last meeting(s) are on the council's website*

Draft minutes are uploaded to the council website. It is not clear which minutes are draft or final (adopted/ratified) versions, and I discussed with the RFO the additional of a statement on the minutes pages of the websites stating 'All minutes are draft until formally adopted/ratified at the next meeting'.

*Confirm that the Parish Council's Standing Orders have been reviewed within the last 12 months.*

The Standing Orders are based on the NALC model, although appear to not entirely mirror the most recent version. Some references in the index, such as 'Power of Well-Being' have not been updated, and there is no inclusion of areas added to the NALC model in recent years including 'Responsibilities to provide information' and 'Responsibilities under data protection legislation'. Both these areas were introduced into the NALC model in 2018 and contain statutory requirements which the council must adhere to.

**I recommend a review of the Standing Orders against the most recent NALC model (available on the NALC website) to ensure the council is meeting all its statutory and regulatory responsibilities.**

*Confirm that the Parish Council has adopted and recently reviewed Financial Regulations.*

As with the Standing Orders, the Financial Regulations are based on the NALC model, although not the most recent version. Unlike the Standing Orders, there are no statutory requirements within the Financial Regulations and therefore the council can amend them as they see fit, providing they still meet the requirements of the Audit and Accounts Regulations 2015.

The Financial Regulations and Standing Orders were last reviewed and approved at the Finance Key Area Group Meeting held on 22 June 2022 (minute ref 113).

*Check that the council's Financial Regulations are being routinely followed.*

The council has thresholds in place at which authorisations to spend must be obtained as below:

**27.3 BUDGETARY CONTROL**

*a Expenditure on the revenue account may be incurred up to the amounts included in the approved budget, subject to the requirements of standing orders.*

*b The CEO has powers to vire amounts up to £1,000 provided within the approved revenue budget, except in the case of sums provided for pay and allowances or when any continuing expenditure is to be generated, subject to consultation with the Chairman of the Finance Key Area Group.*

*c Expenditure may not be incurred which cannot be met from the amount provided within the net revenue budget or when overspending is likely to result in the year unless a request for a supplementary estimate has been submitted to the Finance Key Area Group. This regulation shall apply where such event would result in an increase in net cost within the financial year.*

*d Except as provided in standing orders, all proposals involving expenditure on capital account shall be the subject of an annual report to the appropriate Key Area Group and the report shall include the full financial implications of the proposals, including future revenue costs.*

*e The Finance Key Area Group shall carry out a review of the expenditure and income of the Council at the same time as it undertakes its evaluation of the following year's budgetary requirements. This exercise shall be extended to include future years by utilising a financial model.*

*f The Finance Key Area Group shall receive monitoring reports outlining the progress of expenditure and income on the revenue and capital budgets at each meeting. This will include details of any virements made during the interim.*

*g At the end of each financial year an out-turn budget shall be submitted to the Finance Key Area Group.*

Based on the level of financial activity of the council, these authorisation thresholds appear appropriate.

*Confirm all section 137 expenditure meets the guidelines and does not exceed the annual per elector limit of £8.82 per elector.*

The council has adopted the General Power of Competence (GPC) and the thresholds do not apply.

*Check receipt of VAT refund matches last submitted VAT return.*

The council submits its VAT return on a quarterly basis. The return for the period 1 July to 30 September 2022 shows a net refund due of £10,086.61. The RFO explained that there have been some connectivity issues between the HMRC Gateway and the SAGE software, and the previous refund for the period ending 30 June has yet to be received. **A check for the receipt of the quarter 1 and quarter 2 VAT refunds will be conducted at the final audit.**

*Confirm that checks of the accounts are made by a councillor.*

The system noted above details internal review takes place and I am under no doubt that council properly approves expenditure.

## C. RISK MANAGEMENT AND INSURANCE

### **Internal audit requirement**

*This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.*

### **Audit findings**

The council has a detailed risk management policy which is available for review on the council website. This was most recently reviewed and approved by council in May 2022. Part of the risk management policy includes the addition of identified risks to the risk register, which is appended to the policy.

I reviewed the risk register at the interim audit date and noted information including the current status of the identified risk, the date raised, who raised the risk, a description of the specific activity and risk/impact identified, the new actions required to mitigate the risk, the completion date and the officer responsible.

This is a comprehensive approach and the risk measures included on the register appear relevant and appropriate for a council of this size.

I confirmed that the council has a valid insurance policy in place with Zurich in a long-term agreement expiring on 29 July 2023. The policy includes Public Liability cover of £15 million, Employers Liability cover of £10 million and a Fidelity Guarantee of £5000,000.

With total reserves exceeding £1 million, plus any surplus on the current year fund, the Fidelity Guarantee level appears insufficient. I discussed this with the RFO, and while the council has appropriate internal controls and limits on withdrawals, there remains a risk and **I recommend the council increases its Fidelity Guarantee level to cover the maximum sum held on all accounts during the financial year.**

The listed asset cover appears appropriate based on the items recorded on the council's asset register.

## D. BUDGET, PRECEPT AND RESERVES

### **Internal audit requirement**

*The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.*

### **Audit findings**

The council set a precept of £933,618 for 2022/23. With a tax base of 12,395.7, this equates to a band D equivalent of £75.32 (compared to the average in England of £74.81).

The Clerk confirmed that the 2023/24 budget setting process is underway. Managers have drafted a first budget which will be presented to the Finance Key Area Group in November for review. Revisions from that meeting will be incorporated into the document, before being presented to the Finance Key Area Group in January for agreement. This will then form a recommendation which will be presented to council for approval at the January 2023 meeting, resulting in the setting of the budget and precept.

The RFO shared the financial reporting which is presented for review. This takes the form of a monitoring report, and includes a consolidated summary, explanations of major variances and then a detailed breakdown across each part of the business.

I have no doubt that councillors are provided with sufficient information to make informed financial decisions.

The council holds circa £726,000 in earmarked reserves. The RFO presented a detailed breakdown of the earmarked reserves, which are split between restricted and unrestricted amounts and further broken down into specific topics. The list contains narrative explanations as to the purpose of each earmarked reserve, which is an excellent way of reminding councillors of the reasons for them, especially where some may be historic.

The council also holds circa £296,000 in the general reserve. I note the minutes of the Finance Key Area Group meeting held in June 2022 make reference to the *'standing resolution to have 20% of future Net Budgeted Expenditure as a General Reserve level*

*(equating to £186k) and the current level of £322k gave, effectively, a surplus to requirements of some £136k that could be allocated towards other council projects.'*

The Joint Panel on Accountability and Governance (JPAG) Practitioner's guide states *'the generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure'* (para 5.33).

The council's standing resolution is lower than the recommended guidance, although I note that the balance exceeds the council's 20% objective anyway. A review of the general reserve level will be conducted at the final audit to ensure it remains at an appropriate level.

## **E. INCOME**

### **Internal audit requirement**

*Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.*

### **Audit findings**

Apart from the precept, the council receives income from the burial ground, management fees for working relating to other organisations, advertising income for the town magazine, allotment rents, and event income in the form of donations, grants and sponsorship.

A review of the SAGE accounting summary shows that nominal code descriptions are clear enough to identify the source of income amounts, and I found no evidence of off-setting of income against expenditure during my review.

Burial ground and allotment fees are reviewed annually by council as part of the budget setting process.

## **F. PETTY CASH**

### **Internal audit requirement**

*Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.*

### **Audit findings**

The council maintains a petty cash float in the office, and separate floats for the mobile maintenance team and Help Point. The RFO balances the petty cash regularly, and it is used for minor incidental expenditure items. Receipts are obtained for expenditure items, and the petty cash record is maintained within SAGE.

The amount of the petty cash is inconsequential to the overall financial position of the council, and I am satisfied that sufficient procedures are in place for the safe management of petty cash.

The RFO has a Government procurement card, and details of all expenditure is published on the council website in accordance with the Local Government Transparency Code.



## G. PAYROLL

### **Internal audit requirement**

*Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.*

### **Audit findings**

The council has 19 staff members, fulfilling roles within the council offices and a maintenance team managing the council facilities around the town. Staff members all have signed contracts of employment and are paid in accordance with the NJC salary scales.

Payroll is processed in house by the RFO using SAGE. The summary sheet for October shows details of the monthly payment, the year-to-date position and the projected year-end position taking into account any changes to the original budgeted figures as a result of in year increments or other contractual changes.

Council is reminded that only salary, HMRC and pension payments should be included in box 4 on the Annual Governance and Accountability Return (AGAR) and any other staff costs should be recorded in box 6.

There is a councillor allowance scheme in place, with payments made half-yearly in arrears in March and September. Councillor allowance payments are made through payroll in accordance with HMRC requirements to assess tax and National Insurance implications.

## H. ASSETS AND INVESTMENTS

### **Internal audit requirement**

*Asset and investments registers were complete and accurate and properly maintained.*

### **Audit findings**

The council has a fixed asset register in place. This includes dates of acquisition of items, supplier details, a description of the asset, its location, a total value for the previous year, any additions and/or deletions during the year and an updated total for the current year.

I confirmed with the RFO that the total figures recorded on the asset register are the original or proxy cost values of the items.

The register includes a summary by category of asset, and a further check of the register to ensure it is up to date and matches the AGAR total will be completed at the year-end audit.

The council has a PWLB loan which was taken out for the purchase of a former Royal British Legion building and land. Confirmation of the repayments and year-end balances will be checked at the year-end audit.

The council has no long-term investments.

## **I. BANK AND CASH**

### **Internal audit requirement**

*Periodic and year-end bank account reconciliations were properly carried out.*

### **Audit findings**

Bank reconciliations are completed regularly during the month and checked periodically by the RFO. I reviewed the reconciliations presented for the interim audit and was able to confirm the balances to the bank statements and found no errors.

There was no evidence of the checking of the reconciliations by the RFO, and while I have no doubt this activity is taking place, I **recommend that the RFO signs the reconciliations and associated bank statements to provide a clearer audit trail for this activity.**

The council does not benefit from the £85,000 protection limit offered by the Financial Services Compensation Scheme (FSCS) due to its annual budget exceeding the €500,000 threshold.

## **J. YEAR END ACCOUNTS**

### **Internal audit requirement**

*Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.*

### **Audit findings**

Testing to be conducted at final audit.

## **K. LIMITED ASSURANCE REVIEW**

### **Internal audit requirement**

*IF the authority certified itself as exempt from a limited assurance review in 2020/21, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2020/21 AGAR tick "not covered")*

### **Audit findings**

Testing to be conducted at final audit.

## **L: TRANSPARENCY**

### **Internal audit requirement**

*If the authority has an annual turnover not exceeding £25,000, it publishes information on a website / webpage up to date at the time of the internal audit in accordance with the Transparency Code for Smaller Authorities*

### **Audit findings**

Testing to be conducted at final audit.

**M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS****Internal audit requirement**

*The authority has demonstrated that during summer 2022 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.*

**Audit findings**

Inspection – key dates	2021/22 Actual
Date AGAR signed by council	23 June 2022
Date inspection notice issued	27 June 2022
Inspection period begins	28 June 2022
Inspection period ends	8 August 2022
Correct length (30 working days)	Yes
Common period included (first 10 working days of July)	Yes

I am satisfied the requirements of this control objective were met for 2021/22, and assertion 4 on the Annual Governance Statement can therefore be signed off by the council.

**N: PUBLICATION REQUIREMENTS****Internal audit requirement**

*The authority has complied with the publication requirements for 2021/22. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website / webpage.*

*Before 1 July 2022 authorities must publish:*

- *Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited*
- *Section 1 - Annual Governance Statement 2021/22, approved and signed, page 4*
- *Section 2 - Accounting Statements 2021/22, approved and signed, page 5*

*Not later than 30 September 2022 authorities must publish:*

- *Notice of conclusion of audit*
- *Section 3 - External Auditor Report and Certificate*
- *Sections 1 and 2 of AGAR including any amendments as a result of the limited assurance review.*

*It is recommended as best practice, to avoid any potential confusion by local electors and interested parties, that you also publish the Annual Internal Audit Report, page 3.*

**Audit findings**

I was able to confirm that the Notice of Public Rights is published on the council website along with the Notice of Conclusion of Audit and External Auditor Report and Certificate and the publication requirements for 2021/22 have been met.

**O. TRUSTEESHIP****Internal audit requirement**

*Trust funds (including charitable) – The council met its responsibilities as a trustee.*

**Audit findings**

Testing to be conducted at final audit.

**Achievement of control assertions at interim audit date**

Based on the tests conducted during the interim audit, our conclusions on the achievement of the internal control objectives are summarised in the table below. A further review and update of this opinion will be conducted at the final audit.

	INTERNAL CONTROL OBJECTIVE	YES	NO	NOT COVERED
A	Appropriate accounting records have been properly kept throughout the financial year	√		
B	This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for	√		
C	This authority assesses the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these	√		
D	The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	√		
E	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for	√		
F	Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for	√		
G	Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	√		
H	Asset and investments registers were complete and accurate and properly maintained.	√		
I	Periodic bank account reconciliations were properly carried out during the year.	√		
J	Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	√		
K	If the authority certified itself as exempt from a limited assurance review in 2021/22, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2020/21 AGAR tick "not covered")</i>			√
L	The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements			√
M	The authority, during the previous year (2021-22) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations <i>(evidenced by the notice published on the website and/or authority approved minutes confirming the dates set)</i> .	√		
N	The authority has complied with the publication requirements for 2021/22 AGAR.	√		
O	Trust funds (including charitable) – The council met its responsibilities as a trustee.			√

Should you have any queries please do not hesitate to contact me.

Yours sincerely



**Andy Beams**

**For Mulberry & Co**

**Interim Audit - Points Carried Forward**

<b>Audit Point</b>	<b>Audit Findings</b>	<b>Council comments</b>
<b>FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS</b>	I recommend a review of the Standing Orders against the most recent NALC model (available on the NALC website) to ensure the council is meeting all its statutory and regulatory responsibilities.	
<b>RISK MANAGEMENT AND INSURANCE</b>	I recommend the council increases its Fidelity Guarantee level to cover the maximum sum held on all accounts during the financial year.	
<b>BANK AND CASH</b>	I recommend that the RFO signs the reconciliations and associated bank statements to provide a clearer audit trail for this activity.	