

UCKFIELD TOWN COUNCIL

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation during the financial year ended 31 March 2020.

The internal audit for 2019/20 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Agreed?. Please choose one of the following		
	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 assessed 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 and year-end bank account reconciliations were properly carried out.	✓		
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 2018/19, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2018/19 AGAR tick "not covered")			✓
L. The authority has demonstrated that during summer 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.	✓		
M. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes	No	Not applicable
			✓

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken: 28/10/19, 06 and 07/02/20, 5/8/20
 Name of person who carried out the internal audit: Nigel Archer, for Auditing Solutions Ltd
 Signature of person who carried out the internal audit: N. I. Archer
 Date: 06/08/20

*If the response is 'no' you must include a note to state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).
 **Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).

Uckfield Town Council

Internal Audit Report 2019-20 (Final)

Prepared by Nigel Archer

*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 from the outset of the revised Regulations, with Auditing Solutions Ltd subsequently appointed to undertake the internal audit function on behalf of the Council for the residue of 2009-10 and beyond.

This report sets out those areas examined during the course of final review work, undertaken remotely in our offices in late July 2020 as a result of the Covid-19 pandemic and supplements that of the interim visits to the Council, which took place on 28th October 2019 and on 6th and 7th February 2020. Clearly we have reduced the levels of detailed testing in the circumstances whilst ensuring that that governance and financial controls remain effective and we wish to thank Officers, in particular the Clerk and her RFO, for assisting this process in providing all necessary additional documentation as required in electronic format.

Internal Audit Approach

In concluding our review for 2019-20, we have again had regard to the materiality of transactions and their susceptibility to potential mis-recording or mis-representation in the year-end Statement of Accounts.

Additionally, with the previously recorded transition from the “Full Code” audit to the “Limited Assurance” regime we are now required to report upon an extended range of the Council’s accounting and other processes annually. Consequently, we have and will continue at future visits to undertake work in each area covered by the Internal Audit Certificate of the year’s Annual Governance and Accountability Return (AGAR in short), which now forms the annual Statutory Accounts for the Council.

Overall Conclusion

We are pleased to record that no significant concerns or issues have been identified during the course of testing undertaken: consequently, it has not been considered necessary to append an Action Plan of any formal recommendations, the Clerk and her colleagues are to be commended for the standards of work provided and the successful transition of the Council’s staffing following retirements of the previous RFO and the Administrative Officer late in 2019 and we have duly signed off the Internal Audit Report in the AGAR assigning positive assurances in all areas.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Council continues to use bespoke Sage accounting software to maintain its accounting records, with annual support currently provided by third party contract accountants (Acuity, who were previously known as Armida prior to a change of ownership). The Council remains a full Sage software user, with Current and Interest Bearing Deposit accounts operated at NatWest Bank, supplemented by occasional Term deposit holdings at Lloyds Bank.

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. Therefore:

- We have again verified that an appropriate cost centre and nominal ledger structure remains in place for 2019-20;
- We have checked the opening Trial Balance in the accounting software for 2019-20 to the closing Financial Statements for 2018-19 to ensure that all the detailed balances have been properly rolled forward with no matters arising;
- We have checked and agreed three sample months' receipts and payments transactions (May & September 2019 and March 2020) from all bank accounts to the appropriate cashbooks, including the daily "sweeps"; and
- Finally in this area, we have checked and agreed the software based bank reconciliations as at 31st May & 30th September 2019 and 31st March 2020 for all accounts with no matters arising worthy of note.

Conclusions

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

Review of Corporate Governance

Our objective is to ensure that the Council has a robust series of corporate governance documentation in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders 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 have:-

- Noted that, as in previous municipal years, the Council's extant corporate documentation such as Standing Orders, Financial Regulations, Members' Code of Conduct are subject to on-going review and were again considered fit for purpose following some relatively minor revisions (most latterly in November 2018 and March 2020) to ensure consistency with the previously issued updates to the NALC model documentation;

- Continued our review of the Council's minutes, examining those for the Full Council and its Standing Committee meetings (with the exception of Planning) held to early March 2020 with a view to identifying whether or not any potential issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability – no such issues were identified;
- Noted previously that the Council met all necessary criteria to adopt the General Power of Competence and that this was re-affirmed in May 2019 following the election of the new Council in accordance with extant legislation; and
- We are again pleased to acknowledge the existence of a plethora of relevant, formally adopted Policies and Procedures, together with more detailed written operating procedures in line with best practice, also noting that these continue to be reviewed and updated periodically.

Conclusions

There are no matters arising in this area to warrant formal comment or 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;
- 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;
- That an official order is raised for all relevant goods and / or services: we acknowledge that this will not be necessary for all items of expenditure, which are regularly the subject of contracts (e.g. grounds maintenance) or legal requirements (e.g. non domestic rates);
- 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 separately identified (where applicable) and coded to the control account for periodic recovery.

We are pleased to note that sound control continues over the authorisation of, and payments for, supplier invoices and other similar expenditure (still predominantly paid by cheque).

We have extended our testing of payments at the previous interim visit, examining a sample of all those payments individually in excess of £4,000 together with a further selection of every 40th cashbook transaction (irrespective of value) to 31st December 2019. This sample comprised approximately 70 payments, totalled just over £300,000 and represented 50% of all non-pay related expenditure in the year to that date and no further work was considered necessary in this area.

In relation to VAT, the current RFO continues to submit quarterly electronic submissions in a timely manner and we have verified that the December 2019 return had been completed in accord with the Sage control account balances and the new Making Tax Digital legislation.

Conclusions

There are no matters arising in this area to warrant formal comment or 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 and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage any such risks identified in order to minimise the opportunity for their coming to fruition.

- We have noted previously that the Council's corporate insurance cover is provided under a long term agreement by Zurich supplemented by property cover provided by QBE. We have examined the former's current year's policy schedule (to June 2020) and Public Liability stands at £15 million, Employer Liability stands at £10 million, Fidelity Guarantee stands at £1 million and there is adequate Loss of Revenue cover in place at £400,000 for the Civic Centre at £34,000 across other locations. The QBE policy for the year to October 2019 was considered as part of the final 2018-19 audit and that for the year to October 2020 has been provided remotely and there are no matters worthy of note currently;
- We again note that the Council has a formal Strategic Risk Management Policy in place, which was most recently re-adopted by the General Purposes Committee in August and, by subsequent minute approval, Full Council in September 2019; and
- We again note that sound control registers are in place, on a weekly basis, to record the ground staffs' health and safety inspections of the Council's various play areas and associated facilities.

Conclusions

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

Budgetary Control & Reserves

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and level of precept to be drawn down from the District Council; also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure. Consequently:

- We are pleased to note the conclusion of the Council's budget deliberations at its meeting on 20th January 2020 and that the Precept for 2020-21 was formally adopted, and properly recorded, at £942,405 (with no further Council Tax Support Grant receivable);

- We also note that members continue to be provided with sound periodic budget management reports during the current year (generally monthly) and have briefly considered the end December 2019 position and note that whilst there are some “line by line” variances, the overall position would appear to be quite strong currently; and
- We note that Total Usable Reserves as at 31st March 2020 stood at £1,282,000, which comprised Capital Receipts of £16,000, specific Earmarked items of £807,000 and the residual General Fund of £459,000. The latter represents four to five months expenditure at current levels, which is considered more than acceptable at present

Conclusions

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

Review of Income

The Council receives income from a variety of sources including hire fees for use of the Civic Centre, the Luxford restaurant facility, other property lettings, Cemetery activities, allotments, sports pitches, bank interest and VAT recoveries.

Our objective is to ensure that robust systems are in place to ensure that all income due to the Council is identified and invoiced (where applicable) in a timely manner and that effective procedures are in place to ensure that appropriate recovery is effected within a reasonable time span. Consequently, we have:

- Noted from Financial Regulations that members are required to review the scales of fees and charges for all its activities annually and have obtained detail of those pertaining to the Civic Centre and Forester Hall lettings, Pavilion & Sports pitch hires, Cemetery activities and allotment rentals for the current financial year (which were duly approved in the previous municipal year);
- Noted that officers and members continue to regularly manage, report on and review long-standing and potential bad debts, the most recent of which did not identify any significant issues to warrant further action at present;
- Examined the Cemetery income streams at the update stage by selecting all those burial register entries for the six month period July to December 2019 and ensuring that each was duly supported by funeral directors’ application forms and death certificates, that the fees charged for each activity were in accord with the published scales, that relevant Sales Ledger invoices had been raised in Sage and that there were no undue delays with settlements of same;
- As noted earlier in this report, we have checked and agreed three sample months’ receipt transactions in full from cashbooks to bank statements, including bank interest arising on the Reserve account at NatWest;
- Verified the bank interest arising on Lloyds 12 month term deposit received in July 2019 to the re-investment contract note (interest being “rolled up” to increase the annual holding);

- Tested periodic incomes such as rentals for the Signal Box, Victoria Pavilion, Quickborn Suite, Vernon Road, the Source, Cemetery Chapel and The Hub for April 2019 to January 2020 from sales ledger invoices to ensure that there were no obvious errors or omissions where receipts could have been expected – no such issues were identified; and
- We note that the Luxford trading position is monitored very closely by the Operations Manager and his staff and that members are provided with sound trading reports on a regular monthly basis but have not commented further due to the commercial / confidential nature of the outturns.

Conclusions

There are no matters arising in this area to warrant formal comment or recommendation at present – we did not test the Civic Centre lettings at the update stage because this was covered in some detail during 2018-19 and there have been no processing revisions in 2019-20.

Petty Cash Accounts and Corporate Debit / Credit Cards

The transition to the “limited assurance” regime requires us to specifically express a view on the operation of petty cash schemes within the Internal Audit Certificate at Part 3 of the revised Annual Governance and Accountability Return.

- Two “office” based petty cash accounts are in operation at the Civic Centre in addition to the general operational floats held for the till functions. These are maintained on a day-to-day basis for the separate use of Administration and Luxford expenses utilising Sage cashbooks for transaction processing and accounts are “topped up” periodically as and when required (usually in round sum amounts of £150) and are not operated on a formal “imprest” basis;
- We have checked and agreed a sample month’s payments (January 2020) on both accounts to ensure that each was supported by an appropriate invoice or till receipt, that VAT (where applicable) was being separately identified for periodic recovery and that the goods or services were appropriate for the Council’s activities. We also note the continuing formal control of the “cash-in-tin” balances and re-imbursments, which are subject to independent managerial review; and
- We note that the Council is in possession of a NatWest One Card, with a maximum credit limit of £5,000 and settlement in full by automatic monthly direct debit. We have checked and agreed the transactions for the month ending 15th July 2019 to supporting documentation, also ensuring the goods and services were appropriate for the Council’s activities.

Conclusions

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

Review of Salaries

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 as further revised from 1st April 2019 in relation to the staff salary contribution bandings.

We have examined the payroll procedures in place and physical payments made to staff in 2019-20 by reference to the October 2019 documentation, the underlying detail for which continues to be produced "in house" by the current RFO utilising bespoke Sage payroll software. Consequently:

- Gross pay rates have been checked to ensure that the NJC pay award and spinal column point revisions for 2019-20 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 following the annual budgetary increases in personal allowance thresholds with effect from April 2019;
- 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 1st April 2019;
- 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 electronic NatWest Bankline instructions and the settlement of deductions for HMRC and LGPS; 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).

Conclusions

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

Asset Registers

The Accounts and Audit Regulations 1996, as amended from time to time, require all Councils to maintain a detailed register of their assets. We aim therefore, in examining this aspect of the Council's documentation, to ensure that the Council has complied with that legislation, that an appropriate and comprehensive register is being maintained and that it is subject to periodic review and update.

We have previously commented on the extensive lever arch file maintained to identify the Council's many land, property and other assets, also recording that appropriate mapping software (Pear Technology) is utilised to assist with this process and this remains the case in the current year. Additionally, the contract accountants also prepare their own detailed schedules for the purposes of the Accounts, ensuring that depreciation charges are properly written back for the disclosure of balances at cost in the AGAR.

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, that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with the relevant loan agreements.

- Currently we note that the Council has one periodic Term deposit with Lloyds Bank (for a twelve month period ending in July 2020) and also, as noted earlier, holds “surplus” funds in an Interest Bearing account at NatWest, the interest arising on which has been tested to March 2020 as noted earlier in this report; and; and
- The Council has four separate PWLB liabilities and we have checked and agreed the first instalment repayment covering them all (in July 2019) to their third party direct debit settlement advice notes and Sage cashbooks as part of the higher value supplier testing noted earlier in this report. Additionally, we have subsequently verified the disclosure of the residual balances as at 31st March 2020 in the Accounts to the PWLB’s independent publication on their website.

Conclusions

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

Statement of Accounts and Annual Return

The Council’s annual Statements of Account were, as in previous years, prepared by external accounting contractors (Acuity) and we have undertaken sample checks of the disclosures therein to supporting documentation such as the SAGE trial balance, the PWLB balances, Precept levels and others with no matters arising although we have not specifically examined the AGAR data disclosed at Page 5 but do not anticipate any matters arising given the number of years’ experience in this area of both the contractors and the Clerk.

Notwithstanding this and given the sound controls and outturns of our testing during the year, we have signed off the Internal Audit Report at Page 3 within the AGAR, assigning positive assurances in all categories.

Conclusions

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