

## CUCKFIELD PARISH COUNCIL

### INTERNAL AUDIT REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2019

INTERNAL CONTROL		COMMENTS AND OBSERVATIONS
<b>1.</b>	<b>Arising from previous Audit</b>	<p>Regarding the Annual Governance and Accountability Return (AGAR) for the year ended 31 March 2018, the external auditor reported that there were no matters giving cause for concern that relevant legislative and regulatory requirements had not been met.</p> <p>At the Meeting of the Full Council held on 4 July 2018, the internal audit report was noted and accepted (Minute FC048 refers), and Sections 1 and 2 of the AGAR were ratified and signed (Minutes FC050 and FC051 refer).</p>
<b>2.</b>	<b>Bookkeeping</b>	<p>The Council uses a computerised accounting system which meets its requirements and which the Clerk is conversant with. It also uses a computerised system – from a <i>different</i> provider – to manage bookings for the Queen's Hall and Cuckfield Village Hall. It is understood that in order to integrate the two systems and thereby streamline things, the bookings are to be migrated to a new system under the Council's existing accounts provider.</p> <p>A random check of the underlying paperwork relating to receipts and payments provided evidence of cross-referencing and showed that information had been input accurately. The cash book had been kept up to date and the balance regularly verified against bank statements.</p> <p>A random sample check of both invoices issued by the Council and</p> <p style="text-align: right;"><i>cont.</i></p>

2.	<b>Bookkeeping (cont.)</b>	invoices received from suppliers confirmed that where relevant, VAT had been identified, recorded and accounted for. Net VAT had been reclaimed by the (online) submission of quarterly returns to HM Revenue and Customs, with refunds being credited direct to the Council's bank account.
3.	<b>Standing Orders and Financial Regulations</b>	<p>Examination of minutes confirmed that the Council had reviewed its Standing Orders and Financial Regulations. At the Meeting of the Full Council held on 4 July 2018, updated Standing Orders incorporating changes relating to General Data Protection Regulation (GDPR) and the implementation of an Emergency Consultation Panel were reviewed and approved (Minute FC053 refers), and updated Financial Regulations incorporating a minor change relating to the Emergency Consultation Panel were reviewed and approved (Minute FC054 refers).</p> <p>The Financial Risk Register was considered and approved by the Finance and General Purposes Committee on 25 April 2019, (Minute FGP57 ii) refers).</p>
4.	<b>Risk Management</b>	<p>Examination of minutes revealed that a number of reviews had been carried out in order to ensure the ongoing identification and management of risks faced by the Council.</p> <p>There was nothing to suggest any out of the ordinary activities that had not been taken into account.</p>
5.	<b>Budgetary Controls</b>	At appropriate intervals throughout the year, Members were provided with 'Financial Budget Comparison' reports, extracted from the Council's accounting <i>cont.</i>

5.	<b>Budgetary Controls (cont.)</b>	<p>system. For each Committee and its associated budget headings, these showed actual income/expenditure against budget.</p> <p>Examination of minutes confirmed that the Council's Committees had gone through a robust budgeting exercise, concluding with the approval of a 2.9% increase in the precept for the ensuing financial year – up from £204,286 to £210,247 (Meeting of the Full Council, 24 January 2019, Minute FC106).</p>																												
6.	<b>Income</b>	<p>Because cash brings higher risks and requires greater controls, the Council receives the majority of its income in the form of cheques or by direct credit (for example BACS) to its bank account. Cash receipts tend to be for allotment rents and from the sale of Mid Sussex District Council parking discs. The banking of cash and cheques is usually done on a weekly basis.</p> <p>The following six credits, received between 4 April 2018 and 11 March 2019, were selected at random:</p> <table border="1" data-bbox="783 1346 1353 1597"> <thead> <tr> <th>Date</th> <th>Inv. No.</th> <th>Txn No.</th> <th>Amount (£)</th> </tr> </thead> <tbody> <tr> <td>3/4/18</td> <td>9348</td> <td>2659</td> <td>166.00</td> </tr> <tr> <td>3/7/18</td> <td>9463</td> <td>2813</td> <td>261.36</td> </tr> <tr> <td>28/9/18</td> <td>9580</td> <td>3029</td> <td>50.00</td> </tr> <tr> <td>24/10/18</td> <td>n/a</td> <td>3096</td> <td>8,370.00</td> </tr> <tr> <td>18/12/18</td> <td>n/a</td> <td>3167</td> <td>3,200.88</td> </tr> <tr> <td>11/3/19</td> <td>n/a</td> <td>3371</td> <td>114.32</td> </tr> </tbody> </table> <p>They were checked against ① supporting invoices issued/ documentation and ② 'Received Income Transactions' sheets produced by the accounting system. The supporting invoice for transaction number 2813 (£261.36) had not been filed sequentially with all the other hard copy paperwork but the Clerk</p> <p style="text-align: right;"><i>cont.</i></p>	Date	Inv. No.	Txn No.	Amount (£)	3/4/18	9348	2659	166.00	3/7/18	9463	2813	261.36	28/9/18	9580	3029	50.00	24/10/18	n/a	3096	8,370.00	18/12/18	n/a	3167	3,200.88	11/3/19	n/a	3371	114.32
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6.	<b>Income (cont.)</b>	was able to call up the invoice from the bookings system in order to verify the transaction. The other five credits were found to be in order and all transactions had been reported to Council.																								
7.	<b>Payments</b>	<p>The following seven direct payments, made between 4 May 2018 and 14 December 2018, were selected at random:</p> <table border="1" data-bbox="769 660 1359 996"> <thead> <tr> <th>Date</th> <th>Txn No.</th> <th>Amount (£)</th> </tr> </thead> <tbody> <tr> <td>4/5/18</td> <td>2310</td> <td>205.00</td> </tr> <tr> <td>11/6/18</td> <td>2380 (DDR)</td> <td>358.03</td> </tr> <tr> <td>11/7/18</td> <td>2444</td> <td>359.88</td> </tr> <tr> <td>7/9/18</td> <td>2515</td> <td>174.00</td> </tr> <tr> <td>7/9/18</td> <td>2516</td> <td>499.62</td> </tr> <tr> <td>22/10/18</td> <td>2587</td> <td>2,010.00</td> </tr> <tr> <td>14/12/18</td> <td>2712</td> <td>484.00</td> </tr> </tbody> </table> <p>They were checked against  ① supporting invoices received/documentation and ② 'Paid Expenditure Transactions' sheets produced by the accounting system. All were found to be in order: paperwork had been imprinted with an 'Approved for Payment' stamp, signed by two authorised signatories and dated accordingly, and the transactions had been reported to Council.</p>	Date	Txn No.	Amount (£)	4/5/18	2310	205.00	11/6/18	2380 (DDR)	358.03	11/7/18	2444	359.88	7/9/18	2515	174.00	7/9/18	2516	499.62	22/10/18	2587	2,010.00	14/12/18	2712	484.00
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8.	<b>Petty Cash</b>	The Council does not hold any petty cash within the parish office. If necessary, any incidental expenses are met primarily by the Clerk, who is then reimbursed. This is written into the Council's Financial Regulations. The benchmark method of settling expenditure is direct payment from Council funds upon receipt of an invoice or other appropriate documentation.																								

9.	<b>Payroll</b>	<p>The payroll function and administration on behalf of members of the Local Government Pension Scheme (LGPS) is outsourced to West Sussex County Council (WSSC). Until recently, WSSC had worked in partnership with Capita to administer the LGPS; that partnership has now ceased and a new arrangement with Hampshire County Council Pension Services is now in place.</p> <p>The Clerk is responsible for providing WSSC with the necessary base information to enable them to calculate monthly salaries and pension contributions.</p>
10.	<b>Assets</b>	<p>The Clerk maintains the Council's asset register using an existing module within the accounting software package. This makes it easier to manage existing assets and to record any acquisitions or disposals.</p> <p>The Council's principal assets are:</p> <ul style="list-style-type: none"> <li>① the Queen's Hall;</li> <li>② public toilets at Broad Street car park;</li> <li>③ Cuckfield Village Hall.</li> </ul> <p>In terms of sums insured, add:</p> <ul style="list-style-type: none"> <li>④ Burial Ground and Chapel of Rest;</li> <li>⑤ War Memorial;</li> <li>⑥ Horsefield Green.</li> </ul> <p>Adequate insurance cover was in place. Examination of minutes revealed that at the meeting of the Finance and General Purposes Committee held on 27 September 2018, two quotes were considered and one was accepted to value the building assets of the Council (Minute FGP29 refers). The Asset Register was considered and approved by the Finance and General Purposes Committee on 25 April 2019, (Minute FGP57 i) refers).</p>

11.	<b>Bank Reconciliation</b>	<p>Bank reconciliations were carried out on a calendar monthly basis. The reconciliation for September 2018 was checked; ① the closing balance from statement number 154 as per the accounting system, agreed to that shown on Unity Trust bank statement sheet number 26; ② there were no unexplained balancing entries.</p> <p>The reconciliation for February 2019 was also checked; ① the closing balance from statement number 159 as per the accounting system, agreed to that shown on Unity Trust bank statement sheet number 33; ② there were no unexplained balancing entries.</p>
12.	<b>Minutes</b>	<p>A scan of the minutes for all Council and Committee meetings found them to be informative and to the point. For each Committee, they were numbered sequentially for ease of reference. Bearing in mind the size of the Council, staff and Members had without question undertaken a considerable amount of work, which shows no sign of abating.</p> <p>No unauthorised financial activity was identified.</p>
13.	<b>Year-End</b>	<p>Year end accounts, on an income and expenditure basis, were prepared with the assistance of a consultant from the Council's accounts package provider. A small difference of £35.00 was identified between the actual amount of precept received (£204,286.00) and the amount recorded in the Income and Expenditure Account (£204,321.00). Immediate investigation by the Clerk revealed that this was due to an item of income being inadvertently credited to the wrong budget heading. Correcting entries were passed and the difference</p> <p style="text-align: right;"><i>cont.</i></p>

13.	Year-End ( <i>cont.</i> )	resolved.  The figures in Section 2 of the Annual Governance and Accountability Return (AGAR) were then checked and agreed to the accounts.
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Further to my review and compliance testing of the systems of financial and other controls in operation, I am pleased to conclude there are no significant issues arising that require consideration by the Council.

**ANDREW STURGEON**  
**Internal Auditor**