

## CUCKFIELD PARISH COUNCIL

### INTERNAL AUDIT REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2020

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 2019, the external auditor reported that except for the matter marked * below, there were no matters giving cause for concern that relevant legislative and regulatory requirements had not been met.</p> <p><i>* The Notice of Public Rights relating to the 2017/18 Annual Governance and Accountability Return was not displayed correctly as identified on the 2017/18 External Audit Report. As this occurred during the 2018/19 financial year the Council should have answered 'No' to box 4 of Section 1 of the 2018/19 Annual Governance and Accountability Return.</i></p> <p>At the Meeting of the Full Council held on 13 June 2019, the internal audit report was noted and approved (Minute FC043 refers), and Sections 1 and 2 of the AGAR were approved (Minutes FC045 and FC046 refer).</p>
<b>2.</b>	<b>Bookkeeping</b>	<p>The Council uses a long-established 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. A planned migration of the bookings to a system under the Council's existing accounts provider does not appear to have taken place, not that this has any bearing on the Council's ability to manage its finances.</p> <p style="text-align: right;"><i>cont.</i></p>

2.	<b>Bookkeeping (cont.)</b>	<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 invoices received from suppliers confirmed that where relevant, VAT had been identified, recorded and accounted for. Net VAT had been reclaimed by the submission of quarterly returns to HM Revenue and Customs, with refunds being credited to the Council's bank account.</p>
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 thirty-fourth Annual Meeting of the Council held on 16 May 2019, amended Standing Orders and unchanged Financial Regulations were reviewed and adopted (Minute FC012 refers). A subsequent review of Financial Regulations resulted in a number of amendments which were adopted by Full Council on 9 January 2020 (Minute FC142 refers).</p> <p>The Financial Risk Register was last 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. For example, the</p> <p style="text-align: right;"><i>cont.</i></p>

4.	<b>Risk Management (cont.)</b>	<p>audit plan and internal control procedures were approved by Full Council on 13 June 2019 (Minute FC044 refers).</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>	<p>At appropriate intervals throughout the year, Members were provided with 'Financial Budget Comparison' reports, extracted from the Council's accounting 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 had gone through a robust budgeting exercise, concluding with the approval of an 8% increase in the precept for the ensuing financial year – up from £210,247 to £227,067 (Meeting of the Full Council, 9 January 2020, Minute FC132).</p>																								
6.	<b>Income</b>	<p>Because cash brings higher risks and requires greater controls, the Council receives the majority of its income by direct credit (for example BACS) to its bank account or by cheque.</p> <p>The following seven credits, received between 11 April 2019 and 5 March 2020, were selected at random:</p> <table data-bbox="794 1664 1347 1951"> <thead> <tr> <th data-bbox="794 1664 938 1697">Date</th> <th data-bbox="1002 1664 1114 1697">Txn No.</th> <th data-bbox="1187 1664 1347 1697">Amount (£)</th> </tr> </thead> <tbody> <tr> <td data-bbox="794 1697 938 1731">11/4/19</td> <td data-bbox="1002 1697 1114 1731">3458</td> <td data-bbox="1187 1697 1347 1731">91.26</td> </tr> <tr> <td data-bbox="794 1731 938 1765">23/4/19</td> <td data-bbox="1002 1731 1114 1765">3454</td> <td data-bbox="1187 1731 1347 1765">157.95</td> </tr> <tr> <td data-bbox="794 1765 938 1798">12/6/19</td> <td data-bbox="1002 1765 1114 1798">3656</td> <td data-bbox="1187 1765 1347 1798">350.00</td> </tr> <tr> <td data-bbox="794 1798 938 1832">1/7/19</td> <td data-bbox="1002 1798 1114 1832">3728</td> <td data-bbox="1187 1798 1347 1832">247.60</td> </tr> <tr> <td data-bbox="794 1832 938 1865">29/7/19</td> <td data-bbox="1002 1832 1114 1865">3688</td> <td data-bbox="1187 1832 1347 1865">108.00</td> </tr> <tr> <td data-bbox="794 1865 938 1899">25/11/19</td> <td data-bbox="1002 1865 1114 1899">3847</td> <td data-bbox="1187 1865 1347 1899">792.77</td> </tr> <tr> <td data-bbox="794 1899 938 1933">5/3/20</td> <td data-bbox="1002 1899 1114 1933">4131</td> <td data-bbox="1187 1899 1347 1933">123.12</td> </tr> </tbody> </table> <p data-bbox="1294 1995 1369 2029" style="text-align: right;"><i>cont.</i></p>	Date	Txn No.	Amount (£)	11/4/19	3458	91.26	23/4/19	3454	157.95	12/6/19	3656	350.00	1/7/19	3728	247.60	29/7/19	3688	108.00	25/11/19	3847	792.77	5/3/20	4131	123.12
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6.	<b>Income (cont.)</b>	They were checked against ① supporting invoices issued/ documentation and ② 'Received Income Transactions' sheets produced by the accounting system. All were found to be in order and the transactions had been reported to Council.																								
7.	<b>Payments</b>	<p>The following seven direct payments, made between 10 May 2019 and 17 February 2020, were selected at random:</p> <table border="1" data-bbox="794 750 1356 1070"> <thead> <tr> <th data-bbox="794 750 933 786">Date</th> <th data-bbox="997 750 1125 786">Txn No.</th> <th data-bbox="1181 750 1356 786">Amount (£)</th> </tr> </thead> <tbody> <tr> <td data-bbox="794 786 933 822">10/5/19</td> <td data-bbox="997 786 1125 822">2916</td> <td data-bbox="1181 786 1356 822">1,030.00</td> </tr> <tr> <td data-bbox="794 822 933 857">17/5/19</td> <td data-bbox="997 822 1125 857">3461</td> <td data-bbox="1181 822 1356 857">350.00</td> </tr> <tr> <td data-bbox="794 857 933 893">27/8/19</td> <td data-bbox="997 857 1125 893">3100</td> <td data-bbox="1181 857 1356 893">441.10</td> </tr> <tr> <td data-bbox="794 893 933 929">7/10/19</td> <td data-bbox="997 893 1125 929">3170</td> <td data-bbox="1181 893 1356 929">93.12</td> </tr> <tr> <td data-bbox="794 929 933 965">11/10/19</td> <td data-bbox="997 929 1125 965">3189</td> <td data-bbox="1181 929 1356 965">760.14</td> </tr> <tr> <td data-bbox="794 965 933 1001">6/12/19</td> <td data-bbox="997 965 1125 1001">3248</td> <td data-bbox="1181 965 1356 1001">335.28</td> </tr> <tr> <td data-bbox="794 1001 933 1037">17/2/20</td> <td data-bbox="997 1001 1125 1037">3355</td> <td data-bbox="1181 1001 1356 1037">735.15</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. With the exception of transaction number 3461, 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> <p>Transaction number 3461 related to the refund of a deposit for a wedding but there did not appear to be any signed paperwork relating to the payment. If it is not already the case, it is suggested that refunds are treated in the same way as all other payments, i.e. there should be a document or note to</p> <p style="text-align: right;"><i>cont.</i></p>	Date	Txn No.	Amount (£)	10/5/19	2916	1,030.00	17/5/19	3461	350.00	27/8/19	3100	441.10	7/10/19	3170	93.12	11/10/19	3189	760.14	6/12/19	3248	335.28	17/2/20	3355	735.15
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7.	<b>Payments (cont.)</b>	substantiate a refund and it should be placed in the payments file.
8.	<b>Petty Cash</b>	<p>In accordance with the Council's Financial Regulations, a petty cash float of £100.00 is available for the purpose of defraying incidental expenses. All claims for reimbursement must be supported by the appropriate receipt, voucher, etc. to substantiate the payment.</p> <p>It was also noted that another payment facility available to the Clerk and the Operations Officer is a 'corporate' credit card, which is settled in full by monthly direct debit.</p>
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 (WSCC). WSCC works in partnership with Hampshire County Council Pension Services to administer the LGPS.</p> <p>The Clerk is responsible for providing WSCC 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 a 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> <p style="text-align: right;"><i>cont.</i></p>

10.	<b>Assets (cont.)</b>	<p>④ Burial Ground and Chapel of Rest;          ⑤ War Memorial;          ⑥ Horsefield Green.</p> <p>Adequate insurance cover was in place. Examination of minutes revealed that at the meeting of the Full Council held on 20 February 2020, insurance quotations for the ensuing financial year had been considered and a decision reached (Minute FC165 refers). The Asset Register was last 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 July 2019 was checked; ① the 'true' closing balance of £186,048.39 from statement number 164 as per the accounting system, agreed to that shown on Unity Trust bank statement sheet number 040; ② there were no unexplained balancing entries.</p> <p>The reconciliation for December 2019 was also checked; ① the 'true' closing balance of £199,299.89 from statement number 169 as per the accounting system, agreed to that shown on Unity Trust bank statement sheet number 047; 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 succinct 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 style="text-align: right;"><i>cont.</i></p>

12.	<b>Minutes (cont.)</b>	No unauthorised financial activity was identified.
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.</p> <p>The figures in Section 2 of the Annual Governance and Accountability Return (AGAR) were checked and agreed to the accounts.</p>

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**