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Our Ref: MARK/POL001

Mrs J Ognjanovic
Polegate Town Council
49 High Street
Polegate
East Sussex
BN26 6AL

31st October 2017

Dear Jo

Re: Polegate Town Council
Internal Audit Year Ended 31st March 2018

Following completion of our interim internal audit 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. Where appropriate recommendations for future action are shown in bold text.

Interim Audit – Summary Findings

At the interim visit we reviewed and performed tests on the following areas:

- Review of the Financial Regulations & Standing orders
- Review of the Risk Assessments
- Review of the Budgeting process
- Proper Bookkeeping – review of the use of the accounts package.

It is our opinion that the systems and internal procedures at Polegate Town Council are very well established, regulated and followed. The clerk is very experienced and ensures the council follows best practice regulations and has over time adapted and changed the internal procedures as regulations and technologies have changed to maintain compliance.

It is clear the council takes policies and procedures very seriously and I am pleased to report that overall the systems and procedures you have in place are entirely fit for purpose. I would like to thank the clerk for her hard work during the year and am pleased to say her high standard of work continues; I therefore make no significant recommendations for change at this stage.

A. Books of account

The council uses the RBS electronic system to record the day to day financial transactions of the council. This is a well established industry specific package and I make no recommendation to change. In addition to this, the council uses word and excel as appropriate.

The systems are backed up to external drives and memory sticks as appropriate

The system is tried and tested and appropriate for a council of this size.

B. Financial regulations & payments

Standing orders are based on the NALC model and the council has revised and adopted new standing orders in May 2017. IA has seen evidence in the signed minutes.

Financial regulations are based on the 2014 NALC model and are dated 18th May 2015, the council reviewed and readopted these with no changes in April 2017. The regulations being based on the NALC model contain provisions for the approval of spending, setting of budgets, reconciliation of the bank and reporting to council.

Each month the clerk prints off and files in hard copy a trial balance, income and expenditure showing budgets, bank reconciliations for all accounts, together with earmarked reserves analysis and other documents as fit. This is a clear and easy to follow system and I make no recommendation to change in this process.

In respect of payment authorisations the minutes of the full council or finance committee contain a dated payments list and the corresponding minute does describe the attachment so that it can be identified beyond reasonable doubt. In reviewing consecutive payments lists no cut off errors were found.

Financial regulation 2.2 states that a regular bank reconciliation of all accounts must be performed, evidence is on file to show this is taking place. Whilst the minutes make reference to a reconciliation being discussed it was not clear from the body of the text which period was being considered and I could also find no hard copy evidence of the reconciliation being signed in accordance with financial regulation 2.2. **Council is recommended to signed the face of the reconciliation and bank statements and evidence this activity in the minutes on a quarterly basis.**

Financial Regulation 5 deals with authorisation of physical payments. Invoices are authorised and a random sample of payments was selected for September 2017. There were no errors and all agreed to the payments list. There was one item above the three quotes threshold of £1,000, evidence was noted in the minutes of council discussion of the same.

The council is going to start using internet banking this council year at which point policies for the use of on-line facilities should be reviewed, agreed and amended as appropriate. It would always be sensible to ensure at the bank level that no one person can both create and authorise the same transaction, there should if possible be some form of segregation of duties.

C. Risk management & insurance

The council is insured with Zurich on a standard local authority package. Assets are listed and money cover appears adequate.

The council has detailed risk assessments in place that cover operational and financial risks. The clerk is in the process of updating to present in a format consistent with HSE recommendations.

The council also has a number of policies in place covering amongst others use and access to systems and working practices.

The council complies with the data transparency regulations and uploads information to its webs site on a regular basis.

D. Budget, precept & reserves

The 2018/19 budgets have been drafted, two committees have reviewed in readiness for full council. The council also has a business plan which will dovetail with the budgets. It is envisaged this will be completed by January 2018. This is in accordance with regulations.

The council has both earmarked and general reserves. Earmarked reserves as at the audit date stand at £210,747.49. The largest portion is allocated to street lights and office buildings. The council is aware that it does not have the power to accumulate general or generalised reserves.

E. Income

Both tranches of the precept have been received by bacs and agreed to the remittance advice issued by district council.

The council is aware that it must review charges on an annual basis.

F. Petty cash

The council has a float of £200 in petty cash, this was tested at the audit date, there were no errors.

G. Payroll

The council uses an external firm to calculate and process the monthly payroll. The tax deductions for two employees was tested – there were no errors. The council has fulfilled its obligations in respect of auto-enrolment.

Employees are paid with reference to NJC scales for consistency purposes; however, the council is undergoing an exercise to review job profiles and wage scales.

The signed minutes show that council approves changes to wages.

H. Assets and investments

The council has a detailed fixed asset register in place and there have been no significant changes since the year end. The register contains details of historic cost and is reconcilable to the insurance schedule. Assets are correctly stated at historic or proxy cost.

I. Bank reconciliations

The bank reconciliations at September 2017 were reviewed in full. The RBS system prints are neatly and logically presented, there were no errors on any of the reconciliations.

J. Year end accounts

TBC at year end

K. Trusteeship

No trusts.

Should you have any queries please do not hesitate to contact me, finally I enclose a fee note for your kind attention.

Kind regards

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Mulberry', with a stylized flourish at the end.

Mark Mulberry