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Our Ref: MARK/POL001

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

12 November 2018

Dear Jo

Re: Polegate Town Council
Internal Audit Year Ended 31st March 2019

Following completion of our interim internal audit on 31 October 2018 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. Recommendations for future action are shown in the table at Appendix A.

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. The internal audit reports should therefore be made available to all members to support and inform them when they are considering the authority's approval of the annual governance statement.

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.
- Review of Bank Reconciliations
- Compliance with Regulations
- Salaries and Wages

It is our opinion that the systems and internal procedures at Polegate Town Council are very well established, regulated and followed. The clerk 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 governance, 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 and indeed are a model of good practice. I would like to thank Jo for her assistance and hard work.

A. BOOKS OF ACCOUNT

Interim Audit

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.

I checked that the audited 2017-18 annual return has been reported to Full Council and an appropriate minute recorded in the minutes of the October 2018 meeting. Internal Audit reports are being properly considered at Council meetings. The Conclusion of Audit Notice was dated 21 September 2018, so 30 September deadline was met. The audited annual return and conclusion of audit notices have been published on the Council website.

I tested opening balances as at 1.4.18 and confirmed they could be agreed back to the audited accounts for 2017-18. I confirmed that the Council's last VAT return was for the quarter ended 30th September 2018, the council's returns are up to date, and refunds have been received from HMRC. VAT balances on the return were supported by transaction listings from RBS.

I am of the opinion that the council is keeping appropriate books of account.

B. FINANCIAL REGULATIONS, GOVERNANCE & PAYMENTS (INTERIM & FINAL AUDIT)

Interim Audit

Standing Orders and Financial Regulations are based on the NALC models. Both documents were reviewed and approved at the May 2018 meeting of Full Council. IA has seen evidence in the signed minutes.

I confirmed by sample testing that Councillors have all signed "Acceptance of Office" forms, in line with regulations.

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. I note there were some filing issues around minutes at the time of my audit, but the clerk was subsequently able to resolve these to my satisfaction.

The Council gives authority to spend via the annual budget process and this was minuted and approved in accordance with regulations. I tested a sample of expenditure transactions and for each transaction I was able to confirm:

- Cashbook entry could be agreed back to an invoice from the supplier
- Approval for the payment was recorded in a minute of a council meeting

I was unable to locate approval of a direct debit in council minutes, I have informed the clerk who will report the payment to the next available meeting.

The Council has a robust process for authorising expenditure in place and my testing confirmed financial regulations are being followed.

I note that Polegate TC is compliant with requirements of the Transparency Code. The data transparency section of the website lists information required by the Code, including regular uploads of payments above £500, information on grants paid and budgetary information. I sample checked transactional reporting on the website and confirmed that the Council was up to date in transparency reporting at the end of September.

The Council continues to use cheques for paying suppliers. I recommend that a move to internet banking should be implemented in the new financial year, at which point Financial Regulations should be reviewed and amended as necessary. I recommend the Council considers a system where the clerk or other office staff set up [payments on

line with on-line authorisation of payments from bank to be carried out by 2 councillors. I also recommend that the Council contacts banks as part of this process, the Clerk has already actioned this point, I will review at my year end visit.

I am satisfied the Council is meeting this control objective.

C. RISK MANAGEMENT & INSURANCE (INTERIM AUDIT)

Interim Audit

The council is insured with Zurich on a standard local authority package. Assets are listed and appear consistent with the asset register. The insurance is in date, I confirmed the policy has an expiry date of March 2019. Money cover is too low at £250K, Council cash at bank is much higher than this. The insurers should be contacted and cover increased.

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. I will review this in detail at year end, but I have reminded the Clerk that the risk assessment must be reviewed at a meeting of Full Council before 31 March 2019, and a separate minute recorded.

The Council must review its data backup arrangements. Data is currently backed up to a NAS drive, with manual back up process to copy data to memory drives held up offsite. I recommend that the Council considers a cloud / remote back up process that automatically backs up data offsite. I understand the clerk has contacted an ICT provider to discuss this.

D. BUDGET, PRECEPT & RESERVES (INTERIM & FINAL AUDIT)

Interim Audit

I confirmed with the Clerk that the 2019-20 budget cycle is well under way. The draft budget will be presented at the December meeting the Council, with precept and final budget approval scheduled for the January meeting of Full Council. All precepting authority deadlines will be met.

Councillors receive monthly reports on budget against actuals. I reviewed the report for the period to end of September 2018 and was able to confirm that the budget is well managed. Overspends have been properly explained and approval for funding sought from Councillors. Budget reports are printed directly from the RBS finance system.

The Council has well developed reserves. At the time of my audit, earmarked reserves stood at £303K, I understand that this balance will reduce in the course of the year as a result of projects currently underway. Year-end general reserves are estimated to be in the region of £120K at year end – this is a little low, best practice suggests reserves should be around 50% of precept.

I will audit the Council's reserves in detail at my year end visit.

E. INCOME (INTERIM & FINAL AUDIT)

I will audit income at year end given that precept is more than 90% of budgeted income. .

F. PETTY CASH (FINAL AUDIT)

Check at year end

G. PAYROLL (INTERIM & FINAL AUDIT)

Interim Audit

The council uses an external firm to calculate and process the monthly payroll. The payroll is emailed to the clerk who sets payments on line, these are then authorised by Councillors. The signed minutes show that council approves changes to wages. I will carry out detailed testing of payroll at financial year end.

H. ASSETS AND INVESTMENTS (INTERIM & FINAL AUDIT)

Interim Audit

The asset registers appeared up to date and properly maintained. I will test this in detail at year end as part of the process of reconciling the accounts to the fixed asset register

I. BANK RECONCILIATIONS (INTERIM & FINAL AUDIT)

Interim Audit

The bank reconciliations for Council bank accounts are properly prepared and presented to committee for verification and approval on a regular basis The bank reconciliations at July 2018 were reviewed in full. The RBS system prints are neatly and logically presented, there were no errors on any of the reconciliations. I confirmed that the bank reconciliations have been reported properly at Council meetings and that the individual reconciliations have been reviewed by a councillor, and this review evidenced on the reconciliation and bank statement. All unpresented cheques on the reconciliation were in date, and sample checks confirmed large value cheques has subsequently been presented at bank.

I note that the Council holds all monies with Barclays Bank, and is not therefore making best use of cover offered by the Financial Services Compensation Scheme (£85K per financial institution) I recommend that the Council reviews where it holds its cash and considers splitting funds between a number of institutions.

J. YEAR END ACCOUNTS

Year-end task.

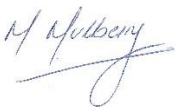
K. TRUSTEESHIP

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



Mark Mulberry

Points Forward – Action Plan - Interim Audit

Matter Arising	Recommendation	Council Response
The Council continues to use cheques for paying suppliers.	I recommend that a move to internet banking should be implemented in the new financial year, at which point Financial Regulations should be reviewed and amended as necessary.	
Bank signatories	I also recommend that the Council contacts banks as part of this process, in order to get a schedule of all signatories on Council bank accounts, in order to check bank mandates recorded at bank are up to date.	The clerk has actioned this, I will check at year end
Money cover is too low at £250K, Council cash at bank is much higher than this. The insurers should be contacted and cover increased.	The insurers should be contacted and cover increased.	
Data is currently backed up to a NAS drive, with manual back up process to copy data to memory drives held up offsite. I recommend that the Council considers a cloud / remote back up process that automatically backs up data offsite. .	The Council must review its data back up arrangements	I understand the clerk has contacted an ICT provider to discuss this
I note that the Council holds all monies with Barclays Bank, and is not therefore making best use of cover offered by the Financial Services Compensation Scheme (£85K per financial institution)	I recommend that the Council reviews where it holds its cash and considers splitting funds between a number of institutions.	