**HORLEY TOWN COUNCIL**

**INTERNAL AUDIT REPORT 2016-2017**

I visited the Town Council Office on 2nd November 2016 to commence the Internal Audit process for the year 2016-2017. A second visit was made on 22nd February 2017 to continue the process, concentrating particularly on the budget process, payment and income procedures, and risk management. A final visit to complete the Annual Return was made on 23rd June 2017, and additional comments following this visit are shown in bold.

The comments below are in the order of the headings in Section 4 of the Annual Return.

Recommendations are shown **in bold and underlined**, and any responses received from Council will be added in *italics.*

1. **BOOKS OF ACCOUNT**

Accounts are maintained on the Scribe system which operates in accordance with statutory requirements.

Entries are made regularly, at least weekly, and are up-to-date and balanced monthly against bank statements.

VAT is identified by the software, and on-line returns are made quarterly to reclaim amounts due. The latest return was made at **31st March 2017**.

Council is continuing with repayments on 2 PWLB loans taken out for hall improvements and Pavilion roof repairs. The loan for hall improvements should be completely repaid in November 2018.

1. **FINANCIAL REGULATIONS**

Standing Orders are reviewed annually and broadly follow the latest NALC model. Financial Regulations have been drawn up based on the NALC model, and whilst Council adopts European regulations for procurement, a further revision to Financial Regulations awaits publication of an up-to-date NALC version. **23/6/17 –- Revised Financial Regulations were adopted 4/4/17.**

Council is authorised to use the general Power of Competence, and as such, use of S.137 is no longer required.

1. **RISK MANAGEMENT**

A full review of Risk Management was carried out in January 2017, including a review of Internal Controls. A comprehensive schedule of inspections is in place, and external providers of inspections are chased for reports when necessary.

PAT testing due April 2017, as is legionella testing on Edmonds Hall and Innes Pavilion. 6/17 – O/S

**23/6/17 –legionella testing still o/s.**

**HTC Comment: to be implemented by Sep 2017**

1. **BUDGET & PRECEPT**

The Budget process for 2017-2018, with projections for a further three years, has been completed with a 1.89% increase in precept. Impact of this is mitigated by a sizeable increase in C/Tax base following completion of dwellings in NE of Horley, and Band D figure remains below average at £35.94. Further impact will follow with new major developments starting to NW of the town.

A full range of options for budget setting, including use of Reserves for anticipated projects, was discussed. RFO is aware of the salary scale increases already agreed for April 2018.

1. **INCOME**

All tariffs were reviewed for 2017-2018, but generally remain unchanged to stay competitive.

Invoice and income monitoring procedures are satisfactory, with few slow payers, and appropriate action taken when required.

Any cash received is kept in a safe, or banked immediately if large sums involved.

One-off hirers pay a security deposit which is held unbanked until hire is satisfactorily completed.

1. **PETTY CASH**

Expenditure is properly controlled, with receipts and claims being authorised, coded and identified for VAT where appropriate. A float of £150 is kept, and this is reimbursed monthly. However, little use is now made of the cash facility, as Council now uses two pre-paid debit cards each pre-loaded with £500. This is topped up monthly, with members seeing the schedule of expenditure and signing the top up authorisation when required. Items are coded appropriately with VAT reclaimed when relevant.

There is little cash income for incidental items – any being received is banked rather than added to Petty Cash.

1. **PAYROLL**

Payroll is carried out in-house using Sage.

HMRC processes including RTI are properly followed

Staff are paid in accordance with SCP bands on the NALC/SLCC scale, and recent SCP and hours enhancements have been correctly implemented, as have scale increases for two members of staff.

Expenses claims are properly authorised by Clerk or Chairman as appropriate.

Training records are kept, and a staff appraisal scheme with measurable objectives is in place.

Pension contributions have been revised downwards following review by County Council.

Members Allowance scheme has not been adopted, although this is being considered currently.

1. **ASSETS & INVESTMENTS**

The Asset Register was updated in March 2016 in line with recommendations made last year, and is a comprehensive document detailing acquisition cost, disposal details, insurance values, and provision for physical check by members.

1. **BANK RECONCILIATIONS**

Reconciliations of all accounts are carried out monthly, and are checked by a panel of Members.

Council has so far not invested with CCLA, preferring to keep with mainstream deposit takers. However, in view of further falls in interest rates, this is being kept under review.

1. **YEAR END ACCOUNTS**

**Figures for the Annual Return have been correctly extracted from the accounts system and are presented on an Income and Expenditure basis. Bank reconciliations at year-end are all correct, and a detailed explanation of variances has been prepared.**

1. **TRUSTEESHIP**

N/A

**OTHER ITEMS**

An updated Business Plan was adopted at the Annual Town Meeting in Spring 2016.

All Council policies were revised April 2016, in connection with application for renewed Quality status which has now been approved. These include Social Networking, Equalities, Complaints, and Health & Safety policies.

**A schedule of key dates for renewals, reviews and other essential actions should be prepared. 23/6/17 – This exists to some extent in various forms, but a comprehensive version would be helpful in the light of forthcoming staff changes.**

**HTC Comment: The schedule of key dates has been completed and is now a “live” document**

Data protection registration is up to date

Paul Hartley

Internal Auditor

24th June 2017