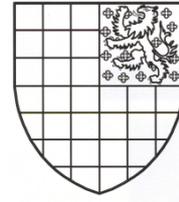


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**LEWES  
TOWN  
COUNCIL**

**To: Cllrs Barker; Catlin; Elliott; Lamb; Milner; Rowell**

A Meeting of the **Audit & Governance Panel** will be held on **Tuesday 23<sup>rd</sup> October 2018**, in the **Yarrow Room, Town Hall, Lewes** at **7:00pm** which you are summoned to attend.

S Brigden, Town Clerk  
15<sup>th</sup> October 2018

## **AGENDA**

### 1. APOLOGIES FOR ABSENCE:

To consider apologies from members of the panel who are unable to attend.

### 2. QUESTION TIME

To consider any questions regarding items on the agenda.

### 3. MEMBER'S DECLARATIONS OF INTEREST:

To note declarations of any personal or prejudicial interests in matters on this agenda.

### 4. MINUTES

To agree Minutes of the meeting held on 19<sup>th</sup> July 2018.

*(attached page 3)*

### 5. BUSINESS OF THE MEETING

- Routine financial oversight
- Internal Auditor's interim report 2018/19

*(documents to follow for Panel Members)*

*(attached page 4)*

***For further information about items on this agenda please contact the Town Clerk at the above address.***

**PUBLIC ATTENDANCE:** Members of the public have the right, and are welcome, to attend meetings of the Council – questions may be heard at the start of each meeting with the Chairman's consent, and subject to time available. Questions or requests to address the Council should, whenever possible, be submitted in writing to the Town Clerk at least 24 hours in advance. **PLEASE NOTE:** As space is limited, we would appreciate advanced warning if you plan to attend in a group; perhaps with neighbours, or to bring a party of student observers. We may be able to arrange for the meeting to be held in an alternative room. General questions can be raised at our offices between 9am-5pm Mons- Thurs; 9am-4pm on Fridays – our staff will be pleased to assist.

**Distribution: Cllrs Barker; Catlin; Elliott; Lamb; Milner; Rowell**

*Copies for information:  
All councillors; T/hall; LTC website; Lewes Library, Sx. Express, E.Argus*

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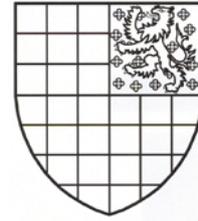
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**LEWES  
TOWN  
COUNCIL**

## ***MINUTES***

of the **Audit & Governance Panel** held on **Thursday 19<sup>th</sup> July 2018**, in the **Council Chamber, Town Hall**, Lewes at **7:00pm**.

**PRESENT** Cllrs S Catlin; M Milner (*Chairman*). (*Meeting inquorate*)

**In attendance:** S Brigden (*Town Clerk [TC]*)

**AudPan2018/01 ELECTION of CHAIRMAN:** Cllr Milner was elected Chairman of the Panel

**AudPan2018/02 QUESTIONS:** There were none

**AudPan2018/03 APOLOGIES FOR ABSENCE:** Apologies were received from Cllr Barker, who was unwell, and Cllr Rowell who cited “a prior engagement”. No message had been received from Cllr Elliott or Lamb.

**AudPan2018/04 DECLARATIONS OF INTEREST:** There were none.

**AudPan2018/05 MINUTES:** The minutes of the meeting held on 8<sup>th</sup> May 2018 were received and signed as an accurate record.

**AudPan2018/06 BUSINESS OF THE MEETING:**

*1 Routine financial monitoring:*

Members were furnished with detailed information (*copies in minute book*) following the end of the first quarter of the financial year 2018/19.

*Budget monitoring update* – this showed actual expenditure and income values as posted to the Council’s *Sage* accounting system for all transactions processed in the period. There was some discussion on salient points of detail, and TC responded with reference to the identified sources. Apparent variations were related to known events, such as specific payments in respect of works and purchases, or perceived ‘overspend’ which are attributable to Reserves in the final accounts prepared at year-end. There were no items of concern

*2 Oversight as required by the Governance & Accountability Code of Practice:* TC introduced the file of periodic bank reconciliations, for review of the scrutiny already conducted. The Chairman appended his signature to verify this in each instance.

**AudPan2018/07 CONCLUSIONS:**

**1** Members considered information on the Council’s financial status and management, and found no items of concern.

**2** In accordance with the national audit and governance guidelines: where member oversight is required, the Chairman of the Panel signed to attest the veracity of reconciliation records presented.

**AudPan2018/08** There being no further business, the Chairman declared the meeting closed, and thanked everyone for their attendance.

*The meeting closed at 8:00pm*

Signed ..... date .....



Our Ref: MARK/LEW001

Mr S Brigden  
Lewes Town Council  
Town Hall  
High Street  
Lewes  
East Sussex  
BN7 2QS

10<sup>th</sup> October 2018

Dear Steve

**Re: Lewes Town Council**  
**Internal Audit Year Ended 31<sup>st</sup> March 2018**

Following completion of our interim internal audit on the 10<sup>th</sup> 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. Where appropriate **recommendations for future action are shown in bold text and summarised in the tables at the end of the report.**

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 the accounts. The internal audit report(s) should therefore be made available to all members to support and inform them when they 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 salaries
- Review of fixed asset register

It is our opinion that the systems and internal procedures at Lewes Town Council are well established and followed. The clerk is very experienced and ensures the council follows best practice regulations and has overseen changes to 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 fit for purpose. I would like to thank Steve & his team for their assistance and whilst my report contains recommendations to change these are not indicative of any significant failings, but rather are pointers to improving upon an already well ordered system.

## **A. BOOKS OF ACCOUNT (INTERIM & FINAL AUDIT)**

The Council continues to use Sage as a day to day accounting package, this is a tried and tested financial reporting package and is augmented with Excel for reporting to council and I make no recommendation to change.

The council has a dedicated accounts function which is overseen by the clerk. There is one individual (Finance Administrator) responsible for the entire day to day finance function and entering all the finance details onto the Sage system. It is clear this could be a risk area due to the limited segregation of duties, however there are a number of compensating controls in place to mitigate this – such as monthly bank reconciliations, review of debtors lists and regular reporting to council and the RFO. In addition to this has been no reported issues in the past.

There are two active logons for the Sage system, the clerk and the finance administrator and three users for the on-line banking, each with their own individual logons.

At the end of the month the finance administrator reconciles the bank on the Sage System and reviews the aged debtors report. A hard copy bank reconciliation is produced signed and filed. At the end of the quarter a full nominal ledger is given to the clerk in excel format for production of the management accounts.

The Sage system requires fields to be populated with referencing information as data is input, this is a clear and easy to follow system and a review of the cashbook shows that all data fields are being entered and my audit testing showed that supporting documentation could be easily located from records. I make no recommendation to change in this system.

I tested opening balances as at 1.4.18 and confirmed they could be agreed back to the audited accounts for 2017/18. The Council is not VAT registered and the last S.126 VAT reclaim was submitted for the period ended 31<sup>st</sup> March 2018. I am able to confirm the council is not significantly behind with its Vat reclaims.

I note that the Council is required by law to follow the 2015 Transparency Code in respect of making certain information publically available via the council website. I also note that the council has a new website and is very much in the process of updating the public facing information; however, a review has shown that whilst the majority of the Code is being followed there are some pieces of information missing. I also felt that navigating to the information required a certain degree of background knowledge and as such could be made easier. The main points are

1. The quarterly publication of expenditure over £500 – para 26 to 32 of the code
2. The land register needs to be published – para 35 to 37 of the Code

**I would recommend a review of the code with a view to enhancing the public facing information. I would recommend view Crowborough Town Councils Website and specifically the transparency page.**  
<http://www.crowboroughtowncouncil.gov.uk/council/data-transparency>

Overall, I have the impression that the accounting systems are well ordered and routinely maintained and as such I make no recommendation to change. I am of the opinion that the control assertion of “Appropriate accounting records have been properly kept throughout the financial year” has been met.

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

### **Interim Audit**

Minutes are prepared for all meetings of the Council and its committees i.e.

- Full Council; meets 10 times per annum
- Personnel Panel - adhoc

- Audit & Governance Panel – 4 times per annum
- Planning Committee; meets 3 weekly
- Working parties as and when needed

The external auditors report was not qualified in 2017/18 and the notice of conclusion of audit is posted to the website. The signed annual return was taken to council in October 2018 and noted in the minutes.

I confirmed by sample testing that Councillors have all signed “Acceptance of Office” forms and register of members interests in line with regulations.

Standing orders are based on the NALC model and the policy working party reviewed them in June 2018 in readiness for full council, some amendments have been made to align with latest NALC recommendations.

Financial regulations are based on an older NALC model and are dated March 2015 and the policy working party reviewed them in June 2018 in readiness for full council, some amendments are in the process of being made to align with latest NALC recommendations; namely Bank reconciliations and electronic banking. 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.

The council is performing a monthly bank reconciliation for all accounts in accordance with the new regulations being adopted. The activity is properly noted by full Council - as evidenced in the June 2018 minutes.

Financial regulation 3 deals with budgetary control and authority to spend. The council uses a Purchase Order (PO) system, where Po’s are raised and matched to the supplier’s invoice with authorisations at various stages. The system is designed that it should not possible for a PO to be issued without the clerk’s counter signature. Where no PO is in evidence when an invoice arrives, this is investigated by the clerk and finance administrator.

Purchase Orders are generally used for non-regular expenditure items. A review of the invoices file showed POs to be attached, for items where there was no PO raised there was an audit trail to document the proper purchase.

The council is obliged to purchase on the following basis

- £60,000+ public tender
- £5,000- £60,000 – three quotations
- £2,000 - £5,000 – three estimates
- Up to £2k – strive for value for money.

The clerk was able to demonstrate that budget monitoring reporting to members is completed on a quarterly basis. Reporting is comprehensive and is minuted appropriately. I reviewed the budget outturn report for June 2018 and this had been taken to council for discussion.

Financial Regulation 5 deals with authorisation of physical payments. The minutes show authorisation of payments lists in accordance with regulations. Signatures on cheques or on-line authorisations have been made in accordance with regulations.

Financial regulation 6 deals with making payments. The council makes payments by cheque and direct debit and bacs. Cheques must be signed by three individuals, two councillors and an officer, interbank transfers can be made by the finance administrator. Internet payments are made via the bank website from an upload from the Sage system and the bank is set such that the originator cannot authorise the same transaction, so there is a natural segregation of duties and control in place. Admin changes must be authorised by an officer.

The bacs payments list from sage is uploaded to the bank and then printed from the bank system with a hard copy being retained for councillors to physically sign. I have reviewed a sample of payments and am able to confirm that payments have been made in accordance with regulations.

Pin numbers are kept in the locked safe in accordance with regulations.

Financial regulation 7 deals with approval and authorisation of salaries.

Financial regulation 8 deals with loans and borrowings. The council has one PWLB loan in the name of the council with a total of £52,362 outstanding at the audit date. The council has no investments at the audit date and an investment policy is in place.

Draft and final minutes are uploaded to the council website. Whilst we have not tested all panels, working parties and council meetings there was no evidence of non-compliance in giving three clear days' notice of the meeting. The agendas include the reference documentation and the hard copy has a disclosure advising reference material can be obtained on line or on request. The minutes where applicable show as draft.

I am of the opinion the council's policies and procedures are robust and indeed a model of good practice. The council is following its own regulations. I am of the opinion that the control assertion "This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for", has been met.

### **C. RISK MANAGEMENT & INSURANCE (INTERIM & FINAL AUDIT)**

#### **Interim Audit**

The Council undertakes a full risk assessment that covers operational and financial risks, this was taken to council in July 2018.

I have confirmed that the Council has a valid insurance certificate. The Council reviews its insurance requirements as part of the renewal process. Money and asset cover appear adequate. It was noted the council has significant insurance cover for a number of asset categories including public liability.

We discussed assertion 8 of the AGAR and whether or not this had any impact on the council.

*"We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements."*

I am of the opinion that the control objective of "This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.", has been met

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

#### **Interim Audit**

The council is just about to commence the budget setting process for the 2018/19 council year. There is no reason to believe these will not be completed on time.

The budgeting process is very robust and detailed and entirely fit for purpose. The council has a forward plan but this is not financial in nature.

Further work will be carried out at the year end in this area.

## **E. INCOME (INTERIM & FINAL AUDIT)**

### **Interim Audit**

The council has various streams of income:

- Precept (circa 90% of all income)
- Room & Hall Hire
- Allotments
- Fishing Permits
- Grants
- Interest

The council does not have any income that would require them to be registered for VAT. The precept was received in April & August 2018.

The council reviews its fees and charges as part of the budget setting process.

Bad & aged debts are monitored on a monthly basis, statements are issued as and when required. At the audit date there was circa £3,500 of net aged debts.

I am of the opinion that the control objective of “Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.”, has been met.

### **F. Petty cash**

The council has a small float of £500. I am of the opinion the control objective of “Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.”, has been met.

## **G. PAYROLL (INTERIM & FINAL AUDIT)**

### **Interim Audit**

The council uses Sage payroll. Employees are paid with reference with NJC scales for consistency purposes. This is passed to the Clerk for review and payment is made in normal manner.

No employees are paid for services outside of the payroll. No employees are paid by third parties. Councillors are paid allowances of £331 each if they want it, this has not been changed in recent years.

I am of the opinion that the control object of “Salaries to employees and allowances to members were paid in accordance with this authority’s approvals, and PAYE and NI requirements were properly applied.”, has been met.

## **H. ASSETS AND INVESTMENTS (INTERIM & FINAL AUDIT)**

### **Interim Audit**

The council has two fixed asset register documents a summary financial list used for the accounts and a longer detailed list showing all the assets and their respective locations. Assets are stated at historic or proxy cost in the financial statements. However, I am of the opinion that as working documents the registers need further work. **I would recommend that the following as a minimum are added to make a combined register.**

- 1. A cost column on the existing detailed register is populated – this will then provide a list (by asset) to agree to the summary as shown in the financial statements.**

2. **A column be added to show the insurance value of the asset, this will show if the asset is under or over insured or indeed insured at all, together with showing if assets are being insured that are not on the register.**
3. **A replacement value estimate. This will give an indication as to the level of expenditure required to replace assets so that a determination can be made as to whether an earmarked reserve would be appropriate.**
4. **Last physically vouched indicator – this would enable council to demonstrate physically that it is protecting public assets.**

I am of the opinion that the control objective of “Asset and investments registers were complete and accurate and properly maintained.”, has been met.

#### **I. Bank & Cash**

The council has two bank accounts, together with petty cash. None of the accounts are long term investments and as such do not need to be disclosed in box 9 of the AGAR. However, it is noted that some of the bank and cash investments could be invested elsewhere to obtain a greater return.

The August 2018 bank reconciliation was verified in detail which showed £968,345.82 in the current account and £450,000 in the reserve.

I am of the opinion that bank and cash balances are properly shown and that the control objective of “Periodic and year-end bank account reconciliations were properly carried out.”, has been met.

#### **J. YEAR END ACCOUNTS**

To be completed at the year end.

#### **K. Trusteeship**

Town Brook Trust – sole managing trustee. Where necessary separate meetings are held and the clerk monitors this. Accounts and returns are up to date with the charities commission.

Should you have any queries please do not hesitate to contact me, attention.

Kind regards  
Yours sincerely



**Mark Mulberry**

**Interim Audit - Points Forward**

Audit Point	Audit Findings	Council comments
Transparency	The public facing information could be improved in terms of ease of finding and the detail provided.	
Bank Balances	The council has high amounts in the bank accounts that could be made to work harder in terms of investment return.  Council may want to consider CCLA or Arbuthnot.	
Fixed Assets	Update and merge fixed asset register	