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# **Uckfield Town Council**

*Internal Audit Report 2020-21 (Final)*

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*For and on behalf of  
Auditing Solutions Ltd*

## **Background and Scope**

The Accounts and Audit Arrangements introduced from 1<sup>st</sup> April 2001 require all Town and Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually. The Council complied with the requirements in terms of independence from the Council decision making process from the outset of the revised Regulations, with Auditing Solutions Ltd subsequently appointed to undertake the internal audit function on behalf of the Council for the residue of 2009-10 and beyond.

This report sets out those areas examined during the course of our interim and final work, again undertaken remotely due to the on-going Covid 19 pandemic during April and June 2021, and we wish to thank the Deputy Clerk / RFO for her support in providing electronic documentation as and when requested.

## **Internal Audit Approach**

In concluding our review for 2020-21, we have again had regard to the materiality of transactions and their susceptibility to potential mis-recording or mis-representation in the year-end Statement of Accounts.

Additionally, with the previously recorded transition from the “Full Code” audit to the “Limited Assurance” regime we are now required to report upon an extended range of the Council’s accounting and other processes annually. Consequently, we have and will continue to undertake work in each area covered by the Internal Audit Certificate of the year’s Annual Governance and Accountability Return (AGAR in short), which now forms the annual Statutory Accounts for the Council.

## **Overall Conclusion**

We are pleased to record that no significant concerns or issues have been identified during the course of testing undertaken this year: consequently, it has not been considered necessary to append an Action Plan of any formal recommendations and we have duly signed off the Internal Audit Certificate within the AGAR, assigning positive assurances in all relevant categories. The Clerk and her colleagues are again to be commended for the standards of work provided.

# Detailed Report

## Maintenance of Accounting Records & Bank Reconciliations

The Council continues to use bespoke Sage accounting software to maintain its accounting records, with annual support currently provided by third party contract accountants (Acuity, who were previously known as Armida prior to a change of ownership). The Council remains a full Sage software user, with Current and Interest Bearing Deposit accounts operated at NatWest Bank, supplemented by occasional Term deposit holdings at Lloyds Bank.

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. Therefore:

- We have again verified that an appropriate cost centre and nominal ledger structure remains in place for 2020-21;
- We have checked the opening Trial Balance in the accounting software for 2020-21 to the closing Financial Statements for 2019-20 to ensure that all the detailed balances have been properly rolled forward with no matters arising;
- We have checked and agreed two sample months' receipts and payments transactions (May and November 2020) on the Current bank account cashbooks to relevant statements and note that daily "sweeps" to and from the Reserve account continue to be in place to retain a fixed overnight total in the former at £200,000;
- We have checked that appropriate bank reconciliations are being retained and signed off at the end of each month by the RFO; and
- We have checked the closing March 2021 reconciliation to the independently prepared Statement of Accounts and the overall balances disclosed in the AGAR.

### *Conclusions*

*There are no matters arising in this area to warrant formal comment or recommendation.*

## Review of Corporate Governance

Our objective is to ensure that the Council has a robust series of corporate governance documentation in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We have therefore:

- Noted that, as in previous municipal years, the Council's extant corporate documentation such as Standing Orders, Financial Regulations, Members' Code of Conduct are subject to on-going review and were again considered fit for purpose

following some relatively minor revisions (most latterly in July and November 2018 respectively) to ensure consistency with the previously issued updates to the NALC model documentation;

- Undertaken a review of the Council's minutes, examining those for the Full Council and its Standing Committee meetings (with the exception of Planning) held to early March 2021 with a view to identifying whether or not any potential issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability – no such issues were identified although of course the lengthy lock-downs throughout the pandemic have significantly curtailed revenue streams;
- Noted previously that the Council met all necessary criteria to adopt the General Power of Competence and that this was re-affirmed in May 2019 following the election of the new Council at that time in accordance with extant legislation; and
- We are again pleased to acknowledge the existence of a plethora of relevant, formally adopted Policies and Procedures, together with more detailed written operating procedures in line with best practice, also noting that these continue to be reviewed and updated periodically.

### *Conclusions*

*There are no matters arising in this area to warrant formal comment or recommendation.*

## **Review of Expenditure**

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Payments are supported by appropriate documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and/or an acknowledgement of receipt, where no other form of invoice is available;
- That an official order is raised for all relevant goods and / or services: we acknowledge that this will not be necessary for all items of expenditure, which are regularly the subject of contracts (e.g. grounds maintenance) or legal requirements (e.g. non domestic rates);
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense codes have been applied to invoices when processed; and
- VAT has been separately identified (where applicable) and coded to the control account for periodic recovery.

We are pleased to note that sound control continues over the authorisation of, and payments for, supplier invoices and other similar expenditure. We noted at the end of 2019-20 that the Council was to move onto a form of electronic supplier settlement process but this was curtailed shortly after the approval was granted due to the pandemic and we note from current testing that payments were still predominantly made by cheque.

With regard to sample testing, we have selected a relatively small number (essentially all those supplier invoices posted to the Sage creditors reports to the end December 2020 in excess of £4,000) and the RFO and colleagues have duly provided copies of these. The sample totalled just under £274,000 and all payments were properly supported and approved.

In relation to VAT, the RFO continues to submit quarterly electronic submissions in a timely manner in accord with the Sage control account balances and the new Making Tax Digital legislation and we have noted receipts of the March and September 2020 repayment claims as part of the cashbook testing above.

### ***Conclusions***

***There are no matters arising in this area to warrant formal comment or recommendation.***

## **Assessment and Management of Risk**

Our aim here is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage any such risks identified in order to minimise the opportunity for their coming to fruition.

- We have noted previously that the Council's corporate insurance cover is provided under a long term agreement by Zurich supplemented by property cover provided by QBE. We have examined the former's current year's policy schedule (to June 2021) and Public Liability stands at £15 million, Employer Liability stands at £10 million, Fidelity Guarantee stands at £1 million and there is adequate Loss of Revenue cover in place at £400,000 for the Civic Centre at £34,000 across other locations. The QBE policy for the year to October 2020 was considered as part of the previous final 2019-20 audit and has not yet been considered for the year ending October 2021;
- We again note that the Council has a formal Strategic Risk Management Policy in placed, which was most recently re-adopted by the General Purposes Committee in January 2021 and, by subsequent minute approval, Full Council in March 2021; and
- We again note that sound control registers are in place, on a weekly basis, to record the ground staffs' health and safety inspections of the Council's various play areas and associated facilities.

### ***Conclusions***

***There are no matters arising in this area to warrant formal comment or recommendation.***

## **Budgetary Control & Reserves**

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and level of precept to be drawn down from the District Council; also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure.

Consequently:

- We are pleased to note the conclusion of the Council's budget deliberations at its meeting on 18<sup>th</sup> January 2021 and that the Precept for 2021-22 was formally adopted, and properly recorded, at £955,945 (with no further Council Tax Support Grant receivable);
- We also note from minutes that members continue to be provided with sound periodic budget management reports during the current year (generally monthly) at Committee level; and
- We note that, as at 31<sup>st</sup> March 2021, Total Usable Reserves stood at £1.23 million and comprised of Capital Receipts (£16,000), specific Earmarked Reserves (£721,000) and the residual General fund of £498,000. The latter represents approximately 50% of the annual Precept and is considered to be more than adequate at present.

### ***Conclusions***

***There are no matters arising in this area to warrant formal comment or recommendation.***

## **Review of Income**

The Council receives income from a variety of sources including hire fees for use of the Civic Centre, the Luxford restaurant facility, other property lettings, Cemetery activities, allotments, sports pitches, bank interest and VAT recoveries.

Our objective is to ensure that robust systems are in place to ensure that all income due to the Council is identified and invoiced (where applicable) in a timely manner and that effective procedures are in place to ensure that appropriate recovery is effected within a reasonable time span. Consequently, we have:

- Noted from Financial Regulations that members are required to review the scales of fees and charges for all its activities annually and have obtained detail of those pertaining to the Civic Centre and Forester Hall lettings, Pavilion & Sports pitch hires, Cemetery activities and allotment rentals for the current financial year (which were duly approved in the previous municipal year) and that those for 2021-22 were approved in October and November 2021;
- Noted that officers and members continue to regularly manage, report on and review long-standing and potential bad debts, the most recent of which did not identify any significant issues to warrant further action at present;
- We have previously examined the Cemetery income streams by selecting all those burial register entries for the six month period July to December 2019 and ensuring that each was duly supported by funeral directors' application forms and death certificates, that the fees charged for each activity were in accord with the published scales, that relevant Sales Ledger invoices had been raised in Sage and that there were no undue delays with settlements of same. Consequently, we have not

considered it necessary to repeat that work in the current year since there has been no material change in the “in-house” processes;

- As noted earlier in this report, we have checked and agreed two sample months’ receipt transactions in full from Current account cashbooks to bank statements; and
- We note that the Luxford trading position is monitored very closely by the previous Facilities and, more currently recruited Hospitality Managers and that members are provided with periodic trading reports but have not commented further due to the commercial & confidential nature of the outturns and of course Covid 19 has had a material impact on its trading position and that of the Centre bookings in general for the year.

### ***Conclusions***

***There are no matters arising in this area to warrant formal comment or recommendation.***

## **Petty Cash Accounts and Corporate Debit / Credit Cards**

The transition to the “limited assurance” regime requires us to specifically express a view on the operation of petty cash schemes within the Internal Audit Certificate at Part 3 of the revised Annual Governance and Accountability Return.

- Two “office” based petty cash accounts are in operation at the Civic Centre in addition to the general operational floats held for the till functions. These are maintained on a day-to-day basis for the separate use of Administration and Luxford expenses utilising Sage cashbooks for transaction processing and accounts are “topped up” periodically as and when required (usually in round sum amounts of £150) and are not operated on a formal “imprest” basis;
- We have previously checked and agreed a sample month’s payments (January 2020) on both accounts to ensure that each was supported by an appropriate invoice or till receipt, that VAT (where applicable) was being separately identified for periodic recovery and that the goods or services were appropriate for the Council’s activities. We also note the continuing formal control of the “cash-in-tin” balances and reimbursements, which are subject to independent managerial review and do not consider it necessary to repeat that testing at present (we are of course unable to access the physical cash in hand due to the remote nature of the audit work)
- We note that the Council continues to be in possession of a NatWest One Card, with a maximum credit limit of £5,000 and settlement in full by automatic monthly direct debit. We have previously checked and agreed the transactions for the month ending 15<sup>th</sup> July 2019 to supporting documentation (also ensuring the goods and services were appropriate for the Council’s activities) but did not specifically test individual detail in 2020-21 other than the verification of monthly settlements from cashbooks to bank statements as part of the testing work noted earlier in this report.

### ***Conclusions***

***There are no matters arising in this area to warrant formal comment or recommendation.***

## Review of Salaries

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme as further revised from 1<sup>st</sup> April 2020 in relation to the staff salary contribution bandings.

We have previously examined the payroll procedures in place and physical payments made to staff in 2019-20 by reference to the October 2019 documentation, the underlying detail for which continues to be produced "in house" by the current RFO utilising bespoke Sage payroll software. No detailed testing work has been practical at this stage although we note there have been no process changes during the current year and have verified sample months' payments from cashbooks to bank statements of the payroll totals and supporting HMRC and LGPS settlements.

### *Conclusions*

*There are no matters arising in this area to warrant formal comment or recommendation.*

## Asset Registers

The Accounts and Audit Regulations 1996, as amended from time to time, require all Councils to maintain a detailed register of their assets. We aim therefore, in examining this aspect of the Council's documentation, to ensure that the Council has complied with that legislation, that an appropriate and comprehensive register is being maintained and that it is subject to periodic review and update.

We have previously commented on the extensive lever arch file maintained to identify the Council's many land, property and other assets, also recording that appropriate mapping software (Pear Technology) is utilised to assist with this process and this remains the case. Additionally, the contract accountants also prepare their own detailed schedules for the purposes of the Accounts, ensuring that depreciation charges are properly written back for the disclosure of balances at cost in the AGAR.

### *Conclusions*

*There are no matters arising in this area to warrant formal comment or recommendation.*

## Investments and Loans

Our objectives here are to ensure that the Council is investing "surplus funds", be they held temporarily or on a longer term basis, in appropriate banking and investment institutions, that an appropriate investment policy is in place, that the Council is obtaining the best rate of return on any such investments made, that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with the relevant loan agreements.



- Currently we note that the Council has one periodic Term deposit with Lloyds Bank (for a twelve month period ending in July 2021) which was formally approved for “re-investment” by members in July 2020 and has accumulated interest in the year to date of just over £4,500) and also the Council holds “surplus” funds in an Interest Bearing account at NatWest. As noted earlier we have verified the bank reconciliation balances to the Statement of Accounts and AGAR disclosures; and
- The Council has four separate PWLB liabilities and we have obtained their third party, on-line schedule of all liabilities for all our clients and have verified the March 2021 disclosure at Box 10, Page 5 of the AGAR to said schedules.

### *Conclusions*

*There are no matters arising in this area to warrant formal comment or recommendation.*

## **Statement of Accounts and Annual Return**

The Council’s annual Statements of Account were, as in previous years, prepared by external accounting contractors (Acuity) and we have undertaken sample checks of the disclosures therein to supporting documentation such as the PWLB balances, Precept levels, bank and other reconciliations and variance analyses with no matters arising although we have not specifically tested the AGAR data disclosed at Page 5 to Sage but do not anticipate any matters arising given the number of years’ experience in this area of both the contractors and the Clerk.

Notwithstanding this and given the sound controls and outturns of our testing during the year, we have signed off the Internal Audit Report at Page 3 within the AGAR, assigning positive assurances in all relevant categories.

### *Conclusions*

*There are no matters arising in this area to warrant formal comment or recommendation.*