

Keith Robertson
Internal Audit Services
EDENBRIDGE TOWN COUNCIL

Interim Internal Audit Report 2022-23

Introduction

In accordance with the Internal Audit Plan, Controls and Procedures have been tested. The tests were to the standards and practices defined in the Governance and Accountability for Smaller Authorities 2022 and meet the needs of the Council. I confirm that I do not have any role within the Council and have carried out my duties without bias.

The audit was completed on 11th May 2023 at the Council offices with the Clerk and RFO and confirmed that the financial management and internal controls are in good order.

The report below highlights the findings of the year end 2022-23 audit with reference to the Internal Control Objectives and Governance Statements in the Annual Return.

Update on Items reported in the 2021-22-year end audit and the interim audit report October 2022.

Budgeting. *It was recommended that all I&E and all Reserves are included when budgeting and reporting The Council must show that its planning process applies to all finance within its control, as a part of the process for setting the precept, and that the closing balances on reserves are proven to be correct given the budget assumptions. Completed, except* that it was not possible to prove the closing budget reserves calculation for 2023-24 or confirm which forecast for 2022-23 was reviewed by Council when setting the 2023-24 budget.

Internal Audit Report 2022-23

A. Appropriate Accounting Records.

- A.1 The financial records are maintained using Edge financial software which is designed for use by local councils.
- A.2 The financial ledgers are kept up to date, correct and regularly balanced. VAT is properly accounted for.
- A.3 I&E reports are available in summary and detail formats. These reports agree to the accounts presented to the Council and to the AGAR for 2022-23.
- A.4 Balance sheet reports were produced at year end. Sample tests confirmed these were correct and the DR & CR balances were reasonable.
- A.5 A sample of financial transactions were tested. There was an adequate audit trail for all documents tested and these were all correctly posted the accounts.
- A.6 Bank reconciliations are prepared routinely, are subject to independent scrutiny and sign-off by members.
- A.7 The Council has more than £1 million of funds. These are invested in no/low risk accounts. The investment policy is under review with the intent to move more funds into the CCLA cash management fund (low risk).

B. Financial Regulations, documentation, and approvals.

B.1 The Financial Regulations were reviewed in May 2022 and the Standing Orders in July 2022. Samples tested confirmed the SO & FR are complied with.

B.2 Expenditure Approval. Invoices are received by the RFO. Approved by persons commissioning the service/ goods and then entered the finance system. One Councillor signs/ confirms invoices. The bank transfer is created by the RFO and approved online by 1 Councillor and a second councillor confirms the bank payments report. Samples of expenditure tested confirmed the controls are good and are being properly applied.

B.3 VAT data tested was correct. The final VAT return submitted agreed to the year-end debtor control account.

C. Risk

A risk register of all risks is complete and was updated in July 2022. The Interim Internal Audit in October 2022 reviewed the Council's risk management procedures and was found to be adequate. Insurance – The Town Council's Insurance cover was renewed with a new supplier in July 2022 and is adequate to cover the asset values and liability risks.

D. Budgeting, Reporting and & Precept

D.1 Budgetary Control. The budget process was reviewed in the Interim Internal Audit in October 2022 and found to be adequate. Testing of the 2023-24 budget during this year end audit confirmed that the approach to budgeting remains good with several spreadsheets confirming a detailed review of I&E and reserves presented which had been produced by a Councillor. The Clerk also produced a clear summary of I&E which she had produced in Excel with a forecast for 2022-23 and budget for 2023-24 but which had not been part of the budget approval process by the Council. A budget summary I&E was published on the website including the budgeted I&E and reserves for 2023-24, but no Forecast for 2022-23. The minutes record that the budget was reviewed in detail and was properly signed off, but it was not clear which of the above noted budgeting working reports had been used to support the sign-off of the budget and precept, and there was no proof available in this audit of the reported value of budgeted reserves as at 31-3-24. [Clarity is needed to confirm what budget working papers were used to approve the budget and forecast I&E. A reserves grid that proves the forecast and budget reserves balances should also be clearly available to support the approval. These reports need to be owned by the RFO as the responsible officer \(see Local Audit and Accountability Act 2014 and Accounts and Audit Regulations 2015\).](#)

E. Receipts

E.1 Income is primarily from the annual Precept, rents, fees, plus some substantial CIL funding.

E.2 The precept agreed to the local authority statement.

E.3 The Council is VAT registered. Quarterly VAT claims are received and processed correctly.

F. Petty Cash – The Council has £200 PC float. With minimal transactions during the year.

G. Employee Costs

G.1 Employee accounting and controls were reviewed in detail at the October 2022 Interim Internal Audit and found to be adequate. Sample tests of transaction in this audit confirmed that the payroll data agreed to the data in the financial records.

H. Assets

H.1 The Asset register is up to date and agrees to the AGAR and is adequate to meet the audit standards.

I. Banking.

I.1 Bank reconciliations are regularly produced and checked. Sample checks confirm the reconciliations to be correct and reviewed and approved by the Council.

I.2 On line payments approvals. The RFO raises the payment transaction, two Cllrs sign papers one approves online (bank does not have 2 authorisation facility). CCLA investments – 2 Cllrs sign authorisations.

J. Accounting Statements.

J.1 The accounts are maintained on an income and expenditure basis and agreed to the financial reports as at 31-3-23.

J.2 There is an audit trail through the financial records with all sampled tests being correct.

J.3 Reserve balances. The Council regularly monitors its reserve balances, which are considered by the Council to be adequate.

J.4 Debtor and Creditor balances are regularly reviewed and reconciled.

K. Limited Assurance Review Exemption. Not applicable

L. Transparency code requirements. The Council did correctly publish the required data for a Council with turnover over £200K.

M. Exercise of Public Rights. Notifications for 2021-22 were correctly published on the website in 2022-23

N. Publication of the 2021-22 AGAR documents. These were correctly published for 2022-23.

O. Trustees. The Council is the sole managing trustee of 2 trusts (Charities).

302732 Edenbridge Public Recreation Ground. Nil Income or Spend.

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Some Edenbridge Town Councillors are also individual trustees (the Council is not a trustee) of Charity 307544 The Norman Foundation. This charity has its accounts produced by the Council's RFO and holds minimum of one trustees meeting annually, and as and when grant requests are received; the annual meeting and other interim meetings reviews the statement of accounts. The are minutes posted on the Council's website.

The accounts of these charities are not subject to an independent examination because turnover is below £25K.

There are no financial transactions or balances of the charities held in the accounts of the Council.

The Council has met its responsibilities as a Trustee.

Keith Robertson FCMA

Internal Auditor, 12th May 2023