

EDENBRIDGE TOWN COUNCIL

Interim Internal Audit October 2022

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 2021 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 interim audit was completed on 31th October 2022 at the Council offices with the Clerk and RFO.

The Audit plan was to review progress of items noted in the 2021-22 year end audit.

Risk. *Audit objective Oct 2022 – review progress on the update of the risk register noted at the 2021-22 year end audit.*

The risk register was formally reviewed, updated, and approved by the Council in Oct 2022. **Audit conclusion.** The Risk register satisfies the needs of the Council and meets the audit requirements.

Budget setting. *Audit Objective Oct 2022 – review budgeting for reserves planning for 2023-24 to clarify that the process is adequate, that forecast and budget are mathematically correct, agree to the accounts, and that forecast and closing (total reserves) are clearly reported.*

Audit tests:

1. Reviewed finance pack to end of Aug. This does include comparisons of actual YTD to budget and year on year actual. Notes are provided to the Council for key variances or key issues. The finance pack includes I&E reports and Balance sheet reports with reserve balances by project.
It was noted that the reports produced by the Edge finance system have some system errors and only have a correct I&E once a quarterly VAT return is submitted. . The RFO is aware of that and adjusts the reports to correct as needed. Financial reporting of Actual comparison to budget does meet the audit standards.
2. Actual Vs Budget reports correctly include CIL I&E and Balance sheet Actual data. The Council does (correctly) not budget for CIL I&E movements unless these are expected. This does create large variances from budget. It would assist persons reading the reports to have sub totals of CIL and other operating financial data. Perhaps EDGE could consider adapting its reports.
3. A test in this audit was to confirm that the opening reserves (budget, forecast and Actual) +/- I&E movements = closing reserves. All test outcomes were correct.
4. Noted that the reserves for 10/30 capital requirements are being reviewed and that on-going maintenance spend will now be budgeted and reported in other operating I&E codes, not in the 10/30-year capital codes. Both changes are positive improvements of controls.
5. General reserves have been noted in prior years to be low. The budget process has been improved and the precept increased. The reserves are increasing with the intent to increase further toward £260K or above.
6. Earmarked reserves are for defined projects and balances used in the planning process agree to the financial records. Planned balances are being properly reviewed.

Audit conclusion. The budgeting process does meet the audit standards.

Employee Costs. *Audit objective Oct 2022 – Review procedures and controls on payroll records, payroll production, and the reporting and authorisation of staff costs.*

The Council outsources much of HR functions to Worknest an HR supplier which provides employment and management advice. This includes the management of employee contracts, salary levels, spine points, and other personnel matters. Recruitment is overseen by the Personnel Committee and Town Clerk, and reported to full Council. The contracts are prepared by the Clerk and checked by the supplier/Worknest to confirm the contracts do correctly comply with the current Green

Book and NJC model contract which are the employment conditions supported by the Council. Employee tax codes are sent from HMRC to Worknest for the relevant employees.

The Clerk creates a Payroll file in Excel containing the data required to run the payroll from the HR records. This file is the basis for data loaded into the SAGE payroll systems by the Clerk, who manages the payroll for the Council. SAGE is an established and trusted payroll system, and automatically notifies of TAX codes and changes

The RFO also has access to the Excel payroll file, no other employees or members have access to the file. The Clerk and the RFO check that the data is correct when first created at the beginning of the payroll year, and when updates to the data are required.

The RFO uses the SAGE reports to create financial accounting records in the financial systems. The RFO raises the payments for approval.

Sample checks during the audit confirmed the payroll data agreed to the SAGE data for Net Salary, Tax, NI and pensions and that employee payments, deductions and payments to HMRC and to Kent County Council for pensions were properly made.

Payroll payments to employees, HMRC and KCC are reviewed in detail by two Councillors, and when approved payments in summary form are approved and recorded in the finance committee minutes of the Council.

It was noted that there is a Salaries and Payroll Procedures policy (published on the website)

Audit conclusion. The payroll records, processes and controls meet the audit standards.

Asset register *Audit objective Oct 2022 – review progress on the update of the asset risk register noted at the 2021-22 year end audit.*

The Council now has a new insurer (Hiscocks). All significant/buildings asset insured values are being reviewed. If the review does point to a major change in the insured value currently held in the asset register the Clerk will consider if a change to the recorded asset values (based on 2019-20 insured values) is needed. There are no plans to revalue anyother assets at this point.

The Asset register is upto date, subject to a current review and has been approved by the Council.

Audit conclusion. The asset register meets the needs of the Council and the audit standards.

Trustees. *Audit objective Oct 2022 – confirm status on trustees of the charity and the Council's duties.*

Charity 302732 Edenbridge Public Recreation Ground and 302733 Recreation Ground now show Edenbridge Town Council as the sole trustee. Neither Charity holds funds. The income and costs of the maintenance of the recreation grounds are included in the activity of the Council and not the charity. The Charities have no income and no expenditure.

Charity 307544 The Norman Foundation provides community grants. The Trustees are individual members (who may also be Council members). The Council is not a sole trustee. None of the charity's income, expenditure or funds are included in the accounts of the Council.

Audit conclusion. The Council has fulfilled its duties and the Charity Commission records are now upto date.

Keith Robertson FCMA

7th November 2022