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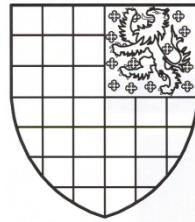
Write to:

Town Hall, High Street
Lewes, East Sussex
BN7 2QS

Find us online: www.lewes-tc.gov.uk

Call: 01273 471469

Email: townclerk@lewes-tc.gov.uk



**LEWES
TOWN
COUNCIL**

To: Cllrs Bird, Catlin, Handy, Maples, Milner, Vernon

A Meeting of the **Audit and Governance Panel** will be held online via Zoom video link on **Monday 7th March 2022, at 18.00pm** which you are summoned to attend.

To join this meeting please contact the Town Council by 16:00pm on Monday 7th March 2022 for a passcode.

The link to join the meeting is: <https://us06web.zoom.us/j/85957416140>

The meeting ID is: 859 5741 6140

L Chrysostomou
Town Clerk
1st March 2022

AGENDA

1. Apologies

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

2. Member's Declarations of Interest

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

3. Question Time

Members of the public are welcome to attend this meeting of the Audit and Governance Panel. Questions regarding items on the agenda may be heard at the start of the meeting with the Chair's consent. A period of 15 minutes is allocated for this purpose. Questions or requests to address the Panel must be submitted to the Town Clerk by noon the day before the meeting.

4. Minutes

To agree the Minutes of the Meeting held on Thursday 5th August 2021 (attached **page 2**)

5. Chair's Announcements

To receive any announcements from the Chair of the Panel.

6. Finance Report

To receive the budget monitoring report for quarters 1 to 3

(Report AGP001/2022 attached **pages 3 to 12**)

7. Interim Internal Audit Report

(Report AGP002/2022 attached **pages 13 to 39**)

8. Review Major Funding Procedure

To review the Council's Major Funding procedure following its recent application at Full Council.

(Major Funding Procedure **pages 40 to 41**)

9. Bank Reconciliation

(to be presented at the meeting)

Town Hall
High Street
Lewes
East Sussex
BN7 2QS

 01273 471469  01273 480919
 info@lewes-tc.gov.uk
 www.lewes-tc.gov.uk



**LEWES
TOWN
COUNCIL**

MINUTES

of the **Audit & Governance Panel** held on **Thursday 5th August 2021**, online via Zoom Meetings at 6:00pm.

PRESENT Cllrs Catlin; Lamb; Dr Maples, Milner (*Chairman*).

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

Observing: Ms Laura Chrysostomou (*TC Designate*)

AudPan2021/01 ELECTION of CHAIR Cllr Milner was elected as Chair of the Panel for the 2021/22 year.

AudPan2021/02 QUESTIONS: There were none.

AudPan2021/03 APOLOGIES FOR ABSENCE: Apologies had been received from Cllr Bird, who had childcare commitments.

AudPan2021/04 DECLARATIONS OF INTEREST: There were none.

AudPan2021/05 MINUTES: The minutes of the meeting held on 25th November 2020 were received and agreed as an accurate record.

AudPan2021/06 BUSINESS OF THE MEETING:

Routine financial monitoring: Members were furnished with detailed information (*copies in minute book*) following the end of the first quarter of the financial year and miscellaneous comparative values *in* present status compared with previous years.

1. *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.
2. *Oversight as required by the Governance & Accountability Code of Practice:* Due to remote working, TC was unable to show the file of periodic bank reconciliations for review of the scrutiny already conducted. Ordinarily the Chairman would append his signature to verify this, but this could be done in arrears at any point during the year. Scanned copies of the first-quarter reconciliations were shown on-screen and verified by the Panel.
3. *General matters* – There followed a general discussion on various matters including: provision for equipping Malling Community Centre – adequate funds remained in the earmarked Reserve; grant recipients who did not appear to acknowledge the Council's support – this would be taken into account by the Grants Panel; ethical banking – it had previously been agreed that the new Responsible Finance Officer would be asked to research this; environmental auditing – outside the remit of the Panel (which addressed statutory requirements) but could be addressed (would need a detailed specification); structural repairs at the All Saints Centre (programme underway).

AudPan2021/07 CONCLUSIONS/RECOMMENDATIONS:

- 1 Members considered information on the Council's financial status and management for the first quarter; and found no items of concern. The overall position was better than anticipated. It was acknowledged that routine bank reconciliations would be validated by physical signature later in the year.

AudPan2021/08 There being no further business, the Chairman thanked everyone for their attendance and declared the meeting closed.

The meeting closed at 7:00pm

Lewes Town Council

Non-Confidential

Panel: Audit and Governance Panel

Date: 7th March 2022

Report Number: AGP001

Report by: Town Clerk

Subject: Finance Report

1. Summary

- 1.1 The report highlights significant variances from budget in Income and Expenditure relating to the Council's budget for 2021 to 2022. Actual figures are shown in Appendix 1.
- 1.2 Overall, it is currently projected that nett expenditure will be within budget by the end of the financial year (31st March 2022).
- 1.3 The Income and Expenditure report covers quarters one to three of the financial year 2021 to 2022. As can be seen in the budget summary table below, 69% of the budget has been spent.

			TOTAL		
			<i>budget</i>	<i>var</i>	<i>actual</i>
					£
		Staff Total	609,759	-134,572	475,187
		Premises Total	277,392	-63,300	214,092
		Transport Total			
		Supplies & services Total	303,048	-95,872	207,176
		Miscellaneous Total	213,310	-189,623	23,687
		EXPENDITURE TOTAL	1,403,509	-483,367	920,142
		INCOME TOTAL	189,680	-104,341	85,339
		NETT OPERATING TOTAL	1,213,829	-379,027	834,802

2. Recommendations

The Panel is Recommended to note the report.

3. Budget monitor 2021 to 2022

- 3.1 Members are reminded that Income and Expenditure is not always received, or paid out, evenly throughout the year. Therefore, fluctuations will occur as to the percentage of the budget used even when the Income or Expenditure is expected to be in line with the budget by the end of the financial year.
- 3.2 It should be noted that the actual figures do not include earmarked reserves movement which occurs at year end.

3.2 Corporate Admin

- 3.2.1 Equipment and furniture is overspent by £1,121. There isn't adequate budget provision for the items that should be covered by this budget such as the franking machine lease contract which is £2,075 per annum.
- 3.2.2 Insurance is overspent by £738. Budget allocation isn't adequate.
- 3.2.3 ICT budget is overspent by £15,900. The budget is £14,000 and expenditure so far this year totals £29,900. In 2020 to 2021 the total spend was circa £27,000 and 2019 to 2020 it was £29,000. The expenditure of £29,900 this year includes project costs of £9,502 which includes the new phone system, cancellation of the old phone system, a Sonic Wall, a new laptop and set up costs for new staff.
- 3.2.4 The budget for Consultants includes subscriptions for payroll and accounting software, national and regional local council subscriptions, internal and external audit fees. This budget is overspent by £5,044 but includes expenditure of £4,565 for the recruitment of the Town Clerk. However, the external audit fees have not been paid for the last two years and so £4,000 will be due once the external audit reports are returned for the 2019 to 2020 and 2020 to 2021 accounts.
- 3.2.5 There is no budget for Legal Expenses, however the Council has incurred the following expenses: £2,218 for The Werks licence related to the rear service yard, which will be covered by The Werks. £75 was spent on legal advice for remote meetings. £175 for general legal advice. £1,001 for a Copyright Licence for Local Authorities.
- 3.2.6 Miscellaneous expenses include training for staff and Members. It is underspent by £5,943 although some training has been undertaken but not invoiced and further training is planned.
- 3.2.7 Subscriptions is underspent by £3,133. However, previously national and regional local council's subscriptions were met from this budget, and therefore the underspend will cover some of the overspend in the Consultants budget referred to above.
- 3.2.8 Advertising is overspent by £1,135 due to adverts for recruitments.
- 3.2.9 Overall this Cost Centre is predicting a circa £24,000 overspend. This will be met by underspends in other Cost Centres.

3.3 Civic Admin (20)

- 3.3.1 The Catering budget is £5,509 underspent as many events and activities have been cancelled this year due to COVID-19. An estimated £500 will be spent by year end.
- 3.3.2 Legal Expenses is underspent by £1,988.
- 3.3.3 Members Allowances is overspent by £868 as the increase in December 2020 had not been factored into the budget.
- 3.3.4 Miscellaneous Expenses normally covers costs associated with Twinning, tourism and Civic Awards. Due to COVID-19 many of these activities didn't happen. The budget is £6,733 underspent.
- 3.3.5 The Grants budget includes £8,000 for Citizens Advice Bureau, which has been paid this year and £2,000 for the High Street Traders Association Late Night Shopping which was not paid this year as costs were met by the Lewes District Council through the Welcome Back Fund. This budget also includes the £60,000 General Grants. A total of £43,765 has been awarded through the four cycles, although the awards from the last cycle are yet to be paid.
- 3.3.6 £5,376 has been paid to Low Traffic Lewes, awarded as a Major Funding Grant.
- 3.3.7 A further £4,900 was awarded as a Major Funding Grant to OVESCO and is yet to be paid.
- 3.3.8 The £3,000 for the Light Box Project Grant has been paid and will be deducted from the earmarked reserve P6 at year end.
- 3.3.9 It should be noted however, that costs will be incurred for the by-election in February 2022 which have not been budgeted for in earmarked reserves for scheduled election costs. These are estimated to be £8,000 to £10,000.

3.4 Mayoralty (30)

- 3.4.1 The Catering budget is underspent by £6,228 due to many events being cancelled or restricted due to COVID-19.
- 3.4.2 Hospitality is underspent by £847, Miscellaneous Expenses is underspent by £956 and Travel is underspent by £1,434 due to COVID-19 restricting activities.

3.5 Town Hall (40)

- 3.5.1 The Town Hall was budgeted to achieve income of £75,000. Due to COVID-19 income is significantly under and will not achieve the income target. At the end of January 2022 income received was only £37,455. Many regular hirers have returned but some bookings are still being cancelled due to COVID. It is projected a further £7,000 of income will be achieved by year end, meaning the income will be under by an estimated £30,500.
- 3.5.2 The Repairs and Maintenance budget is overspent by £3,256. This includes costs of £3,686 for the heating project and a total of £5,190 for various boiler repairs.

- 3.5.3 The Grounds Maintenance budget is underspent by £3,679, although some costs have been coded to Repairs in error.
- 3.5.4 Electricity is significantly underspent by £12,648 and needs to be investigated. Even with reduced use due to COVID the underspend shouldn't be this much.
- 3.5.5 The Alarm Systems budget has a refund of £1,493 resulting in the budget looking underspent. However, charges for alarm systems that should be here are not and this needs to be investigated. Some have been coded incorrectly and will be adjusted. Other invoices are yet to be received.
- 3.5.6 Consumables is overspent by £1,453. This includes the purchase of new exhibition boards for £1,458.
- 3.5.7 The Consultants and Legal Expenses budget both show as underspent however invoices are expected for items such as PRS Licences.

3.6 All Saints Centre (50)

- 3.6.1 The Centre was budgeted to achieve income of £50,000. Due to COVID-19 income is significantly under and will not achieve the income target. At the end of January 2022 income received was only £18,536. Many regular hirers have returned but some bookings are still being cancelled due to COVID. It is projected a further £3,500 of income will be achieved by year end, meaning the income will be under by an estimated £27,900.
- 3.6.2 Repairs and Maintenance is overspent by £3,111. This includes expenditure on Fire doors £660, Fire Risk Assessment £2,100, floor repairs £916.50 and heating repairs totalling £909. There is a further invoice to come for repairs to the heating.
- 3.6.3 Utilities all show as underspent, but invoices have not all been received. An invoice of £18,000 has been received for Gas and needs to be investigated, but it would seem regular meter readings have not been taken.
- 3.6.4 Equipment and Furniture is underspent by £7,506. This budget normally includes servicing for lighting etc which has not happened yet.
- 3.6.5 ICT is overspent by £903 due to the new telephone system and cancellation of the telephone contract.
- 3.6.6 Legal Expenses is underspent by £1,420, however invoices have not been received for licences such as PRS.
- 3.6.7 Advertising is overspent by £577 due to recruitment advertising costs.

3.7 Malling Community Centre (51)

- 3.7.1 The Repairs and Maintenance budget is overspent by £7,020 but this will be met from the earmarked reserve as they are to do with getting the building in operation (e.g. installation of a bike rack).
- 3.7.2 Utilities such as gas and electricity look to be overspent and will need to be investigated as this will impact on next years budget. Costs for the new building may have been underestimated.

- 3.7.3 Equipment shows as £34,092 overspent but this includes expenditure on new equipment such as tables, chairs, blinds and other furnishings which will be met from the earmarked reserve.
- 3.7.4 ICT is overspent by £4,208. This will also be met from the earmarked reserve as part of the project costs as it includes items such as the Wi-Fi.
- 3.7.5 Office equipment shows as overspent by £1,744 which are costs associated with the new building and will be met from the earmarked reserve.
- 3.7.6 The Consultant budget of £1,000 remains unspent.
- 3.7.7 Some work remains outstanding, including the café tender, work to change doors that are not fire doors to windows and potentially partition off the access to the office so that access does not interfere with the hirer of the main hall.
- 3.7.8 The Centre was budgeted to achieve income of £50,000, however it did not open until September 2021 and then due to COVID-19 hire was restricted, so income is significantly under and will not achieve the income target. At the end of January 2022 income received was only £7,203. The centre has many regular hirers and work will begin on promoting it but must coincide with staffing capacity. It is projected a further £3,000 of income will be achieved by year end, meaning the income will be under by an estimated £40,000.

3.8 Pells (60)

- 3.8.1 There are charges coded to the Repairs and Maintenance budget that should be coded to Grounds Maintenance. Once this is completed expenditure looks to be in line with expectations for these two budgets based on expenditure in previous years.
- 3.8.2 The first of two instalments of £5,000 have been paid from the £10,000 Grant budget.

3.9 Open Spaces, Priory and Amenities (70, 71, 72)

- 3.9.1 The Repairs and Maintenance budget for Open Spaces is overspent by £1,603, this includes costs of replacement benches near the skatepark of £1,230.
- 3.9.2 Open Spaces Grounds Maintenance is £44,849 underspent.
- 3.9.3 The Open Spaces CCTV budget is showing as £5,375 underspent as invoices have not yet been received.
- 3.9.4 The £15,000 in the Open Spaces Consultants budget is for an environmental audit as agreed during the visioning exercise and will be earmarked at year end for this purpose.
- 3.9.5 Open Spaces Miscellaneous Expenses is £10,286 underspent, however invoices for Christmas Trees (normally £3,000) and Bonfire Stewards (£6,000) have not been received yet.
- 3.9.6 Open Spaces Grants shows £6,500 overspent but this is due to the £10,000 Christmas Light Grant being paid from this budget code. It will be journalised to come from earmarked reserve R11.

- 3.9.7 The Open Spaces Priory Grant has been paid this year and was £13,112.74, from a budget of £13,050.
- 3.9.8 £2,195 has been received in Open Spaces Amenities income for the damaged bench from the Town Council's insurance company.
- 3.9.9 Open Spaces Amenities includes £4,800 income received from a third-party insurance provider for the damage to the bus stop. This offsets expenditure in the Repairs and Maintenance budget for repairing the shelter.
- 3.9.10 Open Spaces Amenities Repairs and Maintenance budget is underspent by approximately £4,500.
- 3.9.11 Open Spaces Amenities Grounds Maintenance is underspent by £4,390 and Equipment is underspent by £1,670.
- 3.9.12 £15,000 has been paid for Bus Service Support. £8,240 has been paid for CTLA Bus Service Support. This will be taken from the earmarked reserve at year end. A further £4,000 is due for CTLA Dial a Ride, as agreed by Council at its meeting in April 2021.

3.10 Allotments (80)

- 3.10.1 The Repairs and Maintenance budget is £1,960 overspent. There have been two lots of rubbish clearance at one site costing £2,080.
- 3.10.2 The Grounds Maintenance budget is £3,540 underspent.
- 3.10.3 The Water and Drainage budget is £3,220 underspent but some invoices have not been received yet. This will be investigated.

3.11 Salaries

- 3.11.1 The overall salaries budget is projected to be within budget, taking into consideration the pending pay award which has been confirmed as 1.75%, additional hours for staff to cover absences and to cover the costs of a contracted RFO on a fixed term contract for six months working up to twelve hours per week.

Laura Chrysostomou
Town Clerk

Appendix 1

			<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>	<i>F</i>	<i>G</i>	<i>H</i>	<i>I</i>
	<i>COST CENTRE</i>		10			20			30		
			Corporate Admin			Civic Admin			Mayoralty		
<i>RESOURCE ACCOUNT</i>			<i>budget</i>	<i>var</i>	<i>actual</i>	<i>budget</i>	<i>var</i>	<i>actual</i>	<i>budget</i>	<i>var</i>	<i>actual</i>
EXPENDITURE			£	£	£	£	£	£	£	£	£
Staff		Staff Total	72,694	-9,664	63,030	61,549	-10,435	51,114	43,215	-8,675	34,540
		Premises Total	1,690	1,759	3,449						
		Transport Total									
		Supplies & services Total	36,220	14,950	51,170	99,707	-38,150	61,557	15,200	-9,972	5,228
		Miscellaneous Total	57,400	-52,581	4,819	9,970	-9,136	834	400	-176	224
		EXPENDITURE TOTAL	168,004	-45,537	122,467	171,226	-57,721	113,505	58,815	-18,823	39,992
		INCOME TOTAL	1,250	1,528	2,778	150	618	768	500	671	1,171
		NETT OPERATING TOTAL	166,754	-47,064	119,690	171,076	-58,338	112,738	58,315	-19,494	38,821

				<i>J</i>	<i>K</i>	<i>L</i>	<i>M</i>	<i>N</i>	<i>O</i>	<i>P</i>	<i>Q</i>	<i>R</i>
	<i>COST CENTRE</i>			40			50			51		
				Town Hall			All Saints			Malling Comm Centre		
<i>RESOURCE ACCOUNT</i>	<i>budget</i>	<i>var</i>	<i>actual</i>	<i>budget</i>	<i>var</i>	<i>actual</i>	<i>budget</i>	<i>var</i>	<i>actual</i>	<i>budget</i>	<i>var</i>	<i>actual</i>
<i>EXPENDITURE</i>	£	£	£	£	£	£	£	£	£	£	£	£
Staff												
Staff Total	122,430	-37,388	85,042	122,078	-21,583	100,495	88,788	-26,387	62,401			
Premises Total	132,152	-26,864	105,288	27,659	-10,174	17,485	13,471	40,441	53,912			
Transport Total												
Supplies & services Total	21,506	-8,281	13,225	7,310	-1,403	5,907	54,220	-20,377	33,843			
Miscellaneous Total	61,010	-60,026	984	21,160	-20,079	1,081	11,400	-11,325	75			
EXPENDITURE TOTAL	337,098	-132,559	204,539	178,207	-53,239	124,968	167,879	-17,649	150,230			
INCOME TOTAL	82,800	-40,787	42,013	50,000	-31,464	18,536	50,000	-42,694	7,306			
NETT OPERATING TOTAL	254,298	-91,772	162,526	128,207	-21,775	106,432	117,879	25,045	142,924			

				<i>S</i>	<i>T</i>	<i>U</i>	<i>V</i>	<i>W</i>	<i>X</i>	<i>Y</i>	<i>Z</i>	<i>AA</i>
	<i>COST CENTRE</i>			60	70/71/72					80		
				Pells			Open Spaces/Priory/Amenities			Allotments		
<i>RESOURCE ACCOUNT</i>	<i>EXPENDITURE</i>			<i>budget</i>	<i>var</i>	<i>actual</i>	<i>budget</i>	<i>var</i>	<i>actual</i>	<i>budget</i>	<i>var</i>	<i>actual</i>
	<i>EXPENDITURE</i>			£	£	£	£	£	£	£	£	£
Staff		Staff Total		15,230	1,080	16,310	59,542	-15,894	43,648	24,233	-5,626	18,607
		Premises Total		17,600	-11,207	6,393	73,320	-52,456	20,864	11,500	-4,800	6,700
		Transport Total										
		Supplies & services Total		11,275	-5,287	5,988	56,120	-26,752	29,368	1,490	-599	891
		Miscellaneous Total		8,970	-8,821	149	42,335	-26,962	15,373	665	-516	149
		EXPENDITURE TOTAL		53,075	-24,234	28,841	231,317	-122,065	109,252	37,888	-11,541	26,347
		INCOME TOTAL		150	-61	89		7,002	7,002	4,830	847	5,677
		NETT OPERATING TOTAL		52,925	-24,173	28,752	231,317	-129,067	102,250	33,058	-12,387	20,671

		<i>COST CENTRE</i>			
					TOTAL
<i>RESOURCE ACCOUNT</i>			<i>budget</i>	<i>var</i>	<i>actual</i>
	EXPENDITURE		£	£	£
Staff					
	Staff Total		609,759	-134,572	475,187
	Premises Total		277,392	-63,300	214,092
	Transport Total				
	Supplies & services Total		303,048	-95,872	207,176
	Miscellaneous Total		213,310	-189,623	23,687
	EXPENDITURE TOTAL		1,403,509	-483,367	920,142
	INCOME TOTAL		189,680	-104,341	85,339
	NETT OPERATING TOTAL		1,213,829	-379,027	834,802

Lewes Town Council

Non- Confidential

Panel: Audit and Governance Panel

Date: 7th March 2022

Report Number: AGP002

Report by: Town Clerk

Subject: Internal Audit Report 2021 to 2022

1. Summary

- 1.1 Attached, as Appendix 1, is the first Internal Audit Report for Lewes Town Council for the financial year 2021 to 2022. The audit was conducted by the Town Council's Internal Auditor, Mulberry & Co.
- 1.2 One of the functions of Internal Audit is to give assurance to Members of the Council that the systems, financial and otherwise, are following best practice, operating correctly, compliant with all laws and regulations and can be relied upon.

2. Recommendations

- 2.1 The Committee is Recommended to:
 1. Note the Internal Auditor report for the 2021 to 2022 accounts and the action to implement the Internal Auditor's recommendations.

3. Background

- 3.1 The Internal Auditor makes two visits per year. This is the first report for 2021 to 2022.

The areas that were audited were:

- Books of account
- Financial Regulations, Governance and payments
- Risk Management and Insurance
- Budget, Precept and Reserves
- Income and Petty Cash
- Payroll
- Assets and Investments
- Bank and Cash
- Year End Accounts, Exercise of Public Rights, Publication Requirements
- Trusteeship

Items to be brought to the Committee's attention are:

3.2 Books of account

- 3.2.1 The Auditor noted there is no routine prompt to update passwords.
- 3.2.2 The Town Clerk will implement routine changes of passwords with the Council's IT Support provider.
- 3.2.3 The Auditor recommended that a routine process is put in place to produce a month end list of reports.
- 3.2.4 The Town Clerk will work with the contracted Responsible Finance Officer (RFO) and Finance Admin Officer (FAO) to implement this.
- 3.2.5 The auditor recommended that a unique BACS number is added to batch payments for ease of reference.
- 3.2.6 The FAO will implement this.

3.3 Financial Regulations, Governance and Payments

- 3.3.1 The external auditors report for 2020 to 2021 has not been finalised and as a result there is no notice of conclusion of audit. This should be reported to Council.
- 3.3.2 This has been reported to Council.
- 3.3.3 The auditor noted that the Council is required by law to follow the 2015 Transparency Code. A review of the web site showed that whilst some information is available not all of the code is being followed. The auditor recommended that over the course of the council year the website is updated to reflect this.
- 3.3.4 The Town Clerk will work with the RFO, FAO and Communications Officer to address this.
- 3.3.5 The auditor noted that Standing Orders and Financial Regulations had not been reviewed in the last 12 months and recommended the Council do so. The auditor noted that current practice is more stringent than the regulations states and accepted they will be reviewed and internal controls implemented.
- 3.3.6 The Town Clerk has tasked the RFO to begin this review.

3.4 Risk Management and Insurance

- 3.4.1 The auditor noted that money cover in the insurance appears low and should be reviewed at renewal.
- 3.4.2 The Town Clerk will ensure this is reviewed at renewal.

3.5 Budget, Precept and Reserves

- 3.5.1 It was noted that currently no three-year forecast is shown. The auditor recommended that council add a three-year forecast in accordance with the latest financial regulations.
- 3.5.2 This will be implemented by the Town Clerk working with the RFO and FAO.
- 3.5.3 There is little evidence of regular reporting of actual versus budget or budget outturn reporting; however, there was reference to a quarter one report being

presented on-line to the audit panel in August 2021, but the report and detail was lacking. The auditor recommended that at least quarterly, budget outturn and actual versus budget reporting and the minutes record this activity.

- 3.5.4 The Town Clerk will review budget monitoring processes with the RFO.
- 3.5.5 In respect of general reserves, rule of thumb calculations would suggest that 50% of precept as adjusted for local conditions would be reasonable being circa £600,000 for Lewes Town Council. Earmarked reserves are not regularly reported on; however, processes are being updated to reflect this. The auditor recommended that earmarked reserves are reported on at least quarterly.
- 3.5.6 The Town Clerk will implement 'real time' movement of earmarked reserves, including budget reporting that shows commitments and this will be reported on quarterly.

3.6 Income and Petty Cash

- 3.6.1 It was noted that fees are not published on the website.
- 3.6.2 The Town Clerk is working with the Communications Officer to improve aspects of the website, and information regarding the Council's venues will be part of this.
- 3.6.3 The auditor recommended that rather than having future dated invoices, sales orders are used instead and converted to sales invoices at the appropriate time so that the sales ledger can be reconciled to the nominal ledger without having to manually include future dated items.
- 3.6.4 The FAO will implement this.
- 3.6.5 There should be monthly reconciliation of till and petty cash floats rather than adhoc.
- 3.6.6 This has been implemented and will be included in the new internal controls.

3.7 Assets and Investments

- 3.7.1 The Council has a fixed asset register in place across multiple documents. The auditor recommended consolidation into one. Assets are correctly stated at historic or proxy cost, however, as a working document the register needs further work.
- 3.7.2 The Town Clerk will work with the RFO to address this.

3.8 Bank and Cash

- 3.8.1 At the interim audit date the council had a reconciled bank position. There were four aged items and the auditor recommended these were written back before the year end.
- 3.8.2 This will be addressed during the year end process.

3.9 Trusteeship

- 3.9.1 Clarification is required if this a functioning charity insofar as it receives income in its own right and makes donations to the swimming pool or if on the other hand the Town Council is running the income and expenditure on behalf of the charity in its position as sole managing trustee. As this will have implication for what is reported to the charities commission.
- 3.9.2 The Town Clerk will seek legal advice on the matter and act accordingly.

4. Conclusion and Opinion

- 4.1 The sample testing did not uncover any errors or misstatements that require reporting to the external auditor, nor did it identify any significant weaknesses in the internal controls such that public money would be put at risk.
- 4.2 It is clear the council takes governance, policies and procedures very seriously and overall, the systems and procedures in place are fit for purpose. The existence of an audit committee with its own detailed scope of works, testing & reporting regime is very much best practice and is to be applauded
- 4.2 Whilst the 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.

Laura Chrysostomou

Town Clerk



MULBERRY & CO

Chartered Certified Accountants
Registered Auditors
& Chartered Tax Advisors

9 Pound Lane
Godalming
Surrey, GU7 1BX

t + 44(0)1483 423054
e office@mulberryandco.co.uk
w www.mulberryandco.co.uk

Our Ref: MARK/LEW001

Mrs L Chrysostomou

Lewes Town Council
Town Hall
High Street
Lewes
East Sussex
BN7 2QS

3rd December 2021

Dear Laura

Re: Lewes Town Council

Internal Audit Year Ended 31st March 2022

Executive Summary

Following completion of our interim internal audit on the 3rd December 2021 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. **Testing requirements are shown in Red** and where appropriate **recommendations for future action are shown in bold text and summarised in the tables at the end of the report.**

Our report is presented in the same order as the assertions on the internal auditor report within the published AGAR. The start of each section details the nature of the assertion to be verified, followed by recommended minimum testing requirements. Each section is then concluded with an opinion as to whether the assertion has been met or not.

Our sample testing did not uncover any errors or misstatements that require reporting to the external auditor, nor did we identify any significant weaknesses in the internal controls such that public money would be put at risk.

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. The existence of an audit committee with its own detailed scope of works, testing & reporting regimen is very much best practice and is to be applauded. I would recommend the continuance of this into the future.

I would like to thank Laura and Viv 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.

It is therefore our opinion that the systems and internal procedures at Lewes Town Council are well established, and followed.

Regulation

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 accounts. In addition to this, a smaller authority is required by Regulation 5(1) of the Accounts and Audit Regulations 2015 to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

Internal auditing is an independent, objective assurance activity designed to improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The purpose of internal audit is to review and report to the authority on whether its systems of financial and other internal controls over its activities and operating procedures are effective.

Internal audit’s function is to test and report to the authority on whether its specific system of internal control is adequate and working satisfactorily.

The internal audit reports 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.

Independence & Competence

Your audit was conducted by Mark Mulberry of Mulberry & Co. We confirm we are independent from the management of the financial controls and procedures of the council and neither the internal auditor or the firm have any conflicts of interest with the audit client, nor do they provide any management or financial assistance to the client.

Your auditor is a qualified practicing accountant with over 20 years’ experience as a registered statutory auditor.

Engagement Letter

An engagement letter was issued in September 2021 covering the 2021/22 internal audit assignment. Copies of this document are available on request.

Planning & Inherent Risk Assessment

The scope and plan of works including fee structure was issued to the council on the 1st September 2020 under separate cover. Copies of this document are available on request. In summary, our work will address each of the internal control objectives as stated on the Annual Internal Audit Report of the AGAR.

- There have been no instances of breaches of regulations in the past
- The client uses an industry approved financial reporting package
- The client regularly carries out reconciliations and documents these
- There is regular reporting to council
- The management team are experienced and informed
- Records are neatly maintained and referenced
- The client is aware of current regulations and practices
- There has been no instance of high staff turnover
- The client has an audit committee with detailed terms of reference and work programme

It is my opinion that the inherent risk of error or misstatement is low and the controls of the council can be relied upon and as such substantive testing of individual transactions is not required. Testing to be carried out will be “walk through testing” on sample data to encompass the period of the council year under review.

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A. BOOKS OF ACCOUNT (INTERIM AUDIT)

Internal audit requirement

Appropriate accounting records have been properly kept throughout the financial year.

Recommended Minimum Testing

- Ensure the correct roll forward of the prior year cashbook balances to the new financial year
- Check a sample of financial transactions in cashbooks to bank statements, etc: the sample size dependent on the size of the authority and nature of accounting records maintained

The Council continues to use Sage as a day to day accounting package, this is a tried and tested bookkeeping package. The system is used daily to report on and record the financial transactions of that of the Council. There is one user with their own individual logon. The passwords are kept in the safe. The IT is hosted on a local server and users have their own logons. There is no routine prompt to update passwords. This is a risk area.

The finance administration officer (finance) is responsible for all financial entries on the financial reporting package.

Every month, a bank reconciliation is printed and stored in the bank reconciliation folder. I have reviewed the folder and can confirm monthly reconciliations are produced. **I would recommend that a routine process is put in place to produce a month end list of reports useful to the council such as, but not restricted to, bank reconciliation, trial balance, aged debtor and creditors, paye and VAT control reconciliations.**

My audit testing showed that supporting documentation could be easily located from records. Supporting documentation is filed in payment order. **I would recommend adding a unique BACS number and annotate this on the batch for ease of filing.**

I tested opening balances as at 1/4/21 and confirmed they could be agreed back to the audited accounts for 2020/21
Signed AGAR.

The Council is not VAT registered and the last reclaim was for 31st March 2021 and showed a £213,006.49 per the adjusted Sage and the bank statement. This was submitted in April and the refund received on the 24th May 2021 as verified to the bank statement. I confirm there is a VAT permeant file in place.

Overall, I have the impression that the accounting systems are well ordered and routinely maintained and as such I make no recommendation to change.

Section Conclusion

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)

Internal audit requirement

This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

Recommended Minimum Testing

- Review the procedures in place for acquisition of formal tenders and quotes, ensuring they are in line with the SOs and FRs which should be based on the latest version.
- Ensure that consistent values are in place for the acquisition of formal tenders between SOs and FRs (frequently different limits are recorded in the two documents)
- Review the procedures for receipt of invoices, agreement of invoice detail and confirmation of goods /services delivery and approval for payment: ideally, a suitably designed certification stamp should be in place providing for evidencing of these checks and payment authorisation
- Check that there is effective segregation between the writing of cheques or the setting up of online payments, and physical release of payments
- Check that VAT reclaims are prepared and submitted in a timely manner in line with the underlying records and in accordance with current HMRC requirements
- Where debit / credit cards are in use, establish the total monthly and individual transaction limits and ensure appropriate controls over physical security and usage of the cards are in place

Interim Audit

Check the publication & minuting of the prior year audited AGAR and notice of conclusion of audit.

External auditors report for 2020/21 has not been finalised and as a result there is no notice of conclusion of audit. This has not been reported to council yet. **I recommend this be put on the next agenda for full council.**

Evidence was also noted in the minutes of the internal auditor's report being reviewed and accepted in the 24th June Full Council meeting.

Confirm by sample testing that councillors sign statutory office forms

I confirmed by sample testing that Councillors sign Acceptance of Office, register of member's interest and, acceptance to receive information by electronic means.

Confirm that the Council is compliant with the relevant transparency code.

I note that the Council is required by law to follow the 2015 Transparency Code, a review of the web site has shown that whilst some information is available not all of the code is being followed. **I remind council it is a mandatory requirement to follow the code and I recommend that over the course of the council year the website is updated to reflect this.** I have signposted the clerk to Salisbury City Council as a good web site to review that shows this in practice.

Confirm that the Council is compliant with the GDPR.

The council is aware of the GDPR and accessibility regulations. It was noted the Council has common email addresses internally and for councillors. A common email system such as cllr.name@Lewes is recommended because it gives a natural segregation so it is clear beyond doubt in what capacity a councillor is acting, gives control to the council, adds a degree of professionalism and in the event of a FOI request limits access to personal computers.

Confirm that the Council meets regularly throughout the year

The council has the following committees:

- Full Council; meets circa monthly
- Planning – 3 weekly
- Transport Committee – ad hoc

There are also a number of working parties and groups which meets as and when necessary to cover specific tasks each committee has spending powers.

Check that agendas for meetings are published giving 3 clear days' notice.

Whilst we have not tested every single committee and council meeting there was no evidence of non-compliance in giving three clear days' notice of the meeting. I was noted that the supporting documentation referred to in the agendas is also correctly posted to the website.

Check the draft minutes of the last meeting(s) are on the council's website

Draft and final minutes are uploaded to the council website.

Confirm that the Parish Council's Standing Orders have been reviewed within the last 12 months.

The standing orders are based on the NALC model. These are dated April 2019.

Confirm that the Parish Council has adopted and recently reviewed Financial Regulations.

Financial regulations are based on the NALC model and are dated April 2019. The regulations being based on an older NALC model contain provisions for the approval of spending, setting of budgets, reconciliation of the bank and reporting to council, however are getting out of date. **I recommend the council look to update these.**

Check that the council's Financial Regulations are being routinely followed.

Financial regulation 6 deals with purchasing & payment processing. I can confirm the council is using the purchase order pads as described in the regulations – these have annotations for checking against budget & invoice and are also counter signed.

There are controls in place to ensure that discrepancies between PO's and purchase invoices are discussed with the clerk prior to processing and paying the supplier invoice.

On a weekly basis the financial reporting package is used to determine invoices for payment and an electronic file is produced from Sage and submitted electronically to the Natwest Bank – a bacs list print is then taken from Natwest system and attached to the batch of invoices.

Payment is then authorised by the clerk. The online banking is set such that the originator of a transaction cannot authorise the same transaction.

The de-minimis limit recorded in the Financial Regulations for the competitive purchase of items and services is as listed below.

- £25,000 + Tender Process
- £5,000 - £25,000 3 quotations are required.
- £2,000 - £5,000 – strive to get 3 estimates
- 0 - £2,000 – power to spend

I was able to verify that where applicable quotes and estimates are obtained for items over the deminimus thresholds.

Overall I am of the opinion that the financial regulations are being followed, and in some respects local practice is more stringent than the regulation states. The clerk has indicated that the regulations are going to be reviewed and updated when the new RFO is appointed. I recommend this.

Confirm all section 137 expenditure meets the guidelines & does not exceed the annual per elector limit of £8.41 per elector.

The council has no S.137 expenditure as it has the GPC; this was confirmed in 2019.

Confirm that checks of the accounts are made by a councillor.

The council has an audit panel which meets to review and counter sign appropriate documentation and accounts – this panel meets 3 times per annum.

I am of the opinion the council is following its own regulations and that any changes to financial regulations are to be considered minor and no indicative of errors in the system. I am therefore 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.

Section Conclusion

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 AUDIT)

Internal audit requirement

This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

Recommended Minimum Testing

- Ensure that authorities have prepared, and formally adopted, at least once annually, an appropriate and comprehensive register of assessed risks, both regular and ad hoc
- Ensure that appropriate levels of insurance cover are in place for land, buildings, public, employers' and hirers' (where applicable) liability, fidelity / employees (including councillors) liability, business interruption and cyber security
- Ensure that appropriate arrangements are in place for monitoring play areas, open spaces and sports pitches: such reviews should be undertaken by appropriately qualified external inspectors or, if by officers or members, that they have received the appropriate training and accreditation

Interim Audit

Playground inspections are completed monthly by district council and by an external firm annually.

Other risks are recorded on the LCRS package. The Council undertakes a full risk assessment that covers operational and financial risks, this was taken to council in June 2021.

I have confirmed that the Council has a valid insurance certificate. The Council reviews its insurance requirements as part of the renewal process. Money covers appears low – I would recommend this is reviewed at next renewal.

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."

Section Conclusion

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)

Internal audit requirement

The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

Recommended Minimum Testing

- Ensure that the full Authority, not a Committee, has considered, approved and adopted the annual precept in accordance with the required parent Authority timetable
- Ensure that budget reports are prepared and submitted to Authority / Committees periodically during the year with appropriate commentary on any significant variances
- Review the budget performance either during the year or at the financial year-end seeking explanations for any significant or unanticipated variances
- Ensure that the Authority has considered the establishment of specific earmarked reserves and, ideally, reviews them annually as part of the budget assessment process
- Ensure that the precept in the accounts matches the submission form to the relevant authority and the public record of precepted amounts

Interim Audit

I confirm that full council approved the setting of the precept and this agreed to the financial reporting package as received from district.

I confirmed that the 2021/22 budget and precept setting process was underway at the time of our interim audit, with all precepting authority deadlines achievable. A review of the minutes shows discussion and agreement of the same.

However, it was noted that currently no three-year forecast is shown. **I would recommend that council add a 3 year forecast in accordance with the latest financial regulations. For now, this can be a simple % increase, which can then be worked on and reviewed on a rolling basis over the course of the council year, following which it can be dropped in as a draft budget for the next year.**

There is little evidence of regular reporting of actual versus budget or budget outturn reporting; however, we did find reference to a quarter 1 report being presented on-line to the audit panel in August 2021, but the report and detail was lacking. **I recommend that at least quarterly, budget outturn and actual versus budget reporting and the minutes record this activity.**

In respect of general reserves, rule of thumb calculations would suggest that 50% of precept as adjusted for local conditions would be reasonable being circa £600k. Earmarked reserves are not regularly reported on; however, processes are being updated to reflect this. **I recommend that earmarked reserves are reported on at least quarterly.**

Section Conclusion

I am of the opinion that the control objective of “The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.”, has been met.

E. INCOME (INTERIM & FINAL AUDIT)

Internal audit requirement

Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

Recommended Minimum Testing

- Review “Aged debtor” listings to ensure appropriate follow up action is in place
- Allotments: ensure that appropriate signed tenancy agreements exist, that an appropriate register of tenants is maintained identifying, that debtors are monitored.
- Burials: ensure that a formal burial register is maintained that it is up-to-date and that a sample of interments and memorials are appropriately evidenced, that fees have been charged at the correct approved rate and been recovered within a reasonable time: (Authorities should also acquire and retain copies of Burial / Cremation certificates)
- Hall hire: ensure that an effective diary system for bookings is in place identifying the hirer, hire times and ideally cross-referenced to invoices raised
- Leases: ensure that leases are reviewed in a timely manner in accordance with the terms of the lease and rents similarly reviewed appropriately at the due time
- Other variable income streams: ensure that appropriate control procedures and documentation are in existence to provide a clear audit trail through to invoicing and recovery of all such income
- Where amounts are receivable on set dates during the year, ensure that an appropriate control record is maintained duly identifying the date(s) on which income is due and actually received / banked

Interim Audit

The precept was received in full. The council has grant and hire income.

The council reviews its annual charges on an annual basis. These are not currently published on the council website. Audit testing showed that fees charged per the sales ledger agree to the annual charges sheet or lease documentation as appropriate.

Bad & aged debts are monitored on a monthly basis, statements are issued using the finance package and a report is made to council/committee. At the audit date there was circa £8,000 of debtors.

I reviewed the sales ledger to nominal ledger reconciliation and was only able to agree this when all future dated items were included. This can present an issue insofar as if asked to produce a list of debtors that matches say the year end date this is a difficult manual process. **I would recommend rather than having future dated invoices that sales orders are used instead and converted to sales invoices at the appropriate time.**

I enquired as to how often the till and petty cash floats are banked – currently this is ad hoc and as such income could go unreported for long periods of time – this also increases the risk of error or misstatement. **I recommend a monthly reconciliation of till floats is undertaken.**

Section Conclusion

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 (INTERIM AUDIT)

Internal audit requirement

Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.

Recommended Minimum Testing

- A number of Authorities are now running down and closing their petty cash accounts and using debit / credit cards for ad hoc purchases. Consequently, a "Not applicable" response is frequently required in this area.
- Review the systems in place for controlling any petty cash and also cash floats (used for bar, catering, etc)
- Check a sample of transactions during the financial year to ensure appropriate supporting documentation is held
- Review the existence of evidenced periodic independent verification of the petty cash and any other cash floats held
- Ensure that VAT is identified wherever incurred and appropriate
- Physically check the petty cash and other cash floats held
- Where bar or catering facilities are in place, ensure that appropriate cashing-up procedures are in place reconciling the physical cash takings to the till "Z" total readings

The council has a float of £500. This was reviewed at the audit date, there was £466 showing. It is clear this is used for small sundries. **I recommend monthly reconciliations.**

Petty cash expenditure is presented monthly to a Council meeting for approval.

Section Conclusion

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)

Internal audit requirement

Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.

Recommended Minimum Testing

- Ensure that, for all staff, a formal employment contract is in place together with a confirmatory letter setting out any changes to the contract
- Ensure that appropriate procedures are in place for the payment of members allowances and deduction of any tax liability
- Ensure that, for a sample of staff salaries, gross pay due is calculated in accordance with the approved spinal point on the NJC scale or hourly rate, if off-scale, and also with the contracted hours
- Ensure that appropriate tax codes are being applied to each employee
- Where free or paid for software is used, ensure that it is up to date.
- For the test sample of employees, ensure that tax is calculated appropriately
- Check the correct treatment of Pension contributions to either the Local Government pension scheme (non - taxable, deducted from the gross salary or DC schemes like NEST which already allow for tax deductions
- For NI, ensure that the correct deduction and employer's contributions are applied: NB. The employers allowance is not available to councils but may be used by other authorities
- Ensure that the correct employers' pension percentage contribution is being applied
- Ensure that for the test sample, the correct net pay is paid to the employee with tax, NI and pension contributions correctly paid to the respective agencies

Interim Audit

The council uses Sage to calculate the payroll internally. The council has fulfilled its obligations in respect of auto-enrolment and uses LGPS.

Employees are paid with reference with NJC scales for consistency purposes. I tested the tax deduction for a full time employee – there were no errors.

We were unable to log on to the HMRC gateway account to verify that monthly and year-end PAYE and NI deductions and returns have been submitted online, on time to HMRC. This will be tested at the year end. The PAYE and NI liability for month 8 was paid on time.

All Council employees are paid through the payroll for all Council work undertaken. No employees are paid separately for any other Council work undertaken. Councillors were paid allowances via the payroll.

Pay increases are based on an annual appraisal and a fixed % e.g. an annual cost of living increase or an incremental scale increase, where applicable.

Section Conclusion

I am of the opinion that salaries are correctly stated on the AGAR and 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)

Internal audit requirement

Asset and investments registers were complete and accurate and properly maintained.

Recommended Minimum Testing

Tangible Fixed Assets

- Ensure that the Authority is maintaining a formal asset register and updating it routinely to record new assets at historic cost price, net of VAT and removing any disposed of / no longer serviceable assets
- Physically verifying the existence and condition of high value, high risk assets may be appropriate
- Ideally, the register should identify for each asset the purchase cost and, if practicable, the replacement / insured cost, the latter being updated annually and used to assist in forward planning for asset replacement
- Additions and disposals records should allow tracking from the prior year to the current
- Ensure that the asset value to be reported in the AGAR at Section 2, Box 9 equates to the prior year reported value, adjusted for the nominal value of any new acquisitions and /or disposals
- Compare the asset register with the insurance schedule to ensure that all assets as recorded are appropriately insured or "self-insured" by the Authority

Fixed asset investments

- Ensure that all long-term investments (i.e., those for more than 12 month terms) are covered by the "Investment Strategy" and reported as Assets in the AGAR at Section 2, Box 9.

Borrowing and Lending

- Ensure that the authority has sought and obtained appropriate DMO approval for all loans acquired
- Ensured that the authority has accounted for the loan appropriately (i.e., recorded the full value of the loan. Any arrangement fee should be regarded as an admin expense) in the year of receipt
- Ensure that the combined principal loan repayment and interest for the year is correctly recorded in the AGAR at Section 2 Box 5
- Ensure that the outstanding loan liability as at 31st March each year is correctly recorded in the AGAR at Section 2, Box 10 (value should be verified via the DMO website)
- Where the Authority has issued loans to local bodies, they should ideally seek signed indemnities from the recipient body, or their members, agreeing to underwrite the loan debt

Interim Audit

The Council has a fixed asset register in place across multiple documents – I would recommend consolidation into one. Assets are correctly stated at historic or proxy cost. **However, I am of the opinion that as a working document the register needs further work.**

The loan interest and capital repayments were agreed to PWLB debt management letters, there were no errors.

The Council has a long term investment – there is an investment policy on the webs site, last reviewed in April 2019. 1,000.

Section Conclusion

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 (INTERIM & FINAL AUDIT)

Internal audit requirement

Periodic and year-end bank account reconciliations were properly carried out.

Recommended Minimum Testing

- Ensure that bank reconciliations are prepared routinely, are subject to independent scrutiny and sign-off by members
- Verify the accuracy of the year-end bank reconciliation detail and ensure accurate disclosure of the combined cash and bank balances in the AGAR, Section 2, Box 8.
- Where the authority has bank balances in excess of £100,000 it has an appropriate investment strategy.

Interim Audit

At the interim audit date the council had a reconciled bank position. There were four aged items **I recommend these are written back before the year end.**

I have reviewed the reconciliation there were no outstanding payments and no outstanding lodgements. I also tested the cut off and can confirm the payments and lodgements are shown in the correct year.

Section Conclusion

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

J. YEAR END ACCOUNTS (FINAL AUDIT)

Internal audit requirement

Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.

Recommended Minimum Testing

- Ensure that, where annual turnover exceeds £200,000, appropriate records are maintained throughout the year on an Income and Expenditure basis to facilitate budget reporting in that vein
- Ensure that appropriate accounting arrangements are in place to account for debtors and creditors during the year and at the financial year-end

Section 1 – Annual Governance Statement

	Annual Governance Statement	<i>'Yes' means that this authority</i>	Suggested response based on evidence
1	We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.	<i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i>	YES – income & expenditure accounts follow latest Accounts and Audit Regulations and practitioners guide recommendations.
2	We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	<i>made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.</i>	YES – there is regular reporting of financial transactions and accounting summaries, offering the opportunity for scrutiny.
3	We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.	<i>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i>	YES – the Clerk is experienced and advises the council in respect of its legal powers.
4	We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	<i>during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.</i>	YES – the requirements and timescales for 2020/21 year-end were followed.
5	We carried out an assessment of the risks facing this authority and took appropriate	<i>considered and documented the financial and other risks it faces and</i>	YES – the council has a risk management scheme and

	steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	<i>dealt with them properly.</i>	appropriate external insurance.
6	We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	<i>arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.</i>	YES – the council has appointed an independent and competent internal auditor has completed two audits during the year.
7	We took appropriate action on all matters raised in reports from internal and external audit.	<i>responded to matters brought to its attention by internal and external audit.</i>	YES – where matters are raised, action taken by council is recorded in the minutes.
8	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>disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.</i>	YES – no matters were raised during the internal audit visits.
9	Trust funds including charitable – In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/asset(s), including financial reporting and, if required, independent examination or audit.	<i>has met all of its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.</i>	YES – the council has met its obligations

Section 2 – Accounting Statements

Agar Box Number		2019/20	2020/21	Auditor Notes
1	Balances brought forward	994,506	1,712,251	Agrees to 2019/20 carry forward (box 7)
2	Precept or rates and levies	1,093,813	1,213,829	Figure confirmed to central records
3	Total other receipts	818,287	57,835	Agrees to underlying records
4	Staff costs	505,769	460,300	Agrees to underlying records
5	Loan interest/capital repayments	10,056	58,374	Verified against PWLB statement
6	All other payments	678,530	1,361,452	Agrees to underlying records
7	Balances carried forward	1,712,251	1,103,789	Casts correctly and agrees to balance sheet
8	Total value of cash and short- term investments	1,724,477	912,206	Agrees to bank reconciliation
9	Total fixed assets plus long term investments and assets	3,326,060	4,221,837	Matches asset register
10	Total borrowings	636,437	594,578	Verified against PWLB statement
11	For Local Councils Only) Disclosure note re Trust funds (including charitable)	YES 	NO ✓	No trusts

The year-end accounts have been correctly prepared on the income & expenditure basis with the box 7 & 8 reconciliation properly completed.

The AGAR correctly casts and cross casts and the comparatives have been correctly copied over from the 2019/20 AGAR.

The variance analysis was required because there were variances greater than 15% and £500. This was properly prepared on a summary table basis showing the financial elements and explanatory narrative.

The council had made provision within its schedule of meetings to sign off the annual governance statement.

Section Conclusion

I am of the opinion the control objective of “Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.”, has been met.

K. LIMITED ASSURANCE REVIEW (INTERIM & FINAL AUDIT)

Internal audit requirement

If the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2019/20 AGAR tick “not covered”)

Not applicable

L: TRANSPARENCY (INTERIM & FINAL AUDIT)

Internal audit requirement

If the authority has an annual turnover not exceeding £25,000, it publishes information on a website/ webpage up to date at the time of the internal audit in accordance with the Transparency code for smaller authorities.

Not applicable

M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS

Internal audit requirement

The authority, during the previous year (2019-20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).

Recommended Minimum Testing

- IAs should acquire / examine a copy of the required “Public Notice” ensuring that it clearly identifies the statutory 30 working day period when the Authority’s records are available for public inspection.
- IAs may also check whether councils have minuted the relevant dates at the same time as approving the AGAR

I confirmed with the clerk that arrangements were in to ensure proper exercise of public rights. Relevant dates are set out in the table below.

The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 require that the statement of accounts prepared by the authority (i.e. the Annual Governance & Accountability Return (AGAR) Part 2), the accounting records for the financial year to which the audit relates and all books, deeds, contracts, bills, vouchers, receipts and other documents relating to those records must be made available for inspection by any person interested, during a period of 30 working days set by the smaller authority and including the first 10 working days of July.

Inspection - Key date	2019/20 Actual	2020/21 Actual
Date Inspection Notice Issued	31 July 2020	28 June 2021
Inspection period begins	10 August 2020	1 July 2021
Inspection period ends	21 September 2020	13 August 2021
Correct length	Yes	Yes
Common period included?	n/a	Yes

Section Conclusion

I am of the opinion that the control assertion of “*The authority, during the previous year (2019-20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set):*” has been met.

N. PUBLICATION REQUIREMENTS (INTERIM & FINAL AUDIT)

Internal audit requirement

The authority has complied with the publication requirements for 2019/20 AGAR. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website/webpage:

Recommended Minimum Testing

- IAs should acquire / examine a copy of the required "Public Notice" ensuring that it clearly identifies the statutory 30 working day period when the Authority's records are available for public inspection.
- IAs may also check whether councils have minuted the relevant dates at the same time as approving the AGAR

Before 1 July 2021 authorities must publish:

- *Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited;*
- *Section 1 - Annual Governance Statement 2020/21, approved and signed, page 4*
- *Section 2 - Accounting Statements 2020/21, approved and signed, page 5*

Not later than 30 September 2021 authorities must publish:

- *Notice of conclusion of audit*
- *Section 3 - External Auditor Report and Certificate*
- *Sections 1 and 2 of AGAR including any amendments as a result of the limited assurance review.*

It is recommended as best practice, to avoid any potential confusion by local electors and interested parties, that you also publish the Annual Internal Audit Report, page 3.

I can confirm the correct documents are shown on the council web site.

Section Conclusion

I am of the opinion that the control assertion of "*The authority has complied with the publication requirements for 2019/20 AGAR. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website/webpage:*" has been met.

O. TRUSTEESHIP (INTERIM AUDIT)

Internal audit requirement

Trust funds (including charitable) – The council met its responsibilities as a trustee.

Recommended Minimum Testing

- Confirm that all charities of which the council is a Trustee are up to date with CC filing requirements
- that the council is the sole trustee on the Charity Commission register
- that the council is acting in accordance with the Trust deed
- that the Charity meetings and accounts recorded separately from those of the council
- review the level and activity of the charity and where a risk based approach suggests such, review the Independent Examiners report

The council is the trustee of the Town Brook Charity (charity number 1008223), and a review of the Charity Commission website shows that all reporting is up to date.

However, clarification is required if this a functioning charity insofar as it receives income in its own right and makes donations to the swimming pool or if on the other hand the Town Council is running the income and expenditure on behalf of the charity in its position as sole managing trustee. As this will have implication for what is reported to the charities commission.

Currently, there is little evidence to show that the trustees treat the charity as a functioning charity – there is little evidence of the trustees setting prices for permits or dictating the level of donations to be given to the swimming pool.

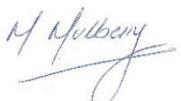
All evidence appears to suggest the council runs the income and expenditure of behalf of a dormant charity. As such the charitable income and expenditure of the charity are £Nil every year and the charity can dispense with the requirement for an independent examination of the charity accounts and submit just an annual return to the charities commission every year.

Section Conclusion

I am of the opinion that the control assertion of “Trust funds (including charitable) – The council met its responsibilities as a trustee” has been met.

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

Kind regards
Yours sincerely



Mark Mulberry

Interim Audit - Points Forward

Audit Point	Audit Findings	Council comments
Books of Account.	I would recommend that a routine process is put in place to produce a month end list of reports useful to the council such as, but not restricted to, bank reconciliation, trial balance, aged debtor and creditors, paye and VAT control reconciliations.	
Books of Account	I would recommend adding a unique BACS number and annotate this on the batch for ease of filing.	
Governance	External auditors report for 2020/21 has not been finalised and as a result there is no notice of conclusion of audit. This has not been reported to council yet. I recommend this be put on the next agenda for full council.	
Transparency	I remind council it is a mandatory requirement to follow the code and I recommend that over the course of the council year the website is updated to reflect this.	
Financial Regulations	Financial regulations are based on the NALC model and are dated April 2019. The regulations being based on an older NALC model contain provisions for the approval of spending, setting of budgets, reconciliation of the bank and reporting to council, however are getting out of date. I recommend the council look to update these.	
Budgeting Process	I would recommend that council add a 3 year forecast in accordance with the latest financial regulations. For now, this can be a simple % increase, which can then be worked on and reviewed on a rolling basis over the course of the council year, following which it can be dropped in as a draft budget for the next year.	
Budget reporting	I recommend that at least quarterly, budget outturn and actual versus budget reporting and the minutes record this activity.	
Reserves reporting	I recommend that earmarked reserves are reported on at least quarterly.	
Wedding Hire	I reviewed the sales ledger to nominal ledger reconciliation and was only able to agree this when all future dated items were included. This can present an issue insofar as if asked to produce a list of debtors that matches say the year end date this is a difficult manual process. I would recommend rather than having future dated invoices that sales orders are used instead and	

	converted to sales invoices at the appropriate time.	
Till Income	I recommend a monthly reconciliation of till floats is undertaken.	
Petty cash	I recommend monthly reconciliations.	
Fixed Assets	The Council has a fixed asset register in place across multiple documents – I would recommend consolidation into one. Assets are correctly stated at historic or proxy cost. However, I am of the opinion that as a working document the register needs further work.	
Bank	At the interim audit date the council had a reconciled bank position. There were four aged items I recommend these are written back before the year end.	
Charity	Clarification is required if this a functioning charity	

Assessment of requests for ‘Major funding’

Background:

1. The system employed when assessing smaller grants (<£2,000) within the established Community Grants Scheme is that the Grants Panel evaluates applications in four ‘rounds’ each year, with members individually awarding scores on perceived merits in five categories; then collectively analyzing aggregate results, and reaching consensus having assessed comparative ‘ranking’ of applications and other factors. Recommendations for awards are made in a report to Council.
2. Requests arise from time to time for financial support in larger sums – “Major funding” - usually related to projects within the community that appear to the applicant body to have some resonance with the aims of a parish council, and these may be brought direct to Council or to a Committee or Working Party according to context.
3. Such requests are usually received individually, and a system of comparative ranking as used by the Grants Panel is not appropriate. Council has agreed a system (*Resolution FC2020/07.2 refers*), devised by the Audit & Governance Panel, giving a simple, structured, assessment that can be understood by both applicant and assessors. This follows the same principle of five equally-weighted elements and similar criteria. These are:
 - i) Closeness of match to the council’s objectives and underlying values*
 - ii) Overall “robustness” of the proposal – *ie* general likelihood of success/sustainability
 - iii) Financial planning exhibited – *ie* adequacy/prudence/appropriateness etc.
 - iv) Scope and sustainability of the proposal – *ie* beneficiaries; scale; thoroughness
 - v) A personal (subjective) assessment; based on any special insight or considerations.Also considered are factors such as the balance or proportion of Council funding being sought, compared with other sources and the applicant’s own funds, and other detail elements of a proposal.
***These are inherent in the establishment of a parish Council and enhanced by published policies in specific areas of activity or aspiration.**

Assessment:

4. When a relevant application is received, to be considered at any meeting of Council; Committee or Working party, a standard application form completed by the applicant will be accompanied by this briefing note and a blank scoresheet for Councillors to complete individually. An example is attached to this note.
5. Councillors should individually record a score for each of the five elements (maximum score 20 for each = total max 100) according to their own judgement. A median average of the scores recorded by those present will be entered on behalf of any absent Member. The resulting total score will be represented as a percentage of the maximum possible. This process is a first-stage to moderate any inherent ‘high’ or ‘low’ scoring tendencies among individuals. The final decision is reached following a discussion – informed by the ‘scoring’ of the application in terms of total score and proportion of the theoretical maximum.
6. Council should set a minimum threshold score required before a request might be eligible for further consideration (65% is recommended in most circumstances). Failure to reach the threshold will result in immediate rejection. If there is sufficient support, represented by a score at or above the threshold, the matter is then concluded following discussion.
7. Following discussion, any award should be agreed by a vote in the normal manner.

FUNDING APPLICATION ASSESSMENT SHEET

Larger sums or requests falling outside the Financial Grants Scheme (*Resolution FC2020/07.2 refers*)



LEWES
TOWN
COUNCIL

Ref: report FCnnnn/20nn

APPLICANT *name* Requested £*n,nnn*

Councillor _____

Date: meeting *date*

	AREA	COMMENTS	SCORE (Max 20)
1	Closeness of match to the Council's objectives and underlying values		
2	"Robustness" of proposal – general likelihood of success/sustainability		
3	Financial planning – adequacy/prudence/appropriateness		
4	Scope & Sustainability – beneficiaries; scale; thoroughness		
5	Personal (subjective) assessment – any special insight or consideration		
TOTAL (max 100)			

Signature _____.