

Report to: Audit Committee

Date of Meeting: 14 March 2019

Report Title: Chief Auditor's Summary Audit and Risk Report

Report By: Tom Davies
Chief Auditor

Purpose of Report

To inform the Audit Committee of the key findings from the Cash & Bank and Section 106 agreement audits.

Recommendation(s)

1. That the Audit Committee accepts the report.

Reasons for Recommendations

To monitor levels of control within the organisation.

Summary Report to Audit Committee

Cash & Bank

Audit Conclusion

Overall Audit Assessment: B – Satisfactory

Most controls are in place and work effectively. Improvements can be made to ensure all accounts controlling cash/cheque transactions are regularly reconciled. Further controls can be introduced to prevent errors when recording payments on Paye.Net and also to avoid cash/cheque collections being posted to incorrect income control accounts. Additional controls can be implemented to restrict the possibility of unauthorised amendments to the Unit4BW Finance System.

Key Findings

During the period 1st April 2017 to 31st March 2018, Hastings Borough Council received approximately £202 million from a wide variety of sources including Council Tax, Non Domestic Rates, government grants, treasury management transactions, external funding, land/property rentals and parking fees.

Income is received by a number of different service areas and from a variety of payment methods including cash/cheque; card payments by telephone and internet; and deposits directly into the Council's bank account.

The audit found that all accounts controlling the receipting and depositing of cash/cheque payments, have yet to be reconciled on the new Unit4BW system. It is important that control accounts are reconciled regularly, as this provides assurance that all income receipting transactions are matched with an associated payment into the Council's bank account.

The audit also found that cash receipting is not undertaken on the Paye.Net income management system on a daily basis in all service areas. Income that is not recorded on the system at the earliest opportunity could lead to potential instances of fraud and also errors when reconciling the cash takings.

The new Unit4BW Finance System was introduced in April 2018 and has now entered the Phase 2 development stage. However, the audit found that there are currently no formal internal procedures for reviewing, documenting and authorising any subsequent changes to the new finance system. Existing functionality issues are still being addressed by Finance Services or otherwise have been highlighted in this report.

Present plans within Phase 2 of the Unit4BW Finance System implementation involve the introduction of Income Manager, a new software function that replaces the current AIM system. The Paye.Net service will also be replaced by Unit4BW's Receipt Entry system.

A project is also underway to upgrade the existing hand-held Chip & PIN machines, as they will no longer be compatible with the new Income Manager software.

It is the intention of the project to ensure that all relevant service areas, responsible for receipting cash, have access to the Receipt Entry system. This will enable staff to input their own takings onto the system on a daily basis.

Audit are encouraged by the possibility of daily cash receipting facilities for all relevant staff and believe this will ensure the potential for fraud or accounting error to be further reduced.

Management Response

The report and its findings are agreed.

Summary Report to Audit Committee

Section 106 agreements

Audit Conclusion

Overall Audit Assessment: B – Satisfactory

Controls have been added by the Planning Development & Enabling Officer to ensure that the S106 process is transparent and effectively monitored.

Key Findings

The numerous rules and regulations surrounding S106 agreements are complex and a full understanding of these is needed to ensure that all income due can be correctly identified. Officers administering S106 agreements are fully aware of these rules and account for the money correctly.

The Financial Accounts for the year ending 31 March 2018 were reviewed and the S106 reserves were agreed to the supporting working papers.

The original S106 spreadsheet has evolved into an Income Control spreadsheet and Expenditure Control spreadsheet to improve efficiency and transparency.

It is important that the S106 Control sheets are kept up to date and subject to regular review by a Finance Officer.

S106 training will be arranged for Councillors.

Management Response

We agree the report and have put an action plan in place to address the recommendations.

Wards Affected

None

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	No
Local People's Views	No
Anti-Poverty	No

Additional Information

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Officer to Contact

Tom Davies
Email: tdavies@hastings.gov.uk
Telephone: 01424 451524
