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Audit and Investigations
Report on the Audit of
Cash and Bank
March 2023

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Summary Reports

Report to Audit Committee

Audit Conclusion

Overall Audit Assessment: B – Satisfactory

Most controls are in place and work effectively. Improvements could be made to ensure all accounts controlling cash/cheque transactions are regularly reconciled. Further measures can also be introduced to ensure that car park cash collection discrepancies are reviewed promptly. Additional controls could be implemented to restrict the possibility of unauthorised amendments to the Unit4BW Finance System.

Key Findings

Background

- During the period 1st April 2021 to 31st March 2022, Hastings Borough Council received approximately £169 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.
- In comparison, the Council received approximately £202 million during the 2017/18 financial period. This variance can largely be attributed to reductions in cash flow from:
 - receivable grants;
 - investing activities - such as the proceeds from the sale of property, plant & equipment and the sale of investments;
 - financing activities – including cash receipts from borrowing;
 - the collection of Non-Domestic Rate income.
- Income is received by a number of different service areas and from a variety of payment methods including cash/cheque; card payments at Council offices or via telephone and internet; and deposits directly into the Council's bank account.

Findings

- In total, there were 12 recommendations (5 x high importance & 7 x medium).
- The majority of recommendations considered to be of high importance related to the following:

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- Accounts controlling the receipting and depositing of cash/cheque payments, have yet to be reconciled as at 28th February 2023. 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.
- Discrepancies (during period 01/04/22 to 31/12/22) between cash values recorded on audit tickets produced by the Council's car parking machines and the cash collection records provided by the collection company. The discrepancies could be the result of faulty machines, misleading data from the audit tickets or delays in cash bankings appearing in the Council's bank account. Nevertheless, further investigation by the Finance team has been recommended.
- Recommendations considered to be of medium importance were varied but included the following:
 - Reminders to staff regarding the importance of adhering to the cash-handling policy
 - Further investigation into whether the Council were notified of a price increase for cash collections at a number of car parking locations within the Borough

Management Response

Management accepts the findings of the report and will work to implement the recommendations as detailed below.

Report on the Audit of Cash and Bank**Summary of Recommendations****Priority Classifications**

High	=	Fundamental System Weakness – action is essential
Medium	=	Potential Control Weakness – action required
Low	=	Advised for Best Practice – these recommendations are given in the Detailed Report only

Recommendation

All staff are reminded that safe keys should not be removed from Council premises.

Priority: Medium

Target date: 30 September 2023

Responsible officer: Chief Accountant

Management comment: Agreed. The Council's cash handling policy will be reviewed and an email will be sent to staff reminding them of the policy, which details treatment of safe keys. The policy will also be placed on the Council's intranet.

Recommendation

That the future use of "Aquila House Cashiers Income Suspense" (Q2329) as a control account for Business Support Services is considered.

Priority: Medium

Target date: 30 September 2023

Responsible officer: Chief Accountant

Management comment: The use of income control accounts is under review as part of the Capita Pay360 project. This recommendation will be taken into consideration.

Recommendation

That a reconciliation of ticket sales as per the Permit-Smarti/Adelante system and actual income received is undertaken on a quarterly basis.

Priority: High

Target date: 30 June 2023

Responsible officer: Chief Accountant

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Management comment: The Corporate Accountant will review the Permit-Smarti/Adelante system and actual income received and attempt a reconciliation of the two. If this can be achieved within a acceptable timeframe quarterly reconciliation will be undertaken.

Recommendation

That all Unit4BW control accounts relating to income receipting are reconciled on a monthly basis.

Priority: High

Target date: 30 June 2023

Responsible officer: Chief Accountant

Management comment: The finance team maintain a “Recharge & Reconciliation spreadsheet” that records when control accounts have been reconciled. This file has been reviewed and a number of improvements recommended. It is the aspiration that all control accounts are reconciled monthly and as a minimum on a quarterly basis. The finance team also maintain a “Year End Balance Sheet Reconciliations spreadsheet” which allocates each account to a named officer and requires year end signoff to confirm the account has been reconciled and the balance is identified and understood.

Recommendation

That all staff are reminded of the Council’s Cash Handling Policy and the need to record takings on a daily basis.

Priority: Medium

Target date: 30 September 2023

Responsible officer: Chief Accountant

Management comment: Agreed. The Council’s cash handling policy will be reviewed and updated if necessary, and an email will be sent to staff reminding them of the policy. The policy will also be placed on the Council’s intranet.

Recommendation

That the Council’s Cash Handling Policy is displayed on the intranet.

Priority: Medium

Target date: 30 September 2023

Responsible officer: Chief Accountant

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Management comment: Agreed. The Council's cash handling policy will be reviewed and updated if necessary, and an email will be sent to staff reminding them of the policy. The policy will also be placed on the Council's intranet.

Recommendation

That the Jade under-banking discrepancies during the period 1st April 2022 and 31st December 2022 are investigated further.

Priority: High

Target date: 30 June 2023

Responsible officer: Chief Accountant

Management comment: Agreed. Further investigation will be undertaken by the Corporate Accountant.

Recommendation

That the discrepancies between the monthly car park collection fee invoice and the Jade car parking cash collection spreadsheet are investigated further.

Priority: High

Target date: 30 June 2023

Responsible officer: Chief Accountant

Management comment: Agreed. Further investigation will be undertaken by the Corporate Accountant.

Recommendation

That the car park collection unit price increase in October 2022 is investigated further.

Priority: Medium

Target date: 30 September 2023

Responsible officer: Chief Accountant

Management comment: Agreed. Further investigation will be undertaken by the Corporate Accountant.

Report on the Audit of Cash and Bank**Recommendation**

That the unallocated receipt balance transferred from Agresso to the Unit4BW system account Q2376 is investigated and reconciled.

Priority: Medium

Target date: 30 September 2023

Responsible officer: Chief Accountant

Management comment: This balance is a historical unidentified balance that has been brought forward from the old ledger system. Five years have now passed and the prospect of identifying the balance is now very slim. The unidentified balance has been written back to revenue and the account is now balanced to zero.

Recommendation

That administrator access is limited to a maximum of three staff for both Paye.Net and Unit4BW Finance System and that privileges are restricted to only essential functions where possible.

Priority: High

Target date: 30 June 2023

Responsible officer: Chief Accountant

Management comment: We do not want to put an upper limit on the number of administrators but instead go by business necessity.

As the Unit4 system is used for both Finance and HR a greater number of admin users are required. Currently there are 2 users in HR and 4 users in Accountancy. The Systems Accountant will review access to see if the creditors supervisors access can be changed from full admin to just the access they require by setting up a new creditors role instead. This would reduce the number of Hastings finance admins down to 3. As the Unit4 system is shared with Rother District Council there are currently 2 Rother users who have access to the system.

For Paye.Net / Pay360 users are already down to 3 people – One in IT and Two in Accountancy.

Recommendation

That a formal change request log to record details of the proposed Unit4BW system amendment(s), the date of request, authorisation date and implementation date is introduced.

Priority: Medium

Target date: 30 September 2023

Report on the Audit of Cash and Bank**Responsible officer: Chief Accountant**

Management comment: Not agreed. This would be too admin intensive to undertake. Where system wide changes are undertaken, that effect both Hastings and Rother, a change request form is completed and signed-off by senior managers at both authorities. It is not thought necessary to maintain a log of these request forms.

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Detailed Report

Acknowledgement

1. The Audit and Investigations Service thank the staff and management of Financial Services and those individuals who monitor income receipting within their service area, for their co-operation and assistance throughout the audit.

Introduction and Background

2. The audit was undertaken as part of the agreed audit plan for 2022/23. The last full audit of Income systems was in 2019, when the service was given an overall assessment of B: Satisfactory.
3. During the period 1st April 2021 to 31st March 2022, Hastings Borough Council received approximately £169 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.
4. In comparison, the Council received approximately £202 million during the 2017/18 financial period. This variance can largely be attributed to reductions in cash flow from:
 - investing activities - such as the proceeds from the sale of property, plant & equipment and the sale of investments;
 - financing activities – including receipts from borrowing;
 - receivable grants;
 - the collection of Non-Domestic Rate income.
5. 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.
6. It is therefore imperative that there are systems and procedures in place to ensure income is correctly accounted for within the Council's financial records and accurately reconciled to the Council's bank account.

Audit Methodology

7. The audit approach has been primarily to review systems and controls and carry out substantive testing where deemed necessary. Interviews were also conducted with

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key staff in Finance Services and those individuals responsible for monitoring income receipting within their service area.

Risk Management

8. The key risks associated with income systems involve the need to ensure that all income transactions are recorded accurately on the Council's finance system and are correctly credited to the Council's bank account. It is therefore vital these systems are regularly monitored to provide assurance that all income has been accounted for and correctly banked. The total income received by the Council was approximately £169 million during the period 1st April 2021 to 31st March 2022. In view of the large values involved, the risks are proportionately **high**.

Previous Recommendations

9. The previous audit made a number of recommendations, some of which remain outstanding. Any recommendations that are still relevant are again included within this audit report.

Staffing and General Procedures

10. The Finance Service currently has one full-time officer and the assistance of two additional staff who are responsible for processing income data files, bank reconciliation and monitoring the unallocated receipts account.
11. Throughout the Council, additional staff are responsible for the receipting of cash transactions within their respective service area. Senior staff within each team are also responsible for reconciling cash takings with income recorded on the Unit4BW Finance Income Manager system.

Security of Cash Takings

12. The audit confirmed that there are sufficient free-standing or secured lockable safes within the main service areas responsible for cash & cheque receipting. Insurance cover for the storage of cash in locked safes and the transit of cash by the security company is also currently sufficient.
13. Examination of the spreadsheet produced by Insurance Services, following a recent 'Safe' audit, identified instances whereby safe keys were being taken home by staff. Storage of safe keys outside of Council property increases the risk of loss or theft

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and Audit therefore recommend that safe keys are stored in the Business Support safe if an appropriate safe is not available within the relevant service area location.

Recommendation 1

Chief Accountant to ensure that all staff are reminded that safe keys should not be removed from Council premises.

Current Payment/Receipting Systems

14. There are several external systems currently in operation, that are either used as an interface for making payments or for recording payment transactions. Each system has an associated control account (shown in brackets) in which the transactions are recorded:
 - **Paye.Net** (Q2413)
 - **Touchtone** (Q2466)
 - **Internet** (Q2466)
 - **Allpay** (Q2474)
 - **RingGo** (Q2348)
 - **3C** (Q2477)

15. **Paye.Net** allows Council staff to record payments made over the telephone by debit and credit card via a simple online browser, which interfaces with the existing Income Manager function of the Unit 4BW Finance System. The finance system processes the receipt of payment files and matches the data with bank statement files received from Lloyds Bank before posting the entries to the Unit4BW Finance System's control accounts.

16. **Touchtone** allows 24-hour automatic payments by telephone. The customer will require an account number (Council Tax number, Non-domestic Rates number, debtor's invoice number or Penalty Charge Notice number) and can pay using a debit or credit card.

17. **Internet** payments can currently be made, via the Council's online portal (Firmstep), for the following:
 - Fixed Penalty Notices
 - Council Tax
 - Parking Fines
 - Business Rates
 - Beach Huts

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- Debtors' Invoices
- Garden Waste Renewals
- Housing Licence Applications
- Housing Benefit Overpayments
- Planning Fees

The control account for Internet payments received via Firmstep is the Touchtone control account (Q2466).

18. **Allpay** provides customers with the means to make Council Tax payments via Paypoint or the Post Office.
19. **RingGo** is a web-based service for the online payment of car parking fees. Customers with an online account can make cashless payments via the RingGo website or mobile app.
20. **3C** have provided Chip & PIN facilities at various car parking terminals throughout the borough since June 2018. In addition to the existing 15 standard terminals, 17 contactless machines have also been installed at six locations.
21. Audit testing was undertaken on a random sample of Council Tax payment receipts recorded in the Paye.Net and Touchtone control accounts. Testing confirmed that all payments posted to these accounts had a corresponding entry in the Northgate Revenues & Benefits system.

Income Paid Directly to the Council

22. The vast majority of payments directly into the Council's bank account are processed automatically by Unit4BW Income Manager, which identifies the relevant reference number in order to credit the appropriate account.
23. Receipts into the bank account that cannot be identified by Income Manager are investigated by the Finance service. If the correct account still cannot be identified, then the payment is transferred to an Unallocated Receipts account (P1094).

Muriel Matters House Business Support Services

24. The Council's main activities are now based in Muriel Matters House (MMH) and income received is processed by Business Support for a number of services including:

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- Planning Fees
- Licence Fees
- Pest Control Fees
- Garden Waste Fees
- Active Hastings Income
- Council Tax Payments
- Other Miscellaneous Income

25. All cash and cheque payments received directly by Business Support Services are processed via Income Manager on a daily basis. The income data is then automatically associated with the cost centre codes for each respective service area before being entered onto the finance system. A control entry is automatically posted to the Jade Collections Control Account (Q2380).
26. The income is collated, stored securely and collected by the security company each week. The collections are then banked and the amounts received into the Council's bank account are posted via Income Manager to the Jade Collections Control Account (Q2380).
27. Audit have discussed the use of the Jade Collections Control Account, in this scenario, with the Systems Accountant. The Systems Accountant has confirmed that any service team who receipts cash or cheques should be allocated their own control account in order to monitor and reconcile transactions more effectively.
28. Audit have identified an existing control account named as "Aquila House Cashiers Income Suspense" (Q2329) which was previously used by the Revenues and Benefits team and has not been active since April 2020. The account currently has a nil balance and Audit would therefore recommend future use of this control account by Business Support Services.

Recommendation 2

Chief Accountant to consider the future use of "Aquila House Cashiers Income Suspense" (Q2329) as a control account for Business Support Services.

Income Received For Parking Season Tickets and Penalty Charge Notices

29. Although on-street parking is now administered by East Sussex County Council, Hastings Borough Council are still responsible for the monitoring and collection of income from off-street car parks. This income comprises of season ticket sales, car park Penalty Charge Notice (PCN) income and ticket machine sales within the car parks.

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30. Season tickets are now obtained online via the Permit-Smarti system. Payment is received via the system's hosted provider, Imperial, and their payment service Adelante. Season tickets are now retained 'electronically' on the Permit-Smarti system and there is no longer any blank ticket stock. There are a small number of season ticket holders who are awaiting transfer onto the new online system and this will be completed by September 2023.
31. The audit found that there is no reconciliation of season tickets issued, according to the Permit-Smarti/Adelante system, against season ticket actual cash received. The income from season tickets is substantial and a reconciliation will provide assurance that all revenue is received accordingly.

Recommendation 3

Chief Accountant to ensure that reconciliation of ticket sales as per the Permit-Smarti/Adelante system and actual income received is undertaken on a quarterly basis.

32. Penalty Charge Notices (PCN) are now monitored via the 3Sixty system, which is automatically updated whenever a parking fine is issued. This system is also hosted by Imperial and their payment provider, Adelante.
33. PCN fines can either be paid by card through the Community Contact Centre; by the automated Touchtone telephone service; or via the Council's website. Payments made via the website or Touchtone are only possible where a valid PCN number is present.
34. Debit and credit card payments made via the Community Contact Centre are posted to the Paye.Net Income Control Account (Q2413). Upon receipt of a telephone payment, a spreadsheet with details of the PCN and payee is automatically emailed to Parking Services by the Unit4BW finance system at the end of each day. This process then allows the Parking Services team to update the 3Sixty system accordingly.
35. Automated telephone payments are posted to the TouchTone Income Control Account (Q2466). Again, details of the PCN payment are automatically emailed to Parking Services by the Unit4BW finance system at the end of each day.
36. Payments received via the online portal are also posted to the TouchTone Income Control Account (Q2466), however in these instances the 3Sixty system is updated automatically.

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37. The audit has confirmed that, as at 28th February 2023, both the Paye.Net Income Control Account (Q2413) and the TouchTone Income Control Account (Q2466) are showing balances that indicate the accounts may not have been reconciled on the Unit 4BW finance system this financial year.
38. Audit have also reviewed all key income control accounts and additional control accounts for those service areas that receipt cash with the assistance of the Systems Account. The findings are detailed in the tables below and confirm that reconciliations are also required in these areas:

Account code	Description	Balance at 28/02/23	Recommendation
Q2329	Aquila House Cashiers Income Susp	Nil	Nil balance b/f for 2022/23. Could be used by Business Support in future?
Q2430	PNAS2 - Regen & Planning Income Susp	-£210,827.31	nil balance b/f for 2022/23 but high receipt balance. Requires reconciling
Q2431	PNASS - Parking Services Income Susp	-£201,835.68	Used by Business Support up to May 2022. Possible mis-posted lodgements - requires reconciling
Q2432	PNCEM - Cemetery & Crem Income Susp	-£19,869.51	Possible mis-posted lodgements - requires reconciling
Q2433	PNCOC - HIC Debtors Income Control	£1,700.59	No postings between Sept '21 & Feb '23 - requires reconciling
Q2435	PNMUS - Museum Income Suspense	-£149.60	Possible mis-posted lodgements - requires reconciling
Q2700	Cash/income Control - Resort Services	£7,104.00	Possible mis-posted bankings - requires reconciling
S1031	White Rock Gardens Income Suspense	-£2,410.00	Possible mis-posted lodgements - requires reconciling

Account code	Description	Balance at 28/02/23	Recommendation
S1002	AIM Income Control	-£37,600.96	Account no longer in use - requires reconciling and closing
Q2413	Paye.Net Income Control Account	-£103,005.25	Possible mis-posted lodgements - requires reconciling
Q2466	TouchTone Income Control Account	£100,935.41	Possible mis-posted bankings - requires reconciling
Q2474	Allpay Control Account	£22,761.57	Possible mis-posted bankings - requires reconciling
Q2477	3C Parking Chip and Pin Control Account	£22,465.53	Possible mis-posted bankings - requires reconciling
Q2380	G4S Income Suspense A/C	£364,347.70	Possible mis-posted bankings - requires reconciling
Q2376	FMS Income Unallocated Susp	-£11,554.26	Account no longer in use - requires reconciling and closing
Q8001	U4 Internet payments ecommerce - Merch 505847608 HCWEB control a/c	-£121,164.30	Account no longer in use - requires reconciling and closing
Q8003	Hastings.gov/parking - Merch 505847707 Control A/c	-£44,800.50	Account no longer in use - requires reconciling and closing
Q8004	Chip and Pin Hastings Borough Council – Merch 506146232 Control A/c	-£1,803.66	Account no longer in use - requires reconciling and closing
Q8007	CNP MOTO - Merch 505847665 Control A/c (Customer not present)	£146,650.82	Account no longer in use - requires reconciling and closing
Q8011	Telephone Payments Sybernet - ATP Merch 505847673 Control A/c	-£200.00	Account no longer in use - requires reconciling and closing
Q8014	Imperial Parking Permit Portal (PermitSmart) - 506203843	-£114,444.52	Possible mis-posted lodgements - requires reconciling

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Account code	Description	Balance at 28/02/23	Recommendation
Q8050	Clover POS device Merchant 506158369 Device 1 Asset 041224 Resorts (seafood)	-£33,899.17	Possible mis-posted lodgements - requires reconciling
Q8051	Clover POS device Merchant 506217306 Device 2 Asset 041279 Cliff Railways (backup)	£3,451.44	Possible mis-posted bankings - requires reconciling
Q8052	Clover POS device Merchant 506217314 Device 3 Asset 041280 Contact Centre (backup)	£8,919.66	Possible mis-posted bankings - requires reconciling
Q8053	Clover POS device Merchant 506274455 Device 4 Asset 041297 Museum Pro Till (Seafood)	-£2,988.12	Possible mis-posted lodgements - requires reconciling
Q8054	Clover POS device Merchant 506276559 Device 5 Asset 041298 Contact Centre -- Museum	£21,161.75	Possible mis-posted bankings - requires reconciling
Q8055	Clover POS device Merchant 506280478 Device 6 Asset 041299	£675.00	Possible mis-posted bankings - requires reconciling

39. The reconciliation of these accounts will confirm that the amounts posted and received have been correctly banked and it is therefore considered to be a key control.

Recommendation 4

Chief Accountant to ensure all Unit4BW control accounts relating to income receipting are reconciled on a monthly basis.

40. Cash is no longer accepted by the Community Contact Centre and any cheques received are passed to Business Support, who record the payment on the Unit4BW Income Manager system. As previously stated, the control total for Business Support is currently posted to the Jade Income Control Account (Q2380).

East & West Hill Lifts

41. The lift attendants use preset electronic cash registers to take income at these amenities. At the end of each day, the daily till reading is taken. The cash in the till is counted and the cashier will declare any overs or shortages. Cash takings are then entered onto the Unit4BW Income Manager module on a daily basis.
42. Once the cash and cheque transactions are input onto Income Manager, an entry is posted to the Cliff & Railway (Q2434) control account. Where payment is made by debit or credit card, the transaction is posted to the Cliff Railways' Clover contactless Chip & PIN Control Account (Q8052). The Cliff & Railway Control Account (Q2434) and Clover contactless Chip & PIN Control Account (Q8052) will then receive the corresponding credit when payment is received into the Council's bank account.

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43. The audit has confirmed that the Cliff & Railway Income Control Account (Q2434) and Clover contactless Chip & PIN Control Account (Q8052) may not have been reconciled this financial year. A recommendation has already been made to address this issue.

Community Contact Centre

44. The Community Contact Centre (CCC) now takes card payments via the telephone, or in person, in respect of waste collection, Council Tax, Non-Domestic Rates, debtors' invoices and other miscellaneous items. The Unit4BW finance system will automatically post transactions either to the relevant ledger code or to the personal account of the Council Tax payer or debtor etc.
45. All card payments taken over the telephone are recorded via the Paye.Net system and a control total is posted to the Paye.Net Income Control Account (Q2413). Card payments made in person, are posted to the Contact Centre's Clover contactless Chip & PIN Control Account (Q8054).
46. Since the Covid-19 pandemic in 2019, the CCC will now only accept cash payments in exceptional circumstances. If a cash payment is made, then the exact amount must be tendered and, consequently, very few cash payments have been received in recent years.
47. Any cash payments are recorded via the Unit4BW Income Manager system and a control entry for cash and cheque transactions is automatically posted to the CCC Income Control Account (Q2433). The control accounts will then receive the corresponding credit when payment is received in the Council's bank account.
48. The audit has confirmed that the CCC Income Control Account (Q2433) and the Contact Centre's Clover contactless Chip & PIN Control Account (Q8054) may not have been reconciled this financial year. A recommendation has already been made to address this issue.

Tourist Information Centre

49. The Tourist Information Centre (TIC) closed during the Covid-19 pandemic and remained this way until it was relocated to the East Sussex College site in 2020. whereupon it was re-named as the 'Visitor Information Centre.'
50. Since then, operation of the Visitor Information Centre has become the responsibility of East Sussex College and Hastings Borough Council no longer have

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any involvement with the site. The audit has confirmed that the Tourist Information Control Account (Q2436) has been reconciled and therefore presents a nil balance.

Cemetery and Crematorium

51. The Cemetery and Crematorium receive payments for undertaker's fees, memorial plaques and funerals arranged directly with the Council. Payment is recorded directly onto the Unit4BW Income Manager system.
52. Welfare funeral monies collected during a visit to the property of a deceased resident are also recorded via Income Manager. Welfare funeral monies are stored securely in a different safe to the other general cash takings.
53. Income taken by all staff is reconciled daily and agreed to cash in the till. Cash taken over the counter is placed immediately in the manager's safe as there are no till facilities available. The manager (or deputy) then collates the cash takings on a weekly basis, prior to collection by the independent cash collectors.
54. A control entry for cash and cheque payments is automatically made to the Cemetery and Crematorium Income Suspense Account (Q2432). The control total for debit and credit card payments is posted to the Cemetery and Crematorium Clover contactless Chip & PIN Control Account (Q8051). The control accounts will then receive a corresponding credit when payment is received in the Council's bank account.
55. The audit has confirmed that the Cemetery and Crematorium Income Suspense Account (Q2432) and the Clover contactless Chip & PIN Control Account (Q8051) may not have been reconciled this financial year. A recommendation has already been made to address this issue.

Hastings Museum and Art Gallery

56. Income is received at the Museum for events, weddings, picture sales, miscellaneous souvenirs and brochures etc. Payments are recorded daily onto the Unit4BW Income Manager system. Daily cash and cheque payments are securely stored in the office safe.
57. A control entry for cash and cheque payments should automatically be made to the Museum Income Control Account (Q2435), however this does not currently appear to be the case. A reconciliation of this account should identify into which location the control totals are currently being posted.

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58. The Museum & Art Gallery are now able to receipt debit and credit card payments via a contactless Chip & PIN till and a control entry for these transactions is posted to the Museum Contactless Chip & PIN Control Account (Q8053). The control accounts will then receive a corresponding credit when payment is received in the Council's bank account.
59. The audit has confirmed that the Museum Income Control Account (Q2435) and the Museum Contactless Chip & PIN Control Account (Q8053) may not have been reconciled this financial year. A recommendation has already been made to address this issue.

Regeneration & Planning

60. Payment of **Local Land Charges** can be made by debit/credit card via telephone contact with the service team or by cheque through the post. Where payment is made by debit/credit card via the telephone, a control total is posted to the Paye.Net Income Control Account (Q2413). For payments made by cheque, transactions are entered on Income Manager via the Business Support team and the control total is currently posted to the Jade Income Control Account (Q2380).
61. Audit have confirmed that the Regeneration & Planning Control Account (Q2430) is no longer used however there is still a high balance in this account. This account therefore requires reconciling and a recommendation has already been made to address this issue.
62. **Planning fees** can be paid by debit/credit card via the telephone (handled at the Contact Centre), internet and also by cheque. Where payment is made by debit/credit card via the telephone, a control total is posted to the Paye.Net Income Control Account (Q2413). For debit/credit card payments received online, a control entry is made to the TouchTone Income Control Account (Q2466). Payments by cheque are received and entered onto Income Manager by Business Support Services. A control entry is posted to the Jade Income Control Account (Q2380).

Service Areas Without Income Manager Access

63. The audit has confirmed that procedures are in place to ensure cash takings are either collected by the independent cash collectors or passed to Business Support for recording on Income Manager and storage prior to collection.
64. Staff roles, responsibilities and cash handling procedures are clearly outlined in the Council's Cash Handling Policy, which was developed in 2022. The cash handling policy includes a section which states that cash and card receipts should be

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recorded daily. The audit has confirmed that not all service areas are recording their takings daily and therefore recommend that staff are reminded of this important task.

Recommendation 5

Chief Accountant to ensure that all staff are reminded of the Council's Cash Handling Policy and the need to record takings on a daily basis.

65. The audit has also identified that this policy is not yet displayed on the intranet and therefore recommend that this document is made available as soon as possible.

Recommendation 6

Chief Accountant to ensure that the Council's Cash Handling Policy is displayed on the intranet.

Pay and Display Car Parking Machines

66. The Council currently have 32 car parking machines at 15 locations throughout the Borough. Cash from these machines is collected, counted and banked by the independent collection company, who have been contracted since February 2018.
67. Details of the cash collections for each machine are sent by the collection company in spreadsheet format to Finance Services. The values are debited to the collection company's Income Control Account (Q2380).
68. Electronic income files are received from the Council's bank on a daily basis. These files contain details of all monies deposited by the collection company from every service area within the Council.
69. Finance Services must then identify which deposits relate to cash collections from car parking sites. Any discrepancies that are then identified from the collection company's spreadsheet, in excess of £25.00, are investigated by Parking Services and the Finance team. Discrepancies can arise as a result of faulty machines, misleading data from the audit tickets or from delays in cash bankings appearing in the Council's bank account.
70. The investigation will also include checking the collections before and after any discrepancy and, if necessary, requesting the maintenance supervisor to inspect the machine. If there is no valid reason for the discrepancy (shortage or over) it will be reported to the Internal Audit service.

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71. Audit testing identified 35 cash collection discrepancies in excess of £25.00 between 1st April 2022 and 31st December 2022. These discrepancies were then investigated by Parking Services, who confirmed that total under-bankings, amounting to £1,043 were still un-resolved.
72. Audit therefore recommend that the cash deposits made by Jade during this period are re-examined by the Finance team in order to identify whether the discrepancies are the result of banking issues.

Recommendation 7

Chief Accountant to ensure that the Jade under-banking discrepancies during the period 1st April 2022 and 31st December 2022 are investigated further.

73. When Finance Services are satisfied that the bank's income figures match the data provided by the collection company, the value of the cash income received should be posted to the Jade (collection company) Income Control Account (Q2380).
74. However, the audit has confirmed that this does not currently appear to be the case and therefore a reconciliation of this account should identify into which location the bankings are currently being posted. A recommendation has already been made to address this issue.
75. An examination of invoices, submitted by the collection company (Jade) during the period 1st April 2022 to 31st December 2022, was undertaken as part of the audit. This review identified that the number of collections recorded on each monthly invoice differed from the number of collections according to the monthly spreadsheet provided by Jade.
76. Based on the lowest car park location unit price (£6.36), the net difference between collection figures represents a potential overpayment in excess of £1,971. Audit therefore recommend that the discrepancies between the monthly collection fee invoice and the Jade car parking cash collection spreadsheet are investigated further by Finance Services.

Recommendation 8

Chief Accountant to ensure that the discrepancies between the monthly car park collection fee invoice and the Jade car parking cash collection spreadsheet are investigated further.

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77. Examination of the invoices submitted by Jade also revealed that there appears to have been a unit price increase in October 2022, at the following locations:
- Rock A Nore & Pelham Place - (£7.15 to £7.94)
 - Castle Hill Car Park - (£7.94 to £9.53)
78. Audit have not identified any documents confirming that the company notified the Council of the unit price increase and it is therefore recommended that this matter is further investigated before the existing contract is renewed.

Recommendation 9

Chief Accountant to ensure that the car park collection unit price increase in October 2022 is investigated further.

79. The majority of car parking locations also have the facility to accept card payments via Chip & PIN machines. The company responsible for car parking Chip & PIN and contactless payments was replaced by the Council in June 2018. There have been no reported issues with the new company (3C) since this date.
80. Electronic files confirming the value of payments made via Chip & PIN and contactless facilities are obtained from the company's website and debited to the Car Parking Chip & PIN Control Account (Q2477).
81. The audit has confirmed that the 3C (Car Parking Chip & PIN) Control Account (Q2477) may not have been reconciled this financial year. A recommendation has already been made to address this issue.
82. Cashless payments can also be made for parking via mobile telephone and internet services available from the well-established company RingGo. Payments made via RingGo are processed in the same way as Chip & PIN transactions, with an electronic file being obtained from the company's website and debited to the Cashless Parking Income Control Account (Q2348). Again, there have been no reported issues with this service.
83. The audit has confirmed that the Cashless Parking Income Control Account (Q2348) may not have been reconciled this financial year. A recommendation has already been made to address this issue.

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Paye.Net, Touchtone, Internet & Allpay Control Accounts

84. Control accounts are used for the receipting of debit and credit card payments via Paye.Net (Q2413), Touchtone (Q2466) and Allpay (Q2474).
85. The control total for debit and credit card payments is posted to these accounts and then a corresponding credit is entered when payment is received in the Council's bank account.
86. However, credit and debit card payments arrive in the Council's bank account as a daily lump sum without any additional details. Finance Services have confirmed that it is therefore not currently possible to directly associate these payments with the specific totals showing in the control accounts. Finance Services are therefore reliant upon using daily totals to reconcile bank deposits with the associated daily control entry totals.
87. The audit has confirmed that the Paye.Net (Q2413), Touchtone (Q2466) and Allpay (Q2474) control accounts may not have been reconciled this financial year. A recommendation has already been made to address this.

Bank Reconciliation To General Ledger

88. Reconciliation between the General Ledger and the Council's bank account is a fundamental accounting process. Performing a regular reconciliation ensures that potential accounting errors and fraudulent activity is identified promptly.
89. The audit has confirmed that, for the period 01/04/22 to 28/03/23, the bank reconciliation spreadsheet for all non-investment accounts was completed monthly and signed off by a senior member of the Finance team.

Jade Cash Collection Company

90. In February 2018, the Council entered into a new cash collection contract with Jade Security Services Ltd. In October 2019 the company was transferred to a new owner, RMS Group Services, but there was no change in the management and policies of the existing company (Jade Security Services Ltd). In July 2020, RMS Group Service changed their trading name to Pivotal, however all invoices and bank account details remain in the name of Jade Security Services Ltd.
91. Audit have obtained documentary evidence confirming that the cash collection contract has been extended with Jade Security Services Ltd t/a Pivotal until 31st August 2023.

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Unallocated Receipts Account

92. A large proportion of income received is automatically allocated to the appropriate account by the Unit4BW Income Manager system. Income that cannot be immediately identified is investigated further by Finance Services staff. If it is still unclear as to where the income should be posted, the amount is transferred to the Unallocated Receipts Account (P1094).
93. The Unit4BW system has the facility to identify payment reference numbers which are regularly recorded incorrectly using an 'auto-match' function. In order for Unit4BW to do this, Finance Services staff must add the incorrect version of the reference number to a list within the system, so that it is then able to associate it with the correct account.
94. The value of unallocated receipts, as at 28th February 2023, was £101.00. Audit testing has confirmed that this figure comprises of two deposits, one of which was received the day before (£73.00) and the other (£28.00) dated back to 2021. Efforts have been made by Finance Services to identify the payee or the correct location for this payment but, to date, this payment remains unallocated.
95. Audit have identified that the outstanding balance of unallocated receipts (£11,924) carried over from the old Agresso finance system onto the Unit4BW system in 2018, has been placed into a separate Unallocated Receipts Account (Q2376).
96. Audit recommend that this amount is investigated further in order to gain assurance that the unallocated receipt balance from Agresso has since been reconciled.

Recommendation 10

Chief Accountant to ensure that the unallocated receipt balance transferred from Agresso to the Unit4BW system account Q2376 is investigated and reconciled.

Finance Systems Control

97. At the time of the previous audit in 2019, there were a total of nine staff within the Council have the highest level of system access to the Paye.Net system. Consequently, these staff are able to change passwords and also create, amend and delete profiles for other users.
98. There were also five staff with the highest level of access to the Unit4BW Finance System. Once again, these staff are able to change passwords, create, amend and delete profiles for other users. Additionally, staff with this level of access are also

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able to make changes to all areas of the finance system, including setting up creditor accounts and amending payment details.

99. Audit have not received confirmation of the current list of Council staff with system administrator access for both systems, at the time of writing this report. The recommendation that administrator access is restricted to a maximum of three staff for both Paye.Net and Unit4BW Finance System is therefore made within this report. Additionally, Audit also recommend that the privileges of all staff with administrator status are restricted to allow access to only essential functions where possible.

Recommendation 11

Chief Accountant to ensure administrator access is limited to a maximum of three staff for both Paye.Net and Unit4BW Finance System and that privileges are restricted to only essential functions where possible.

100. It is important to ensure that any changes to income management computer systems are fully reviewed, documented and signed off by the Chief Accountant. Since the introduction of the Unit4BW Finance System, there have been a several major system amendments.
101. As changes to the Unit4BW system can affect the functionality of the system at Rother District Council, major system amendments must be approved by the Chief Accountant (or authorised representative) for both Councils. Audit have confirmed that any proposed changes are documented and supported by a standard "Change Request" form and signed off by the respective Chief Accountants prior to implementation.
102. Additionally, the Systems Accountant confirmed that all lower-level system change requests are raised via the Unit4BW online portal and reviewed/authorised by their staff.
103. However, Audit feel that a change request log could also be developed to provide a consolidated record of all major system changes. The introduction of this control document could be used to collate useful information such as a description of the proposed change; the date of change request; authorisation details; and implementation date. In turn, the change request log would then be supported by individual change request forms for each entry on the document.

Report on the Audit of Cash and Bank**Recommendation 12**

Chief Accountant to introduce a formal change request log to record details of the proposed Unit4BW system amendment(s), the date of request, authorisation date and implementation date.

104. Overall, Audit are encouraged that a cash handling policy has been developed since the previous audit in 2019 and would now like to see the policy made easily accessible to staff via the intranet.
105. Audit are mindful of the challenges currently facing the Finance team, however it is our opinion that implementing the recommendations, detailed within this report, will strengthen existing controls and further reduce the risk of potential fraud or error.

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Appendix A: Terms of Reference

Audit Objectives

To review the internal controls governing Income, processes and systems
To ensure the adequacy and propriety of operational arrangements

Audit Scope

The audit will review systems and processes from the receipt of the income to the reconciliation of income received to control accounts within the council and to the Main Accounting System.

The audit will examine:

- Income receipt
- Income monitoring
- Bank Reconciliation processes
- Procedures
- Clearance of suspense accounts

Approach

- Discussions will be held with relevant officers
- Progress in implementing the recommendations of previous audit reports will be ascertained
- Testing will be based on the CIPFA System Based Auditing Control checklist for the assessment of key controls.
- Records will be examined
- Substantive testing will be targeted on any areas of apparent weakness
- The results will be discussed with the Chief Accountant prior to the issue of the draft report

Staffing and Supervision

The audit team will consist of

Auditor	Matt Hoad	Group Auditor
Review and Report	Tom Davies	Chief Auditor

Reporting

- A consultation draft of the report will be issued to the Chief Accountant and Chief Finance Officer.
- The final report will be issued to all of the above, the Chief Executive and Grant Thornton LLP.
- A Summary Report will be issued to the Audit Committee.