

Bloxham Parish Council

Internal Audit Report (Final update) 2022-23

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Background and Scope

Statute requires all town and parish councils to arrange for an independent Internal Audit (IA) examination of their accounting records and systems of internal control and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR).

This report sets out the work undertaken in relation to the 2022-23 financial year, during our review of the Council's records, which was undertaken remotely in early December 2022 and on 1st April 2023 following agreement of that approach with the Clerk. We again thank the Clerk in assisting the process, providing all required documentation in electronic format to facilitate our review for the year.

Internal Audit Approach

In undertaking our review, we have again had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover is designed to afford assurance that the Council's financial systems remain robust and operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory regulatory framework. The programme is also designed to facilitate our completion of the 'IA Certificate in the Council's AGAR, which requires independent assurance over a series of internal control objectives.

Overall Conclusions

We are pleased to record that, based on the work undertaken this year, the Clerk and Council continue to maintain adequate and effective controls over the Council's finances: we acknowledge the actions taken to address issues identified in our 2021-22 and interim 2022-23 reports, although a few remain requiring attention: we have accordingly updated this year's interim report reflecting the current status on action taken or in hand to address the issues previously identified.

Based on the overall satisfactory conclusions drawn from our review programme for the year and testing applied, we have duly signed-off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area, except in relation to compliance with the requirements of the Accounts and Audit Regulations as regards the posting of the Notice of Public Rights affording members of the public with 30 working days in which they may examine the Council's financial records.

We again take this opportunity to draw the Clerk's attention to the guidance notes in the preface to the year's AGAR in relation to the documentation that should be displayed on the Council's website together with the need to ensure compliance with the timing requirements for publication of the Notice of Public Rights to examine the Council's documentation for the financial year (the 2021-22 external audit report also referred to this requirement).

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Clerk has continued to use the Scribe software to maintain the accounting records during 2022-23. Two bank accounts are in place with Unity Bank (Current and Instant Access), although no funds have as yet been transferred to the Instant Access Account.

Our objective in this review area is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. We have accordingly: -

- Ensured the accurate carry forward of the closing 2021-22 balance as the opening balance in the Scribe accounts for 2022-23;
- Ensured that an appropriate coding structure remains in place to facilitate effective budget monitoring / performance management;
- Checked detail in the receipts and payments “cashbooks” generated by Scribe, examining all transactions recorded for the financial year agreeing detail to the relevant supporting bank statements and the schedule of uncleared payments at that date as duly provided by the Clerk; and
- Ensured the accurate disclosure of the year-end account balance in the year’s AGAR at Section 2, Box 8.

Conclusions and recommendations

The Council’s Financial Regulations (FRs), re-adopted in May 2021 are in line with the latest NALC model documents, referring at Para 2.2 to the requirement, in line with best practice, for a member who is neither the Chairman nor a cheque signatory at least once a quarter and at the financial year-end to verify bank reconciliations and sign-off both the reconciliations and bank statements as evidence of their review. We noted at our interim review that reconciliations were routinely presented to the Council and adopted also being signed-off by the Clerk and Chairman, the latter’s action being contrary to the requirements of the adopted FRs.

An integral part of the Scribe generated bank reconciliation is inclusion of the value of any uncleared payments (or receipts) at the time of reconciliation. The Scribe software generates reports providing full detail of any such uncleared payments or receipts. Whilst the reconciliation statements are now being uploaded to the Scribe backed up accounts detail, the uncleared transaction reports were not being uploaded at the time of our interim review. We have also seen no evidence that the bank statements loaded onto Scribe have been signed-off in accordance with the adopted FRs. As in last year’s report, we urge that the uncleared receipts and payments reports are also reviewed and signed-off by a nominated member (not the Chairman) and are uploaded to the Scribe software together with the signed-off bank statements.

R1. The Council should ensure compliance with the adopted Financial Regulations (Para 2.2) with a nominated councillor, not the Chairman or a cheque signatory, formally agreeing and signing-off the content of bank reconciliations, supporting bank statements and uncleared cheque / receipt lists as evidence of their review and agreement of the reconciliation detail. Appropriate action has been taken with an appropriate Councillor appointed.

R2. Copies of all the above signed documents should be uploaded to Scribe, rather than unsigned copies.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are reasonably able to ascertain as we do not attend meetings, no actions of a potentially unlawful nature have been or are being considered for implementation.

We are pleased to note that the Council has formal Standing Orders (SOs) and Financial Regulations (FRs) in place, both of which were re-adopted in May 2022 and are in line with the latest NALC model documents, both recording a value of £25,000 for formal tender action in accordance with the extant Public Contract Regulations. In that respect, we take this opportunity to advise the Clerk and Council of a further recent revision to the Public Contract Regulations clarifying the value at which contracts must be published on the Government's Contract Finder website: the value has been clarified as £30,000 including VAT, which should now be identified accordingly in the Council's SOs and FRs when they are next re-adopted.

We have reviewed the Council and Committee minutes examining those for the financial year to determine whether any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability and are pleased to record that no such matters have been identified.

We note that the external auditors have signed-off the 2021-22 AGAR with reference to the assignment of 31 days in the published 2020-21 "Notice of Public Rights" for the examination of the Council's records rather than the mandatory 30 days. Reference is also made to, on initial submission of the AGAR, the absence of a "zero" entry in Section 2, Box 10, together with a further reference to a "No" response at Section 2, Box 11 rather than a "N/A" response. Consequent on the first issue, the Council will need to consider its response in Section 1, Box 4 of the 2022-23 AGAR Governance Statement.

We have also noted a similar dating error on the notice of Public Rights for 2021-22, which should provide for the financial records to be available for 30 working days: the recorded dates were from Friday 3rd June to Thursday 15th July 2022. Friday 3rd June was actually a Bank Holiday (Queen's Jubilee) and 15th July was actually a Friday, not a Thursday as quoted. Working to the Thursday (actually 14th July), only 29 working days have consequently been advertised. We appreciate that this is a relatively minor error, probably typographic, but know that the external auditors will undoubtedly pick up on the dates and comment accordingly.

Conclusions and recommendation

We are pleased to report that no significant issues arise in this area, although, as above, the Council will need to ensure compliance with the Accounts and Audit Regulations as regards dates to be published on the 2022-23 Notice of Public Rights and also its response in the Governance Statement at Section 2, Box 4 for the current year. We will continue to review minutes and the Council's approach to governance issues at future reviews.

R3. The Council will need to consider its response to the Governance Statement Section 1, Box 4 in the 2022-23 AGAR taking heed of the external audit report comment, also ensuring that the legally required 30 working days are recorded on the Notice of Public Rights for inspection of the Council's 2022-23 financial records.

Review of Expenditure and VAT

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Appropriate documentation supports payments, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and / or an acknowledgement of receipt, where no other form of invoice is available;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense codes have been applied to invoices when processed, and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have previously discussed with the Clerk the Council's control procedures in relation to the scrutiny and approval of traders' and other invoices for payment and considered them generally effective, although we suggested that they could and should be further strengthened to afford clear evidence of members' approval and involvement in the authorisation process, particularly in the light of a relatively recent fraud perpetrated by a Town Clerk on the South coast.

We are pleased to note that the Clerk is uploading invoices to the Scribe accounts although those posted do not include any evidence of member scrutiny: however, we note that such is provided on the Scribe generated payment list for the month that being signed-off by the Chairman and Vice Chairman confirming that they have examined the listed invoices agreeing them to the schedule and approving the payments for release. We consider this an acceptable compromise, although we would prefer to see individual invoices being signed-off by members as well as the schedule.

To ensure compliance with the above criteria, we have selected a sample of 41 individual payments in the year totalling £87,620 equating to 91% by value of non-pay related payments processed to that date with no additional issues arising.

We note that VAT reclaims are prepared and submitted to HMRC annually, with that for 2021-22 repaid on 22nd April 2022: we have examined the 2022-23 reclaim at this final review agreeing detail to the Scribe accounts.

Conclusions and recommendations

As indicated above, we consider that controls over the authorisation and release of payment could and should be further strengthened with members evidencing their involvement in the process also initialling all payment documentation prior to its upload to the Scribe software.

R4. Members approving and releasing payments should ideally, in line with best practice, examine and also sign-off / initial all invoices using the acquired rubber stamp affixed to the invoices to indicate effective and full discharge of their fiduciary responsibilities in checking and releasing the payments.

Assessment and Management of Risk

Our aim here is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health and safety nature, whilst also ensuring that

appropriate arrangements exist to monitor and manage those risks to minimise the opportunity for their coming to fruition.

We are pleased to record that the Council has a comprehensive Risk Management document in place, noting that, following our previous recommendation, a more comprehensive document had been prepared and adopted by the Council at the May 2021 full Council meeting: we are pleased to note that the document has been reviewed and re-adopted by the Council at its meeting in May 2022 and consider that it remains appropriate for the Council's ongoing requirements.

We have examined the Council's insurance policy with Hiscox noting that cover is in place with both Employer's and Public Liability cover standing at £10 million, together with Fidelity Guarantee cover at £0.5 million, all of which we consider appropriate for the Council's present needs. We also note that "Business Interruption – Loss of Revenue" cover is in place at £10,000: as the Council has no variable income likely to warrant any claim in this respect, we suggest that consideration be given to the requirement to insure for that possible eventuality.

We again note that an external provider undertakes periodic reviews of the Council's play areas reporting their conclusions accordingly with detail presented to the Council for determination of any remedial action considered necessary. This review is supplemented by "in-house" reviews undertaken by members who advise the Clerk of any issues requiring attention. We understand that, following our recommendation last year, the clerk has ensured that the Council is appropriately protected against any potential claims.

Conclusions

No concerns have been identified in this area this year warranting formal comment or recommendation, although we suggest that the need for Business Interruption – Loss of Revenue cover be considered with its possible removal from the policy schedule. We shall continue to monitor the Council's approach to risk management at future reviews.

Budgetary Control & Reserves

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and level of precept to be drawn down from the District Council: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans and cover any unplanned expenditure that might arise.

We note that the Council has completed its deliberations on its budgetary and precept requirements for 2023-24, formally approving the precept for the year at £99,092.90 at the December 2022 meeting.

We note that the Clerk provides members with detail of the Council's budgetary position during the year and have reviewed the year-end Scribe generated budget report with no unanticipated issues identified warranting further enquiry or comment, other than noting that no "receipts" budget has been recorded in Scribe: consequently, we suggest that appropriate detail of the precept, anticipated bank interest, etc. is recorded appropriately in the Scribe "budget" detail.

We understand that the Council intends to consider and establish specific reserves to be set aside for future potential developments or periodically recurring expenditure such as election costs or equipment replacement at the current financial year-end and will check on progress at our interim review for 2023-24.

Conclusions and recommendations

We are pleased to record that no significant concerns arise in this area, although we urge that anticipated income budget detail is recorded in the Scribe accounts.

R5. The approved income budget detail should be entered into Scribe to afford a means of measuring actual performance against the planned income levels in each category. This will be actioned in readiness for 2023-24.

Review of Income

The Council has relatively limited sources of income, primarily the annual precept, recoverable VAT and occasional grants and donations.

Our objective in this area is to ensure that all income due to the Council is identified and recovered within an appropriate period and is also banked promptly. We have, as indicated in the first section of this report, agreed the income recorded in the Scribe software to the supporting bank statements for the year with no issues arising.

Conclusions

We are pleased to record that no issues arise in this area warranting formal comment or recommendation.

Petty Cash Account

The Council does not operate a petty cash account.

Review of Staff Salaries

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HMRC legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme.

The Clerk is the only Council employee: we note that she is paid in accordance with the Council approved spinal point on the nationally agreed NJC salary scale. Preparation of the payroll is outsourced to Tax Assist, with all necessary monthly documentation provided to the Clerk to facilitate payment of her net salary and any tax and NI contributions to HMRC.

To meet the above objective, we have: -

- Checked and detail of the Clerk's salary paid in November and December 2022, noting that the latter included payment of the 2022-23 national pay award and arrears backdated to 1st April 2022;
- Checked the accurate calculation of tax, NI and pension fund deductions / contributions based on the gross salary paid in both months in accordance with the tax code recorded on the pay slip, NI Tables and pension contribution band; and
- Ensured that the appropriate tax, NI and employee / employer contributions to the pension scheme have been applied and been paid over to the respective agencies.

Conclusions

We are pleased to record that no issues have been identified in this area this year warranting formal comment or recommendation.

Fixed Asset Registers

The Practitioner's Guide requires all councils to develop and maintain an appropriate register of the Council's land, property and equipment in a formal register, with the cost of assets duly recorded, the total value of which should be recorded in the AGAR at Section 2, Box 9. These values should not be subject to changes year-on-year other than to reflect the cost of any new acquisitions (net of VAT) and any disposals / deletions at the previously recorded AGAR cost price.

We note that detail of the Council's asset stock is recorded in and managed through the Scribe accounting software, the content of which we have reviewed and agreed as far as we are reasonably able, noting the accurate recording of new assets acquired during the year.

Several of our clients have also developed photographic records of assets such as street furniture, etc, which they have found to be of assistance in progressing insurance claims in the event of any accidental or malicious damage occurring.

Conclusions and recommendation

No concerns have been identified in this area, although, as indicated above we suggest that consideration be given to the development of a photographic register of street furniture, etc.

R6. The Council should consider the development of a photographic register of its assets, which may be of assistance in the event of any accidental or wilful damage to property and equipment requiring an insurance reclaim.

Investments and Loans

We aim in this area of our review process to ensure that the Council is taking appropriate action to ensure interest earning capabilities are maximised whilst safeguarding the Council's resources. We note from examination of the 2022-23 Scribe accounts detail that no interest has been received in the year from the Unity Bank accounts.

Statutory guidance on Local Government investments (3rd Edition) issued under section 15(1)(a) of the Local Government Act 2003 was amended with effect from 1st April 2018 requiring all councils with retained funds in excess of £100,000 to develop and adopt formally an Annual Investment Strategy. This Strategy should also pay due heed to the fact that the Government's Compensation Scheme will only cover funds up to £85,000 held in one banking institution. We have previously provided the Clerk with a copy of the relevant legislation and urge that the Council ensures compliance with the statutory requirement. We understand that a councillor is taking the lead in developing an appropriate strategy and the potential "investment" of surplus funds to gain interest and reduce risk of loss in the event of the Unity bank failing and will check on progress during our 2023-24 review of the Council's records.

No loans are in existence either payable by or to the Council.

Conclusions

Whilst we have no significant concerns in this area, we urge that the planned development of an appropriate Investment Strategy is actioned as soon as practicable, with further consideration of the potential diversification of funds also expedited swiftly.

Statement of Accounts / AGAR

The AGAR now forms the statutory accounts of the Council in accordance with the Accounts and Audit Regulations 2015. The Accounts and financial detail at Section 2 of the year's AGAR are generated automatically by the Scribe accounts and we have consequently agreed the AGAR Section 2 detail to the underlying Scribe records.

Conclusions

We are pleased to record that no issues arise in this area warranting formal comment or recommendation and have duly signed-off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area, except in relation to compliance with the requirements of the Accounts and Audit Regulations as regards the posting of the Notice off Public Rights affording members of the public with a period of 30 working days in which they may examine the Council's financial records.

Rec. No.	Recommendation	Response
Review of Accounting Arrangements and Bank Reconciliations		
R1	The Council should ensure compliance with the adopted Financial Regulations (Para 2.2) with a nominated councillor, not the Chairman or a cheque signatory, formally agreeing and signing-off the content of bank reconciliations, supporting bank statements and uncleared cheque / receipt lists as evidence of their review and agreement of the reconciliation detail.	<i>Appropriate action has been taken with an appropriate Councillor appointed.</i>
R2	Copies of all the above signed documents should be uploaded to Scribe, rather than unsigned copies.	
Review of Corporate Governance		
R3	The Council will need to consider its response to the Governance Statement Section 1, Box 4 in the 2022-23 AGAR taking heed of the external audit report comment, also ensuring that the legally required 30 working days are recorded on the Notice of Public Rights for inspection of the Council's 2022-23 financial records.	
Review of Expenditure & VAT		
R4	Members approving and releasing payments should ideally, in line with best practice, examine and also sign-off / initial all invoices using the acquired rubber stamp affixed to the invoices to indicate effective and full discharge of their fiduciary responsibilities in checking and releasing the payments.	<i>Invoices are now retained electronically with members signing off a schedule of payments confirming examination of the invoices.</i>
Budgetary Control & Reserves		
R5	The approved income budget detail should be entered into Scribe to afford a means of measuring actual performance against the planned income levels in each category.	<i>This will be actioned in readiness for 2023-24.</i>
Fixed Asset Register		
R6	The Council should consider the development of a photographic register of its assets, which may be of assistance in the event of any accidental or wilful damage to property and equipment requiring an insurance reclaim.	