

# **Bloxham Parish Council**

*Internal Audit Report (Final update) 2023-24*

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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 2023-24 financial year, during our review of the Council's records, which was undertaken remotely both on 18<sup>th</sup> / 19<sup>th</sup> December 2023 and on 10<sup>th</sup> April 2024 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 & Council continue to maintain generally adequate and effective controls over the Council's finances. We acknowledge the actions taken to address issues raised in last year's reports and, where appropriate action remains to be taken, have restated the issues and recommendations in the following detailed report.

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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. The Council will need to consider the 2022-23 external audit report comments when completing the current year's Governance Statement in the AGAR assigning appropriate responses.

We 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.

# Detailed Report

## Maintenance of Accounting Records & Bank Reconciliations

The Clerk has continued to use the Scribe software to maintain the accounting records during 2023-24. Two bank accounts are in place with Unity Bank (Current and Instant Access).

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 2022-23 balance as the opening balance in the Scribe accounts for 2023-24;
- 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 on both accounts and the schedule of uncleared payments at that date as duly provided by the Clerk;
- Verified the bank reconciliation detail on 4<sup>th</sup> December 2023 and 31<sup>st</sup> March 2024; and
- Ensured the accurate disclosure of the combined year-end account balances in the year’s AGAR at Section 2, Box 8.

### *Conclusions and recommendations*

*We are pleased to note that reconciliations are routinely prepared, presented to and adopted by the Council, with detail being recorded as signed-off by the Clerk and Chairman: we note that following our interim recommendation the review is now being undertaken by the Deputy Chairman, who is responsible for monitoring compliance with the Council’s internal controls.*

*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. We are pleased to note that, following our previous report recommendation, the signed reconciliation statements and supporting lists of any uncleared receipts and payments are now being uploaded to the Scribe accounts.*

*In reviewing the Scribe payment listings and detailed transaction report by Code, we note that the November 2023 payment to HMRC in respect of the Clerk’s tax & NI liability for the month has been paid twice (payment reference 129). Appropriate adjustment should be made to a future payment recovering this duplicated payment.*

*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 payment / receipt lists as evidence of their review and agreement of the reconciliation detail. Appropriate action has been taken in this respect with the Deputy Chairman now reviewing and signing-off the reconciliation statements and other supporting documentation.*

- R2. *Copies of all the signed documents, including the uncleared receipt and payment lists supporting the bank reconciliation detail, should be uploaded to Scribe to provide a comprehensive record of that detail. Detail is now being posted in the online Scribe accounts detail.*
- R3. *The duplicated HMRC payment processed in November 2023 should be pursued to ensure recovery of the overpaid amount.*

## **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 (SOs) 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 SOs and FRs in place, both of which were re-adopted in May 2023 and are in line with the latest NALC model documents. However, whilst the SOs correctly refer to a value of £25,000 for compliance with the 2015 Public Contract Regulations and the need to publicise the tender accordingly on the Government’s Contract Finder website (Para 18.c refers), the FRs record / imply a value of £5,000 for compliance (Para 11.1.b refers). Whilst the Council may set its own lower value for formal local tender action, the SOs and FRs must be consistent and record the £25,000 (excluding VAT) value for tender action in compliance with the Public Contract Regulations: the local tendering limit of £5,000, as referred to in the FRs para 11.1.b may remain in place, although the wording requires amendment / clarification to ensure that the lower recorded value of £5,000 relates only to locally sought tenders.

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 2022-23 AGAR with reference to the assignment of 31 days in the published “Notice of Public Rights” for the examination of the Council’s records rather than the statutorily required 30 days. The year to which this comment relates is not specified, but we assume it to refer to the 2021-22 Notice, as that published on the website for 2022-23 correctly refers to a 30-day period for public inspection of the Council’s records.

### **Conclusions and recommendation**

***We are pleased to report that no issues arise in this area, other than in relation to the tendering levels referred to in the FRs which must be consistent in relation to the need for compliance with the Public Contracts Regulations as detailed above. The Council will also need to ensure compliance with the Accounts and Audit Regulations, as regards dates to be published on the 2023-24 Notice of Public Rights. We will continue to review minutes and the Council’s approach to governance issues at future reviews.***

- R4. *The Financial Regulations Para 11.1.b should be revised to reflect the correct value for compliance with the 2015 Public Contracts Regulations as regards the requirement to publicise tenders in excess of £25,000 (excluding VAT) on the Government’s Contract Finder website. The FRs should be amended appropriately to reflect that the lower value of £5,000 applies to locally sought tenders,*

## 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. However, the above referenced duplicated payment to HMRC in November 2023 gives cause for some concern as to the effectiveness of members' scrutiny and approval of payments and requires further consideration / amendment to the process to ensure that similar errors are avoided.

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: such evidence is, however, 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 a marginally acceptable compromise, although in line with best practice we would prefer to see individual invoices being signed-off as well as the schedule with the signed invoices subsequently uploaded to Scribe: such action would most probably have helped avoid the above identified duplicate payment being processed.

We also noted at our interim review that the invoices saved thereon recorded the same Scribe transaction number in both the "Reference no." and "Scribe account no." detail on the stamp affixed to each invoice: the latter should record the Scribe Cost Centre rather than the entry reference number to provide a clear and effective audit trail to the Scribe accounts detail. We are pleased to note that appropriate action has been taken on subsequent invoice detail.

We also note that generally the Clerk's ad hoc expenses including phone / broadband, postage, Zoom subscriptions and mileage, etc. are paid with her monthly salary and incorporated on the monthly salary payslips. We again urge that all documentation supporting each element of such ad hoc expenses should also be uploaded to Scribe. Certain of these items will probably also include VAT, which is currently not being identified for recovery: provided a valid VAT registration number is recorded on the supporting documentation, the VAT can and should be identified for recovery when posted to the Scribe accounts. Similarly, expenses such as the monthly "Enix Ltd" payment of £5.99 will probably also include VAT and again, provided a VAT registration number is identifiable, the VAT may be recovered.

To ensure compliance with the above criteria, we have selected a sample of 34 individual payments in the year totalling £102,090 equating to 83% by value of non-pay related payments processed in the year with no additional issues arising.

We note that VAT reclaims are prepared and submitted to HMRC annually, with that for 2022-23 repaid on 28<sup>th</sup> April 2023; we have at this final review examined the 2023-24 reclaim agreeing detail to the supporting 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 examination of individual invoices / payment documentation prior to its upload to the Scribe software.***

R5. *To ensure the existence of clear evidence of member scrutiny and approval for payment, together with reducing the potential for the processing of duplicated payments, **all** individual payment documents should be stamped as currently, and be initialled by members confirming their scrutiny and approval of the invoices for payment; the initialled invoices should then be uploaded to Scribe routinely following member scrutiny, approval and sign-off.*

R6. *The rubber stamp affixed to each invoice should also identify both the Scribe transaction reference number and the Cost Centre to be charged, not just the transaction reference number in both boxes. **This detail is now recorded appropriately.***

## **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 that was re-adopted by the Council at the May 2023 full Council meeting: we consider that the re-adopted document 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 also in place at £10,000.

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. 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 2024-25, formally approving the precept for the year at £104,047.55 at the December 2023 meeting.

We again 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 or unexplained issues identified warranting further enquiry or comment.

We note from examination of the Scribe accounting detail that the Council now has 8 specific earmarked reserves (EMRs) in place including 2 relating to Section 106 income totalling £142,842. We note that spending during the year on one EMR (Christmas tree and lights) exceeded the EMR's opening balance by £2,834 resulting in that value being recorded as a negative reserve at the financial year-end. As indicated in last year's report, where spending over the retained reserve value arises appropriate funds should be recorded as transferred from the General Reserve to return that reserve balance to a zero or positive value.

The residual General Reserve stands at £39,313 at 31<sup>st</sup> March 2024 and equates to between three and four months' revenue spending at the 2023-24 level and sits comfortably within the generally recognised level of between three and twelve months' such spending.

### ***Conclusions and recommendation***

***We are pleased to record that no significant concerns arise in this area other than the need to regularise the EMR balances ensuring that they are recording a positive balance rather than the currently existing negative balance in one case.***

*R7. Appropriate action should be taken to ensure that positive balances are identified in each of the recorded EMRs; this should be achieved by the effective transfer of funds from the General Reserve to each EMR.*

## 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 agreed the Clerk's salary paid in November and December 2023, noting that the latter includes payment of the 2023-24 national pay award and arrears backdated to 1<sup>st</sup> April 2023; and
- Ensured that the appropriate tax, NI and employee / employer contributions to HMRC and the Pension Fund Administrators have been applied and been paid over to the respective agencies.

### Conclusions

*We are pleased to record that no additional 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.*



*R8. 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 are pleased to note that, following our previous recommendation, £220,000 has now been transferred to an interest earning account with Unity Bank, also noting the Council's intention to further diversify the placement of funds following further research into available options.

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 1<sup>st</sup> April 2018 requiring all councils with retained funds in excess of £100,000 to develop and adopt formally an Annual Investment Strategy. We are pleased to note the adoption of a Policy by the Council at its January 2024 meeting and have reviewed the resultant document and consider it appropriate for the Council's present requirements.

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

### ***Conclusions***

*As indicated above, we are pleased to acknowledge the adoption of a Treasury and Investment Management Policy: we also note the Council's intention to further diversify the placement of surplus funds and will monitor progress in that respect as part of our 2024-25 IA review.*

## **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.*

Rec. Recommendation		Response
<b>Review of Accounting Arrangements and Bank Reconciliations</b>		
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 payment / receipt lists as evidence of their review and agreement of the reconciliation detail.	<i>Appropriate action has been taken in this respect with the Deputy Chairman now reviewing and signing-off the reconciliation statements and other supporting documentation.</i>
R2	Copies of all the signed documents, including the uncleared receipt and payment lists supporting the bank reconciliation detail, should be uploaded to Scribe to provide a comprehensive record of that detail.	<i>Detail is now being posted in the online Scribe accounts detail.</i>
R3	The duplicated HMRC payment processed in November 2023 should be pursued to ensure recovery of the overpaid amount.	
<b>Review of Corporate Governance</b>		
R4	The Financial Regulations Para 11.1.b should be revised to reflect the correct value for compliance with the 2015 Public Contracts Regulations as regards the requirement to publicise tenders in excess of £25,000 (excluding VAT) on the Government's Contract Finder website. The FRs should be amended appropriately to reflect that the lower value of £5,000 applies to locally sought tenders.	
<b>Review of Expenditure &amp; VAT</b>		
R5	To ensure the existence of clear evidence of member scrutiny and approval for payment, <b>all</b> individual payment documents should be stamped, as currently, and be initialised by members confirming their scrutiny and approval of the invoices for payment; the initialised invoices should be uploaded to Scribe routinely following member scrutiny, approval and sign-off.	
R6	The rubber stamp affixed to each invoice should also identify both the Scribe transaction reference number and the Cost Centre to be charged, not just the transaction reference number in both boxes.	<i>This detail is now recorded appropriately.</i>
<b>Budgetary Control &amp; Reserves</b>		
R7	Appropriate action should be taken to ensure that positive balances are identified in each of the recorded EMRs; this should be achieved by the effective transfer of funds from the General Reserve to each EMR.	
<b>Fixed Asset Register</b>		
R8	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.	

