



Bloxham Parish Council

Internal Audit Report (Interim) 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 first review of the Council's records, which has been undertaken remotely on 18th / 19th December 2023 following agreement of that approach with the Clerk. We again thank the Clerk in assisting the process, providing the requested documentation in electronic format to facilitate commencement of our review for the year.

Internal Audit Approach

In undertaking our review, we have 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 Report' in the Council's AGAR, which requires independent assurance over a series of internal control objectives.

This report will be updated following completion of our final review for the year the date of which has yet to be agreed but will be timed to follow closure of the year's Accounts in the Scribe software: we hope to undertake that final review on site in conjunction with the review of the Clerk's 3 other Councils.

Overall Conclusions

We are pleased to record that, based on the work undertaken to date, the Clerk continues to maintain 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 recommendations in the following detailed report.

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), although no funds have yet been transferred to the Instant Access Account, which remains with a zero balance.

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 balances as opening balances 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 transactions recorded for the financial year to 4th December 2023 agreeing detail to the relevant supporting bank statements and the schedule of uncleared payments at that date as duly provided by the Clerk; and
- Verified the bank reconciliation detail as at 4th December 2023.

Conclusions and recommendations

We are pleased to note that reconciliations are routinely presented to the Council and adopted, also being recorded as signed-off by the Clerk and Chairman, the latter’s action being contrary to the requirements of the adopted Financial Regulations (FRs - Para 2.2 refers).

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 we are pleased to note that the signed reconciliation statements are now being uploaded to the Scribe accounts, detail of the uncleared transaction reports is not being uploaded. As in last year’s report, we urge that these 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, etc.

We shall extend our review of the “cashbook” and bank account transactions for the remainder of the year at our final visit.

- 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.*
- 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.*

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 refer to a value of £25,000 for compliance with the 2015 Public Contract Regulations and the need to publicise the tender accordingly (Para 18.c refers), the FRs record a value of £5,000 for compliance (Para 11.1.b refers). Whilst the Council may set its own lower value for formal 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.h may remain in place.

We have reviewed the Council and Committee minutes examining those for the financial year to date 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 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 of concern arise in this area currently, 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.

R3. 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 lower value of £5,000 for local tender action is correctly indicated at para 11.1.h,

Review of Expenditure-

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: 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 we would prefer to see individual invoices being signed-off as well as the schedule with the signed invoices uploaded to Scribe.

We also note that the invoices saved thereon record 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 also note that, following our prior year suggestion, part of the Clerk's ad hoc expenses including phone / broadband, postage, Zoom subscriptions and mileage, etc. paid with her monthly salary are now being partially uploaded. We urge that all documentation supporting each element of such ad hoc expenses should also be uploaded to Scribe. Certain of these items may probably also include VAT, which has consequently not been 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 include VAT and again, provided a VAT registration number is on the invoice, the VAT may be recovered.

To ensure compliance with the above criteria, we have selected a sample of 30 individual payments in the year to December 2023 totalling £96,700 equating to 86% 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 2022-23 repaid on 28th April 2023: we shall examine the 2023-24 reclaim at our final review.

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.

R4. To ensure the existence of clear evidence of member scrutiny and approval for payment, all 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.

R5. *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.*

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 has been 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 latest Scribe generated budget report with no unanticipated issues identified warranting further enquiry or comment.

We note that the Council now has 5 named earmarked reserves (EMRs) in place including 2 relating to Section 106 income totalling £35,039. However, Scribe identifies payments on these EMRs totalling £42,848 during 2023-24 resulting in an overall negative reserve balance of £7,809 with only one of the Section 106 reserves having a positive balance. Appropriate funds should be recorded as transferred from the General Reserve to each of the identified EMRs to ensure that each of them reflects a positive balance.

Conclusions and recommendations

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 balances. We shall undertake further work at our final review examining the year-end budget outturn seeking explanations for any significant variances that may have arisen subsequent to this review and considering the ongoing appropriateness of the level of retained reserves to meet the Council's ongoing revenue spending requirements and potential development aspirations.

R6. 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 to date 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. The Council has again outsourced preparation of the monthly payroll to Tax Assist, with all necessary monthly documentation

provided to the Clerk to facilitate payment of her net salary, tax and NI contributions to HMRC and pension contributions to the Pension Fund Administrators.

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 1st April 2023;
- 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 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 issues have been identified in this area this year warranting formal comment or recommendation.

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 2023-24 Scribe accounts detail that no interest has been received to date 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. With in excess of £300,000 in the Unity Current account currently, whilst it is improbable that the Unity bank will fail, the Council should consider diversifying the placement of currently surplus funds in other banking institutions, also ensuring that interest earning opportunities are maximised.

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

Conclusions and recommendations

Whilst we have no significant concerns in this area, we again draw attention to the above requirement for an appropriate Investment Strategy / Policy to be developed and understand that a document has been drafted and will be presented to the January 2024 Council meeting. We will, consequently, examine check the outcome of that meeting's deliberations, also examining the resultant adopted document at our final review.

R7. *Consideration should be given to the diversification of the placement of surplus funds to reduce the risk of loss in the, albeit unlikely, event that Unity Bank should "fail", also ensuring the potential to maximise interest earning opportunities.*

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 payment / receipt lists as evidence of their review and agreement of the reconciliation detail.	
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.	
Review of Corporate Governance		
R3	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 lower value of £5,000 for local tender action is correctly indicated at para 11.1.h,	
Review of Expenditure & VAT		
R4	To ensure the existence of clear evidence of member scrutiny and approval for payment, 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 be uploaded to Scribe routinely following member scrutiny, approval and sign-off.	
R5	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.	
Budgetary Control & Reserves		
R6	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.	
Investments and Loans		
R7	Consideration should be given to the diversification of the placement of surplus funds to reduce the risk of loss in the, albeit unlikely, event that Unity Bank should "fail", also ensuring the potential to maximise interest earning opportunities.	