

# **Newbottle 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 on 20<sup>th</sup> December 2023 and on 11<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 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 2022-23 and interim 2023-24 reports, although a few remain requiring attention: we have accordingly updated this year's interim report to reflect the current status on actions 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.

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 2022-23 external audit report also referred to this requirement).

# Detailed Report

## Maintenance of Accounting Records & Bank Reconciliations

The Clerk uses the Scribe accounting software to maintain the Council's financial records with 2 accounts in operation through Unity Bank (Current and Playing Field).

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 roll forward of the combined closing balances for 2022-23 into the 2023-24 Scribe accounts;
- Ensured that an appropriate coding structure is 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;
- Checked and agreed detail on the Scribe generated bank reconciliation prepared at 20<sup>th</sup> November 2023 and 31<sup>st</sup> March 2024; 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 extant Financial Regulations (FRs), re-adopted in May 2022 are in line with the latest NALC model documents, referring at Para 2.2 to the requirement 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 are pleased to note that reconciliations are routinely presented to the Council and adopted also being signed-off by the Clerk and Chairman, although the latter's action remains contrary to the requirements of the adopted FRs as referenced above. We now note that this position has been amended with another Councillor undertaking the review and sign-off of reconciliations.*

*An integral part of the Scribe generated bank reconciliation is the 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 accounts, detail of the uncleared transaction reports was not being similarly uploaded. We are pleased to now note that, following our reminder in this year's interim report, bank statements are now being signed-off in accordance with the adopted FRs. As recorded in our interim report for the year, we urged that the uncleared receipts and payments reports be also reviewed and signed-off by a nominated member (not the Chairman) and understand that this has been actioned appropriately.*

*R1. The Council should ensure compliance with the adopted Financial Regulations (Para 2.2) with a nominated councillor, **who is neither the Chairman nor 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. **This has been actioned accordingly.***

*R2. Copies of all the above signed documents should be uploaded to Scribe. **Noted and actioned.***

## **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 Standing Orders (SOs) and Financial Regulations (FRs) in place, both of which were reviewed and re-adopted in May 2023 with both in line with the latest NALC model documents.

We have reviewed the Council 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 no issues raised. We are also pleased to note that the Notice of Public Rights for 2022-23 has been posted on the Council's website for the requisite 30 working days.

### **Conclusions**

*We are pleased to record that no issues arise in this area this year.*

## **Review of Expenditure & 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.

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 evidence is provided on the Scribe generated payment list for each month, that being signed-off by the Chairman and Vice Chairman confirming that they have reviewed the listed invoices agreeing them

to the schedule and approving the payments for release. We consider this a marginally acceptable compromise, although we would, in line with best practice, prefer to see individual invoices being signed-off as well as the schedule with the signed invoices subsequently uploaded to Scribe.

We also noted in our interim report that the invoices saved to Scribe 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 are pleased to acknowledge that this detail is now being recorded appropriately for each payment.

To ensure compliance with the above criteria, we have selected a sample of 19 individual payments in the year totalling £17,860 equating to 87% by value of non-pay related payments processed 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 examined the 2023-24 reclaim at this final review and will ensure recovery at our 2024-25 interim 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.***

- R3. *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.*
- R4. *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 has been actioned as recommended.***

## **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 noted at our interim review that the Council had reviewed and re-adopted its comprehensive Risk Management document at the May 2023 Council meeting and having reviewed its content we consider the document appropriate for the Council’s ongoing requirements.

We have examined the Council’s insurance policy for 2023-24 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.

### **Conclusions**

*We are pleased to record that no issues have been identified in this area warranting formal comment or recommendation this year. 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 the 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 £15,000 at the November 2023 meeting.

We are pleased to note that the Clerk continues to provide members with detail of the Council's budgetary position during the year. In reviewing the detailed transaction codes at our interim review, we noted that the miscellaneous payment entry on line 71 had been coded in error as a salary payment (Code 1), it should have been coded to Code 25. Conversely, the salary payment on line 71 (£310.48) has been coded to Code 25 rather than Code 1. We advised the Clerk accordingly with the relevant correction made at the time our interim review.

We have undertaken a further review of that report at this final review with no further anomalous postings noted.

We have again seen no indication that the Council has considered the establishment of any specific earmarked reserves to be set aside for any future potential development aspirations or periodically recurring expenditure, such as election costs or equipment replacement, with only the General Fund balance recorded currently.

### **Conclusions and recommendation**

*We are pleased to record that no significant concerns arise in this area currently, although we again urge that the establishment of specific earmarked reserves be given due attention.*

*R5. The Council should consider the establishment of specific earmarked reserves for areas such as election expenses and equipment replacement with detail duly recorded in the Scribe accounts.*

## **Review of Income**

The Council receives income by way of the annual precept, recoverable VAT and occasional grants and donations, together with football club rents of the sports field which are paid monthly. We

have, as indicated in the first section of this report, agreed income recorded in the Scribe accounts to the underlying bank statements 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.

The Clerk is the only employee of the Council: we have examined the content of her employment contract previously noting that she is paid in accordance with 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.

To meet the above objectives, we have: -

- Noted that members approved an increase in the Clerk's salary to spinal point 25 with effect from 1<sup>st</sup> April 2023, also noting that the Council has recently approved a further spinal point increase with effect from 1<sup>st</sup> April 2024;
- Checked and ensured the accuracy of the Clerk's gross salary paid in October and November 2023 noting that the latter month's salary was uplifted to incorporate the national pay award for 2023-24, together with arrears due from 1<sup>st</sup> April 2023;
- Checked and agreed the calculation of relevant tax and / or NI deductions to be applied based on the gross salary paid each month in accordance with the tax code recorded on the pay slip and appropriate NI Table; and
- Noted that the Clerk has not been enrolled in the LG Pension Scheme.

### ***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 net of VAT, the total value of which should be reported in the AGAR at Section 2, Box 9. These values should not be subject to change year-on-year other than to reflect the cost of any new acquisitions (net of VAT) or any disposals / deletions.

We note that the Scribe accounting software provides the Council's asset register, detail of which we have reviewed and agreed as far as we are reasonably able.

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***

***As indicated in last year's report and above, we have seen no indication that action has been taken to develop a photographic register of street furniture, etc. and urge that such action be taken.***

*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 again note from examination of the Scribe accounts that no bank interest has again been received this year.

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

### ***Conclusions***

***No issues arise in this area warranting formal comment or recommendation currently.***

## **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. No	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, <b>who is neither the Chairman nor a cheque signatory</b> , 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>This has been actioned accordingly.</i>
R2	Copies of all the above signed documents should be uploaded to Scribe.	<i>Noted and actioned.</i>
<b>Review of Expenditure &amp; VAT</b>		
R3	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 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.	
R4	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 has been actioned appropriately.</i>
<b>Budgetary Control and Reserves</b>		
R5	The Council should consider the establishment of specific earmarked reserves for areas such as election expenses and equipment replacement with detail duly recorded in the Scribe accounts.	
<b>Fixed Asset Registers</b>		
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.	