

Newbottle Parish Council

Internal Audit Report (Interim) 2024-25

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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 2024-25 financial year, during our initial review of the Council's records, which has been undertaken remotely during December 2024. We again thank the Clerk in assisting the process, providing all requested documentation in electronic format to facilitate commencement of 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.

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.

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 identified in our previous reports, although a few remain requiring attention: where such areas remain to be addressed, we have reiterated the prior year recommendations in order that they are not overlooked, together with one or two additional issues identified this year.

This report should be presented to members in accordance with the statutory requirement and we ask that a formal response to the recommendations, as summarised in the appended Action Plan, be provided in advance of our final review setting out the actions taken or pending to address the matters identified.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Clerk has continued to use the Scribe software to maintain the accounting records during 2024-25 with two accounts in operation through the 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 2023-24 into the 2024-25 Scribe accounts;
- 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 to 30th November 2024 agreeing detail to the relevant supporting bank statements; and
- Checked and agreed detail on the Scribe generated bank reconciliation prepared on 30th November 2024.

Conclusions

We are again pleased to note that reconciliations are routinely presented to the Council and adopted, also being signed-off by the Clerk and a nominated councillor. Copies of signed bank statements and reconciliations are duly uploaded to the Scribe accounts software.

We will extend our review of bank account / Scribe “cashbook” transactions for the remainder of the year at our final review, also ensuring the accurate disclosure of the combined account balances in the AGAR at Section 2 Box 8.

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 re-adopted both its extant SOs and Financial Regulations (FRs) at the May 2024 Council meeting, also noting the subsequent adoption of the recently updated NALC model FRs at the September 2024 Council meeting. We have made previous reference to the level at which formal tender action is required suggesting that a more appropriate level for a Council the size of Newbottle would be set at around £10,000. Whilst we acknowledge that the latest NALC model FRs suggest a level of £60,000, we remain of the opinion that the above suggested value would be more appropriate for Adderbury. Care should also be taken to ensure that the SOs and FRs record a consistent value for formal tender action.

We have reviewed the Council 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 signed-off the 2023-24 AGAR with no issues raised. We are also pleased to note that the Notice of Public Rights for 2023-24 was posted on the Council's website for the requisite 30 working days.

Conclusions and recommendation

We are pleased to report that no serious issues or concerns arise in this area currently, although we again urge that the SOs and FRs are amended to record a lower and consistent value for formal tender action. We will continue to review minutes and the Council's approach to governance issues at future reviews.

R1. The Standing Orders and Financial Regulations should record a consistent value for formal tender action, ideally at a value of around £10,000.

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, also rechecking this year the procedures for the physical release of payments and consider them to be generally effective: however, we have suggested previously that they could and should be further strengthened to afford clear evidence of members' approval and involvement in the authorisation process. We acknowledge that members are reviewing and signing off the monthly schedules of payments to be made: however, and ideally, the reviewing and authorising member(s) should initial the certification stamp now being affixed to individual invoices / payment documentation prior to the documents being uploaded to the Scribe accounting records. We are pleased to note that, following our previous recommendation, the invoices saved thereon now correctly record the appropriate Scribe transaction posting reference and cost centre numbers.

To ensure compliance with the above criteria, we have selected a sample of 18 individual payments in the year to 30th November 2024 totalling £17,530 equating to 86% by value of non-pay related payments processed to that date with no additional issues arising, apart from noting that only 2 of 7 payment invoices to nPower in the year to date have been uploaded to Scribe.

Whilst we note that evidence of member scrutiny is provided on the Scribe generated monthly payment lists, with the document signed-off by the Chairman and another account signatory confirming that they have reviewed the listed invoices agreeing them to the schedule and approving the payments for release. Notwithstanding that, we have concerns as to the effectiveness of the present arrangements as, in addition to the absence of 5 nPower invoices, we also noted a significant

duplicate payment to nPower in August 2024 of £2,876.21 with both payments recorded on the members' review schedule, which was duly signed-off on 16th September 2024: nPower have subsequently refunded the duplicate payment.

The fact that these payments have been made to nPower without a supporting document gives cause for concern as to the effectiveness of members' scrutiny and the approval and physical release of payments throughout the year. Ideally, members should be reviewing **all** invoices / documentation supporting payments, ensuring that not only each payment is appropriately supported, but also that the amount to be paid matches the supporting documentation. The effective completion of the member review should be evidenced with the reviewing member(s) signing or initialling each document to confirm their review and approval of the payments for release prior to the upload of all such documents to the Scribe accounting records.

Finally in this area, we again note that VAT reclaims are prepared and submitted to HMRC annually, with that for 2023-24 repaid in April 2024: we have agreed the reclaimed amount for 2023-24 to that year's Scribe detail and will examine the 2024-25 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 clearly evidencing their examination of individual and actual invoices / payment documentation prior to its upload to the Scribe software: those initials should also indicate the accuracy of the payments to be made.

R2. To provide clear evidence of member scrutiny and approval of all payments to be processed and paid, all individual payment documents should be stamped, as currently, and be initialled / signed-off by members confirming their scrutiny, agreement of payment detail and approval of the amounts to be paid; the initialled invoices should then be uploaded to Scribe together with the certification schedule (as currently) following member scrutiny, approval and sign-off.

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 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.

We are pleased to record that the Council has reviewed and re-adopted its comprehensive Risk Management document at the May 2024 Council meeting and have reviewed the content and consider that it remains appropriate for the Council's ongoing requirements.

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 at this stage of our review. We shall continue to monitor the Council's approach to risk management at future visits.

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 deliberations on its budgetary and precept requirements for 2025-26, formally approving the precept for the year at £16,000 at the November 2024 meeting.

We are also 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 for transactions to mid-December 2024, we have noted that two codes exist for bank charges (nos. 39 and 51) with the periodic Unity charges coded to both during the course of the current year: whilst the amounts involved are not significant, these charges should be coded consistently.

As reported previously, 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 developments or periodically recurring expenditure such as election costs or equipment replacement, with only the General Fund balance recorded in Scribe currently.

Conclusions and recommendations

We are pleased to record that no significant concerns arise in this area, although as suggested previously and above, we urge that consideration be given to the establishment of specific earmarked reserves. 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 overall reserves to meet the Council's ongoing revenue spending requirements and potential development aspirations.

- R3. *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.*
- R4. *The Clerk should review the detailed postings in the Scribe "Detailed transaction reports by cost centre" made in the year to date making appropriate amendment in relation to the apparent inconsistent coding of bank charges.*

Review of Income

The Council receives income by way of the annual precept, monthly football club ground rent, and occasional playing field hires by other bodies, recoverable VAT and occasional grants and donations. 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. We shall examine the detail of any further income arising in the year at our final review, also ensuring the accurate compilation of the year's VAT reclaim to be submitted to HMRC.

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 Council approved 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.

To meet the above objective, we have: -

- Noted that members approved an increase in the Clerk's salary to spinal point 26 with effect from 1st April 2024;
- Checked and ensured the accuracy of the Clerk's gross salary paid in October and November 2024, the latter salary being uplifted to incorporate the national pay award for 2024-25, together with arrears due from 1st April 2024;
- 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 slips 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.

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 to date 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.

Rec. No	Recommendation	Response
Review of Corporate Governance		
R1	The Standing Orders and Financial Regulations should record a consistent value for formal tender action, ideally at a value of around £10,000.	
Review of Expenditure & VAT		
R2	To provide clear evidence of member scrutiny and approval of all payments to be processed and paid, all individual payment documents should be stamped, as currently, and be initialled / signed-off by members confirming their scrutiny, agreement of payment detail and approval of the amounts to be paid; the initialled invoices should then be uploaded to Scribe together with the certification schedule (as currently) following member scrutiny, approval and sign-off.	
Budgetary Control and Reserves		
R3	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.	
R4	The Clerk should review the detailed postings in the Scribe "Detailed transaction reports by cost centre" made in the year to date making appropriate amendment in relation to the apparent inconsistent coding of bank charges.	