

# **Newbottle Parish Council**

*Internal Audit Report (Final update) 2024-25*

---

*Stuart J Pollard*

*Director  
Auditing Solutions Ltd*

## **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 two reviews of the Council's records, which have been undertaken remotely during December 2024 and on 5<sup>th</sup> April 2025. We again thank the Clerk in assisting the process, providing all requested documentation in electronic format to facilitate completion 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.

## **Overall Conclusions**

We are pleased to record that, based on the work undertaken this year, the Clerk continues to maintain generally 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.

We have duly signed off the IA Certificate in the year's Part 3 AGAR assigning positive assurances in each relevant area. This report should be presented to members in accordance with the statutory requirement with detail of the IA Certificate in the AGAR also posted on the website.

# 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 agreeing detail to the relevant supporting bank statements; and
- Checked and agreed detail on the Scribe generated bank reconciliation prepared on 30<sup>th</sup> November 2024 and 31<sup>st</sup> March 2025.

### 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 with copies of signed bank statements and reconciliations are duly uploaded to the Scribe accounts software. We have ensured 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 2024 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 (Para 5.6 refers), we remain of the opinion that the above suggested value would be more appropriate for Newbottle. 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 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. These will be amended accordingly in May 2025.***

## **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.

To ensure compliance with the above criteria, we have selected a sample of 23 individual payments in the financial year totalling £21,470 equating to 83% by value of non-pay related payments processed in the year with no issues arising, apart from noting that only 2 of 7 payment invoices to nPower in the year have been uploaded to Scribe.

Whilst we note as above 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 the above 5 nPower invoices, we also noted a significant duplicated 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 16<sup>th</sup> September 2024: we are pleased to note

that nPower have subsequently refunded the duplicated payment, which given the controls that should be operative should not have occurred.

The fact that these payments have been made to nPower without supporting documentation 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 also now agreed the reclaimed amount for 2024-25 to the year's Scribe detail.

### **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 and approval 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. All invoices are received electronically: therefore, it would be labour intensive to print them all off for Cllrs to sign. Prior to PC meetings, all invoices are emailed to Councillors and the payments list is signed by two Councillors. Councillors also have the option of a login for Scribe if they wish to view all financial documents.***

## **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 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 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, we noted at our interim review 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. Having drawn attention to this apparent anomaly in our interim report, we are disappointed to note that no adjustment to these entries has been made prior to the year-end closedown, although we acknowledge that it has no effect on the detail recorded in the AGAR at Section 2.

As reported previously, the Scribe software does not record the existence of any earmarked reserves, although we understand that the adopted Reserves Policy includes reference to the existence of an “election costs” reserve. Detail of this and any other earmarked reserves the Council may determine to establish should be identified appropriately in Scribe.

### **Conclusions and recommendations**

***We are pleased to record that no significant concerns arise in this area affecting our certification of this element of the AGAR IA certificate: the existence of the “election” and any other earmarked reserves the Council may determine to establish should be clearly identified / recorded in the Scribe accounts.***

- R3. *The Council should ensure that, where specific earmarked reserves are in place, their detail is identified appropriately 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. **Noted.***

## 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.*

## 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 during the financial year, 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 1<sup>st</sup> April 2024, together with a further increase to point 28 with effect from 1<sup>st</sup> April 2025;
- 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 1<sup>st</sup> 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;
- Noted that the Clerk has not been enrolled in the LG Pension Scheme; and
- Noted the approved change of a payroll service provider from 1<sup>st</sup> April 2025

### *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 suggested previously, we again urge that the Council considers the development of a photographic record of its external assets to assist in the smooth progression of any insurance reclaim in the event of wither accidental or wilful damage to street furniture, etc.*

*R5. 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 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.*

## 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 intended entries in 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 Corporate Governance</b>		
R1	The Standing Orders and Financial Regulations should record a consistent value for formal tender action, ideally at a value of around £10,000.	<i>These will be amended accordingly in May 2025.</i>
<b>Review of Expenditure &amp; VAT</b>		
R2	To provide clear evidence of member scrutiny and approval of all payments to be processed and paid, <u>all</u> 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.	<i>All invoices are received electronically: therefore, it would be labour intensive to print them all off for Cllrs to sign. Prior to PC meetings, all invoices are emailed to Councillors and the payments list is signed by two Councillors. Councillors also have the option of a login for Scribe if they wish to view all financial documents.</i>
<b>Budgetary Control and Reserves</b>		
R3	The Council should ensure that, where specific earmarked reserves are in place, their detail is 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.	<i>Noted</i>
<b>Fixed Asset Registers</b>		
R5	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.	