

Adderbury Parish Council

Internal Audit Report (Final update) 2022-23

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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 2022-23 financial year, during our review of the Council's records, which was undertaken remotely in early December 2022 and on 4th April 2023 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 generally adequate and effective controls over the Council's finances: we acknowledge the actions taken to address issues identified in our 2021-22 and interim 2022-23 reports, although a few remain requiring attention: we have accordingly updated this year's interim report to reflect the current status on action 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, except in relation to compliance with the requirements of the Accounts and Audit Regulations as regards the posting of the Notice of Public Rights affording members of the public with 30 working days in which they may examine the Council's financial records (the 2021-22 external audit report also referred to this requirement)..

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.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Clerk uses the Scribe software to maintain the accounting records with two bank accounts in place with Unity Bank, together with a deposit account with the Cambridgeshire & Counties Building Society.

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: -

- Checked to ensure that the closing 2021-22 balance has been brought forward correctly as the opening balance for 2022-23 noting at our interim review that the opening balance as recorded in bank reconciliations to that date in the year and uploaded to Scribe all record an understated opening balance of £72,464.57, a difference of £47.02 to that reported in last year's Accounts and the AGAR at Section 2, Boxes 7 & 8. Further enquiry revealed this to be a reimbursement directly to the Clerk for petty cash spending during 2021-22: we also note that this amount was incorrectly appearing as an uncashed payment in the early months' of 2022-23 bank reconciliations despite the payment clearing the bank account on 27th April 2022: we are pleased to record that this anomaly has been resolved satisfactorily with the correct opening balance now recorded in Scribe and showing on subsequent bank reconciliation statements produced by the Clerk following our initial query;
- 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 the relevant supporting bank statements. A number of anomalies / errors in accuracy of data entry in relation to recording of both receipts and payments detail were also identified at our interim review in this respect, detail of which we drew to the Clerk's attention who has made the necessary amendments to help ensure that the accounts remained in balance for the remainder of the year;
- Examined detail on a sample of the combined accounts bank reconciliations during the year including that at 31st March 2023; and
- Ensured the accurate disclosure of the combined cash and bank account balances in the AGAR at Section 2, Box 8.

Conclusions and recommendation

We are pleased to note that reconciliations are routinely presented to the Council and adopted, they also being signed-off by the Clerk and Chairman, the latter individual'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 (and / or receipts) at the time of reconciliation. The Scribe software generates reports providing full detail of any such uncleared payments or receipts. Whilst the bank reconciliation statements were being uploaded to the Scribe accounts, detail of the uncleared transaction reports (receipts and payments) were not being uploaded at the time of our interim review. We have also seen no evidence that the bank statements loaded onto Scribe have been signed-off in accordance with the adopted FRs. As in last year's report, we urge that the uncleared receipts and payments reports are also printed, reviewed and agreed to the bank

reconciliation detail and signed-off by the nominated member (not the Chairman) and are uploaded to the Scribe software together with the signed-off bank statements and uncleared Scribe receipts and payments reports.

- R1. *The Council should ensure compliance with the adopted Financial Regulations (Para 2.2 refers) with a nominated councillor, not the Chairman or a cheque signatory, formally agreeing detail to the underlying records (bank statements and uncleared receipt and payment listings) and signing-off the supporting bank statements and the uncleared cheque / receipt lists as evidence of their review and agreement to the reconciliation detail.*
- R2. *Copies of all the above signed documents should be uploaded to Scribe, rather than unsigned copies.*
- R3. *The Clerk should take care when preparing the monthly / periodic bank reconciliation statements and other supporting documents to ensure that the detail is factually accurate before providing detail to the nominated councillor for their formal review and sign-off.*

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 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 adopted Standing Orders (SOs) and FRs), both of which were reviewed and re-adopted in May 2022 and are in line with the latest NALC model documents. We noted last year that the SOs imply a financial limit of £25,000 for formal tender action (Para 18.a.v refers) whilst the FRs specify a tender limit of £10,000 (Para 11.1.b refers). As recommended last year, a consistent value should be recorded in both documents, ideally at the lower value, as currently recorded in the FRs. We also take this opportunity to advise the Clerk and Council of a further recent revision to the Public Contract Regulations clarifying the value at which contracts must be published on the Government's Contract Finder website: the value is now stipulated as £30,000 including VAT, which should now also be identified accordingly in the Council's SOs and FRs.

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 signed-off the 2021-22 AGAR referring, inter alia, to issues relating to the timing and dates of publication of the Notice of Public Rights for that year and remind the Council of the need to ensure full compliance with the Accounts and Audit Regulations when adopting the 2022-23 AGAR and publishing the Public Rights Notice. The Council will consequently need to carefully consider its response to Section 1, Box 4 of the 2022-23 AGAR.

Conclusions and recommendation

In noting the Council agreed value for formal tender action at £10,000, the SOs and FRs should be amended accordingly in the relevant paragraphs to reflect that value. We shall continue to monitor the Council's approach to governance at future reviews also continuing our review of minutes.

- R4. *The Standing Orders and Financial Regulations should be amended in the relevant paragraphs to record the now approved lower value of £10,000 for formal tender action.*
- R5. *The Council will need to consider its response to the Governance Statement Section 1, Box 4 in the 2022-23 AGAR, also ensuring that the legally required 30 working days are recorded on the Notice of Public Rights for inspection of the Council's 2022-23 financial records.*

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 have suggested previously that they could and should be further strengthened to afford clear evidence of members' approval of individual payments 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 note that the Clerk is uploading most, but not all, invoices and documentary evidence supporting the payments made, to the Scribe accounts although those posted do not include any evidence of member scrutiny: we acknowledge that this is provided on the Scribe generated payment list for the 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. That said, we have some doubts as to the effectiveness of the checks undertaken given the two identified entry errors in Scribe as identified at our interim review.

To ensure compliance with the above criteria, we have selected a sample of 35 individual non-pay related payments in the year totalling £35,450 equating to 65% by value of non-pay related payments processed. In examining the supporting documentation, we have noted a few instances where VAT expended on certain purchases has not been identified for recovery, also noting that the payment for insurance cover for 2022-23 included £194.30 Insurance Premium Tax (IPT), which has been erroneously recorded in Scribe as a recoverable VAT amount: IPT is not VAT and may not be recovered from HMRC. We are pleased to note that the Clerk has taken appropriate action to correct this and other errors.

No documentation supporting the Clerk's regular monthly expenses on phone / broadband; Zoom subscriptions and mileage have been posted to the Scribe site and we urge that these also be loaded routinely in future: the first two items will most probably also include VAT, which is 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 “Eco Web” hosting payment of £5.99 will also probably include VAT and again, provided a VAT registration number is on the invoice, the VAT may be recovered. We have also noted occasional purchases by councillors on behalf of the Council for events, etc.: to ensure that any VAT incurred may be reclaimed on such purchases, we urge that the councillor ordering the goods requests that a VAT invoice is provided bearing the name of the Council to facilitate recovery.

We note that VAT reclaims are prepared and submitted to HMRC annually, with that for 2021-22 repaid on 22nd April 2022: we have examined the 2022-23 reclaim at this final review agreeing detail to the Scribe accounts for the financial year.

Conclusions and recommendations

As indicated above, we consider that controls over the authorisation and release of payments could and should be further strengthened with members actually evidencing their involvement in the process by initialling all payment documentation prior to its upload to the Scribe software. We also urge that every payment processed in the year, be it the Clerk’s expenses, grants and donations, etc., should also be uploaded to Scribe. All purchases should be examined closely and, where VAT is identified thereon, but has not been recorded in the Scribe accounts for recovery, appropriate adjustments should be made to the accounts: the erroneous inclusion of IPT as VAT for recovery should also be amended.

- R6. *Members approving and releasing payments should, ideally in line with best practice, examine and also sign-off / initial all invoices using the rubber stamp affixed to the invoices to indicate effective and full discharge of their fiduciary responsibilities in checking and approving the release of the payments.*
- R7. *To ensure the existence of a clear audit trail, **all** payments recorded in Scribe should be supported by formal documentary evidence which should also be uploaded to Scribe routinely.*
- R8 *The identified and potential anomalies in relation to the status of IPT and potentially recoverable VAT in other areas should be examined and, where VAT does apply and a valid VAT registration number appears on the invoice / till receipt (or not in the case of IPT), appropriate adjustment should be made in the Scribe accounts. **The IPT has been corrected appropriately: the others will be considered further in posting 2023-24 detail to Scribe.***

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 report that the Council has a comprehensive Risk Management document in place noting that, following our previous recommendation, a more comprehensive document was prepared and adopted by the Council at the May 2022 full Council meeting: we consider this revised document appropriate for the Council’s ongoing requirements.

We have examined the Council’s insurance policy noting that cover continues to be provided by Hiscox with both Employer’s and Public Liability cover standing at £10 million and 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 further consideration be given to the requirement to insure for that possible eventuality.

We note that an external provider undertakes period 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 this year warranting formal comment or recommendation although, as above, we suggest that consideration be given to the need to pay insurance in respect of "Business Interruption – Loss of Revenue" cover and its removal from the insurance schedule with potential cost savings.

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, after due deliberation, the Council formally approved and adopted its 2023-24 budget and precept at the full Council meeting held in January 2023 with the latter set at £55,264.

We are pleased to note that the Clerk continues to provide members with detail of the Council's budgetary position during the year and have reviewed the year-end Scribe generated budget report with no issues identified warranting further enquiry or comment, other than having noted at our interim review a number of apparent miscodings during the year (e.g. identified by Scribe cost Centre / Transaction Reference Number and data entry reference 11/23, 11/212, 57/134, 48/221). We are pleased to note that these have been recoded accordingly, where appropriate.

We have again seen no indication that the Council has as yet, considered the establishment of any specific reserves to be set aside for any future potential development aspirations or periodically recurring expenditure such as election costs or equipment replacement, although we are advised that this will be considered further at the close of the financial year.

Conclusions and recommendation

We are pleased to record that no serious concerns arise in this area, noting that the above referenced apparent miscodings have been amended appropriately.

R9. As recommended previously, consideration should be given to the establishment of specific earmarked reserves with funds set aside and accumulated steadily each year to meet the cost of potential future expenditure on items such as election costs, equipment replacement, etc. This will be addressed at the start of the next financial year.

R10. The identified anomalous coding entries should be examined and, if confirmed, appropriate adjustments be made. These have been amended appropriately.

Review of Income

The Council receives income from a variety of sources primarily by way of the annual precept, together with burial and associated cemetery fees, allotment rents, recoverable VAT and limited amounts of bank interest.

We are pleased to note that the Council has complied with its FRs reviewing and adopting a revised schedule of fees and charges in relation to both burials and allotment rents for 2023-24, as recorded in the minutes of the November 2022 Council meeting.

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 examined income arising from allotments and are pleased to note that, following our suggestion last year, the Clerk has maintained a formal register of allotment tenants in spreadsheet format with detail recorded of the actual rent received from each tenant: we note that, at the financial year-end one tenancy had been terminated following non-payment of the annual rent due to the Council.

The Clerk has provided detail of interments occurring during the financial year to the date of our interim review, together with copies of undertakers' correspondence and the legally required burial / cremation certificates relating to those interments. We have examined that correspondence and verified the resultant fee income recorded in the Scribe accounts to the approved scales of fees and charges applicable in 2022-23 with no issues arising. As indicated earlier in this report, we hope to undertake our final review on site and will further examine the formal Burial Register and detail of any further interments at that time.

We have also examined the Clerk's control record of income arising from the Wine Tasting event held in the autumn and have agreed detail of that to the Scribe record of income received with no issues arising.

Conclusions and recommendations

We are pleased to record that no significant issues or concerns arise in this area, although we again suggest that the Clerk's register of recoverable allotment rents be expanded to include detail of the date of receipt to assist in providing a clear audit trail to the Scribe cashbook entries.

R11. The Clerk's allotment register control record should be expanded to include the actual date of receipt.

Petty Cash Account

The Council operates a small petty cash account with a balance of £50 recorded in the Scribe accounts at the close of the previous financial year. Expenses incurred during the year are being recorded in Scribe as made from the petty cash account, with no indication of any "top-up" to return the physical cash holding to the £50 imprest level occurring in the financial year.

Consequently, as recommended previously, we urge that as and when the Clerk is reimbursed for any petty cash expenses incurred, payment is made for the full value of those expenses and recorded in Scribe as though they were a payment made by the Clerk and analysed to the appropriate expenditure code. We note that, at the financial year-end, the bank reconciliation records a petty cash holding of £18.90, reflecting a spend of £31.10 on the 6 individual transactions recorded in the

Scribe payments cashbook as made by “Petty Cash” this year. We have been provided with copies of the documentation supporting these sic payments with no issues arising.

Conclusions

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

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 Council’s only employee: we have examined the content of her employment contract previously noting that she is paid in accordance with the nationally agreed NJC salary scale on point 29 for a contracted 87 hours per month, as approved by the Council. 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 and tax and NI contributions to HMRC.

To meet the above objective, we have: -

- Checked the Clerk’s gross salary paid in October, November and December 2022, with the 2022-23 national pay award applied in November’s payroll including arrears from 1st April 2022, together with 15 hours claimed overtime for October and November;
- Checked and agreed the calculation of any tax and / or NI deductions to be applied to the tax code as recorded on the pay slip and appropriate NI Table; and
- Ensured that the Clerk’s pension contributions are being calculated at the appropriate percentage rate.

As above, we understand an additional 15 hours’ overtime in October and November 2022 and 9 hours for January and February 2023 was agreed for payment by the Chairman: at the time of our interim review, no formal time sheet had been prepared or signed-off approving the first tranche of overtime for payment by the Chairman: we are pleased to note that following our interim report recommendation a suitable record has been prepared of the January and February 2023 claimed 9 hours overtime, which has been duly signed-off by the chairman.

Conclusions and recommendation

We are pleased to record that no significant issues have been identified in this area this year, although to protect the Clerk from any potential allegations of submitting an inappropriate claim for overtime, a suitable proforma timesheet should be prepared and be signed as authorised by the Chairman.

*R12. Where necessary overtime is worked and reclaimed, a suitably designed proforma timesheet should be prepared and be signed by the Chairman confirming the hours as necessarily worked and due for payment. **This has been actioned accordingly.***

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.

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 able, noting the accurate recording of new additions in 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 and in last year's report, we suggest that consideration be given to the development of a photographic register of street furniture, etc.

R13. 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. The Council should continue to monitor the interest earning opportunities and consider placing surplus funds in appropriate banking institutions where earned interest could be maximised.

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, except in relation to compliance with the requirements

of the Accounts and Audit Regulations as regards the posting of the Notice off Public Rights affording members of the public with a period of 30 working days in which they may examine the Council's financial records.

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 refers) with a nominated councillor, not the Chairman or a cheque signatory, formally agreeing detail to the underlying records (bank statements and uncleared receipt and payment listings) and signing-off the supporting bank statements and the uncleared cheque / receipt lists as evidence of their review and agreement to the reconciliation detail.	
R2	Copies of all the above signed documents should be uploaded to Scribe, rather than unsigned copies.	
R3	The Clerk should take care when preparing the monthly / periodic bank reconciliation statements and other supporting documents to ensure that the detail is factually accurate before providing detail to the nominated councillor for their formal review and sign-off.	
Review of Corporate Governance		
R4	The Standing Orders and Financial Regulations should be amended in the relevant paragraphs to record the now approved lower value of £10,000 for formal tender action.	
R5	The Council will need to consider its response to the Governance Statement Section 1, Box 4 in the 2022-23 AGAR, also ensuring that the legally required 30 working days are recorded on the Notice of Public Rights for inspection of the Council's 2022-23 financial records.	
Review of Expenditure and VAT		
R6	Members approving and releasing payments should, ideally in line with best practice, examine and also sign-off / initial all invoices using the rubber stamp affixed to the invoices to indicate effective and full discharge of their fiduciary responsibilities in checking and approving the release of the payments.	
R7	To ensure the existence of a clear audit trail, all payments recorded in Scribe should be supported by formal documentary evidence which should also be uploaded to Scribe routinely.	
R8	The identified and potential anomalies in relation to the status of IPT and potentially recoverable VAT in other areas should be examined and, where VAT does apply and a valid VAT registration number appears on the invoice / till receipt (or not in the case of IPT), appropriate adjustment should be made in the Scribe accounts.	<i>The IPT has been corrected appropriately: the others will be considered further in posting 2023-24 detail to Scribe.</i>
Review of Expenditure and VAT		
R9	As recommended previously, consideration should be given to the establishment of specific earmarked reserves with funds set aside and accumulated steadily each year to meet the cost of potential future expenditure on items such as election costs, equipment replacement, etc.	<i>This will be addressed at the start of the next financial year.</i>

Rec. No.	Recommendation	Response
Review of Expenditure and VAT (Continued)		
R10	The identified anomalous coding entries should be examined and, if confirmed, appropriate adjustments be made.	<i>These have been amended appropriately.</i>
Review of Income		
R11	The Clerk's allotment register control record should be expanded to include the actual date of receipt.	
Review of Staff Salaries		
R12	Where necessary overtime is worked and reclaimed, a suitably designed proforma timesheet should be prepared and be signed by the Chairman confirming the hours as necessarily worked and due for payment.	<i>This has been actioned accordingly.</i>