

## **Adderbury Parish Council**

*Internal Audit Report (Interim) 2023-24*

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## Background and Scope

Statute requires all town and parish councils to arrange for an independent Internal Audit (IA) examination of their accounting records and systems of internal control and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR).

This report sets out the initial work undertaken in relation to the 2023-24 financial year, during our first review of the Council's records, which has been undertaken remotely on 18<sup>th</sup> December 2023 following agreement of that approach with the Clerk. We again thank the Clerk in assisting the process, providing the requested documentation in electronic format to facilitate commencement of our review for the year.

## Internal Audit Approach

In undertaking our review, we have had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover is designed to afford assurance that the Council's financial systems remain robust and operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory regulatory framework. The programme is also designed to facilitate our completion of the 'IA Report' in the Council's AGAR, which requires independent assurance over a series of internal control objectives.

This report will be updated following completion of our final review for the year, the date of which has 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 maintains generally adequate and effective controls over the Council's finances, although we have again identified a few issues during the course of this interim review, a number of which we have raised previously, that will necessitate action by the Clerk to address certain issues, most notably in relation to the apparent overpayment of her tax during the year due to the non-deduction of her monthly pension contributions prior to calculating the monthly tax due to be paid to HMRC. Full detail of this and other potentially less important issues are set out in the following detailed report with resultant recommendations further summarised in the appended Action Plan for ease of reference.

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 2023-24. Two bank accounts are in place with Unity Bank, together with a deposit account with the Cambridgeshire 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 2022-23 balance has been brought forward correctly as the opening balance for 2023-24;
- Ensured that an appropriate coding structure remains in place to facilitate effective budget monitoring / performance management;
- Checked detail in the receipts and payments “cashbooks” generated by Scribe, examining all transactions recorded for the financial year to 18<sup>th</sup> November 2023 to the relevant supporting bank statements.
- Examined detail on the bank reconciliation as at 18<sup>th</sup> November 2023, noting that one receipt entered in the 2022-23 accounts (WFAC Donation - £250.00) has still to be deposited in the Council’s bank account. If this donation is no longer likely to be received, a negative receipt should be recorded in the 2023-24 receipts cashbook effectively cancelling the 2022-23 entry. We are pleased to record that no long-standing uncleared payments exist currently.

### Conclusions and recommendation

*We are again 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 individual’s action as indicated last year remains contrary to the requirements of the adopted Financial Regulations (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 are now being uploaded to the Scribe accounts having been signed-off, as above, detail of the uncleared transaction reports is not being uploaded. As in last year’s report, we urge that the uncleared receipts and payments reports are also printed, reviewed, agreed to the bank reconciliation detail and signed-off by the nominated member (not the Chairman) and are uploaded to the Scribe software.*

*We will extend our review of these 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 7.*

*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 bank reconciliation detail to the underlying records (bank statements and uncleared*

*receipt and payment listings) and signing-off the content of all the related documents, which should be uploaded onto the Scribe web detail.*

- R2. The long-standing unbanked receipt should either be reversed in the 2023-24 Scribe accounts or, if still receivable, be chased to ensure recovery and banking.*

## **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 Financial Regulations (FRs), both of which were reviewed and re-adopted in May 2023 and that they are in line with the latest NALC model documents. We have advised previously 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). We have examined the 2023-24 adopted versions of both documents as posted on the website noting that no action appears to have been taken to ensure consistency of the value in both documents.

We have reviewed the Council and Committee minutes examining those for the financial year to date to determine whether any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability and are pleased to record that no such matters have been identified.

We note that the external auditors have signed-off the 2022-23 AGAR, again referring to an issue relating to the dates of publication of the Notice of Public Rights for that year, although there is no indication given on the year to which their comment relates. However, we note that the 2022-23 published Notice again refers to a period of 31 days for public inspection, not the legally required 30 working days. Consequently, we remind the Council to ensure full compliance with the Regulations when adopting the 2023-24 AGAR and publishing the Public Rights Notice.

### ***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 consistent value for formal tender action. We will continue to review minutes and the Council's approach to governance issues at future visits.***

- R3. The Standing Orders and Financial Regulations should be re-examined and amended to ensure they record a consistent value for formal tender action, ideally at £10,000, whilst taking account of the recently advised / clarified value for advertising tenders in the Government's Contract Finder website, which now stands at £30,000 including VAT.*
- R4. Care should be taken to ensure that the Notice of Public Rights for 2023-24 is posted for the legally required 30 working days.*

## **Review of Expenditure**

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Appropriate documentation supports payments, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and / or an acknowledgement of receipt, where no other form of invoice is available;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense codes have been applied to invoices when processed, and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have previously discussed with the Clerk, the Council's control procedures in relation to the scrutiny and approval of traders' and other invoices / documentation 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 and involvement in the authorisation process. Ideally, the reviewing and authorising member(s) should initial copies of invoices with those copies uploaded to the Scribe accounting records. We also note that the invoices saved thereon record the same Scribe transaction number in both the "Reference no." and "Scribe account no." detail on the stamp affixed to each invoice: the latter should record the Scribe Cost centre rather than the entry reference number to provide a clear and effective audit trail to the Scribe accounts detail.

To ensure compliance with the above test criteria, we have selected a sample of 27 individual payments in the year to 18<sup>th</sup> December 2023 totalling £40,000 equating to 69% by value of non-pay related payments processed to that date. We are pleased to record that no further issues, to those referred to above, arise in this area warranting formal comment or recommendation.

We referred in last year's report to the absence of documentation on the Scribe accounts supporting the Clerk's regular monthly expenses on phone / broadband, Zoom subscriptions and mileage, etc., other than as recorded on the payslips. As suggested last year, copies of the relevant supporting documents should be stamped accordingly and be posted on the website. The first two items will most probably also include VAT, which is consequently 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 probably include VAT and, provided a VAT registration number is on the invoice, the VAT may be recovered.

Finally, we again 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 shall examine the 2023-24 reclaim at our final review.

### ***Conclusions and recommendations***

***As indicated previously and 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 supported by a relevant document also 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.***

- R5. *To ensure the existence of a clear audit trail, **all** payment transactions recorded in Scribe should be supported by formal documentary evidence, which should also be uploaded to Scribe routinely following member scrutiny, approval and sign—off.*
- R6. *Members approving and releasing payments should, in line with best practice, ideally evidence their examination of individual invoices signing-off / initialling all invoices / payment documentation 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. *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.*

## **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 again record that the Council has a comprehensive Risk Management document in place noting that this has been re-adopted by the Council at the May 2023 full Council meeting: we consider this 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 warranting formal comment or recommendation.*

## **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 formal deliberations on the budgetary and precept requirements for 2024-25 approving both and adopting the precept at £69,080 at the November 2023 Council meeting following due debate.

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

We note that, following our recommendation last year, the Council has now established a Capital reserve in the Scribe accounts and will continue to monitor the position in this respect at future reviews.

### **Conclusions**

*We are pleased to record that no concerns arise in this area currently. We shall undertake further work at our final review examining the year-end budget outturn, seeking explanations for any significant variances that may have arisen subsequent to this review and considering the ongoing appropriateness of the level of retained reserves to meet the Council's ongoing revenue spending requirements and potential development aspirations.*

## **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, various events, 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 minuted appropriately.

Our objective in this area is to ensure that all income due to the Council is identified and recovered within an appropriate time period and is also banked promptly. We have, as part of this interim review examined income arising from allotment rents and are pleased to again note that the Clerk has prepared a formal register of allotment tenants in spreadsheet format with detail recorded of the actual rent received and date of receipt from each tenant: we are also pleased to note that no tenants' rents remain unpaid.

The Clerk has kindly provided detail of burial ground interments occurring this financial year, together with copies of undertakers' correspondence and the legally required burial / cremation certificates relating to those interments with only one outstanding receipt. We have examined the Clerk's spreadsheet record of the year-to-date interments ensuring that the appropriate fees have been received and are recorded appropriately in the relevant Scribe Cost Centre, also ensuring that recoverable fees in respect of headstones and additional inscriptions have been correctly charged and accounted for in the Scribe software.

### **Conclusions**

*We are pleased to record that no significant issues or concerns arise in this area currently. We will undertake further work in relation to the Council's income at our final review.*

## Petty Cash Account

The Council has again operated a small petty cash account with a reducing balance that currently stands at only £0.15, as recorded in the Scribe accounts currently.

The petty cash account had an opening balance of £18.90 at 1<sup>st</sup> April 2023, which has been applied for the purchase of stamps during the year leaving the above residual balance at the current date. Given the low volume and cost of transactions to date this year, we suggest that the account be wound-up, and consideration be given to the acquisition of a Council debit / credit card for use by the Clerk to expedite small purchases on behalf of the Council.

### Conclusions

*No issues arise in this area currently and, as above, we suggest that the account be wound up and a Council debit / credit card be acquired for use by the Clerk in acquiring small value purchases.*

## 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 was previously paid in accordance with the nationally agreed NJC salary scale on point 29 (now raised to point 31) 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 / NI contributions to HMRC and pension contributions to the Pension Fund Administrators.

To meet the above objective, we have: -

- Checked the Clerk's gross salary paid in October and November 2023, noting that the Council approved payment of the nationally agreed 2023-24 pay award backdated to 1<sup>st</sup> April 2023, which has duly been paid with the November 2023 salary;
- Checked the calculation of the Clerk's tax and / or NI deductions to be applied to the tax code as recorded on the pay slip and appropriate NI Table: in doing so and, as highlighted in a prior year report, it is again apparent that the contracted payroll service provider (Tax Assist) has failed to deduct the non-taxable Clerk's pension contribution before calculating the tax due to HMRC – this has again resulted in an overpayment of the tax due to HMRC and will require amendment when the December or January pay run is undertaken with a refund of the overpaid tax to the Clerk; and
- Ensured that the Clerk's pension contributions are being calculated at the appropriate percentage rate.

### Conclusions and recommendation

*We are disappointed to note that the payroll bureau has again failed to make appropriate adjustment for the Clerk's pension contributions to the LG Pension Scheme when calculating her tax deductions each month in the year to date (such pension contributions are non-taxable).*



*R8. The Clerk should liaise with Tax Assist to ensure that the appropriate adjustments are made to her next monthly pay for the year ensuring that, going forward, the employee pension contributions are deducted from each month's gross salary prior to calculating the monthly tax deduction: the resultant tax overpayment that has occurred in the current year should be calculated and repaid to the clerk accordingly.*

## **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. Given the current economic situation and the level of retained resources, the Council is unlikely to be able to improve its interest earning potential at the present time: The Council should continue to monitor the interest earning opportunities and, as and when the "market" improves, it should consider the placement of 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.*

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 refers) with a nominated councillor, <b>not the Chairman or a cheque signatory</b> , formally agreeing bank reconciliation detail to the underlying records (bank statements and uncleared receipt and payment listings) and signing-off the content of all the related documents, which should be uploaded onto the Scribe web detail.	
R2	The long-standing unbanked receipt should either be reversed in the 2023-24 Scribe accounts or, if still receivable, be chased to ensure recovery and banking.	
<b>Review of Corporate Governance</b>		
R3	The Standing Orders and Financial Regulations should be re-examined and amended to ensure they record a consistent value for formal tender action, ideally at £10,000, whilst taking account of the recently advised / clarified value for advertising tenders in the Government's Contract Finder website, which now stands at £30,000 including VAT.	
R4	Care should be taken to ensure that the Notice of Public Rights for 2023-24 is posted for the legally required 30working days.	
<b>Review of Expenditure and VAT</b>		
R5	To ensure the existence of a clear audit trail, <b>all</b> payment transactions recorded in Scribe should be supported by formal documentary evidence, which should also be uploaded to Scribe routinely following member scrutiny, approval and sign—off.	
R6.	Members approving and releasing payments should, in line with best practice, ideally evidence their examination of individual invoices signing-off / initialling all invoices / payment documentation 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	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.	
<b>Review of Staff Salaries</b>		
R8	The Clerk should liaise with Tax Assist to ensure that the appropriate adjustments are made to her next monthly pay for the year ensuring that, going forward, the employee pension contributions are deducted from each month's gross salary prior to calculating the monthly tax deduction: the resultant tax overpayment that has occurred in the current year should be calculated and repaid to the clerk accordingly.	

