



Bray Parish Council

Internal Audit Report 2023-24 (Final)

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Background

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

This report sets out the work undertaken in relation to the 2023-24 financial year both at our offices in advance of and during our two visits to the Council on 5th October 2023 and 18th April 2024. We thank the Clerk for providing all necessary information in a combination of electronic and hard copy format to assist in our completion of reviews.

Internal Audit Approach

In undertaking our review, we have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts / AGAR. Detail of the areas examined is set out in the following pages of this report.

Our programme of cover is designed to afford appropriate assurance that the Council's financial systems are 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 range of specified internal control objectives.

Overall Conclusion

We have concluded that, based on the work undertaken, the Clerk and Council continue to operate adequate and effective internal control arrangements. We have duly signed the IA section of the AGAR assigning positive assurance against the control objectives.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Clerk has switched to use of the Scribe accounting software from Sage with effect from 1st April 2023 and has kindly arranged with the software supplier for us to have read access to the detail. The Council operates two bank accounts with Lloyds (Current & Deposit) plus additional accounts with the CCLA Public Sector Deposit Fund (PSDF), the Nationwide Building Society and Unity Bank.

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. Consequently, we have:

- Agreed the 2023-24 opening balances in the financial software with the closing detail for 2022-23 recorded in the former SAGE accounts.
- Ensured that an appropriate coding structure is in place.
- Discussed arrangements for backing up the accounting records, which is now done automatically to the Scribe Accounting “Cloud” based system.
- Examined the years receipt and payment “cashbooks” agreeing detail to the supporting bank statements from April to September, plus December 2023 and March 2024.
- Noted that a monthly composite bank reconciliation is prepared on the bank accounts with detail reviewed and signed-off by councillors during the year (we note that, at the time of both visits, a few elements of the financial documentation remained to be reviewed appropriately and be signed-off accordingly, those documents being “flagged” appropriately as due for sign-off. Given the timing of our final review visit so close to the financial year-end, we do not consider this to be a significant issue, but urge that in 2024-25 all documentation is subjected to regular quarterly review and sign-off.
- Agreed the content of bank reconciliations at 31st August 2023 and March 2024.
- Ensured the accurate disclosure of the combined account balances in the year’s AGAR at Section 2.

Conclusions

We are pleased to record that no issues arise in this area warranting formal comment or recommendation. That said, we note that due to the imposition of a charge by “Stripe” on income paid by card the Scribe software requires the gross receipt to be recorded as such, whilst the charge element has to be recorded as a payment. This creates additional work for the Clerk (and us) in effectively verifying the detail on bank statements when reconciling the accounts each month. We have discussed the position with the clerk suggesting that, ideally, the net receipt (as shown on the bank statement) should be entered into the receipts cashbook) with two entries one showing the gross receipt for each payment received with a second line negative entry for the amount effectively taken from the receipt by Stripe. We note that the Clerk has raised his with Scribe and that this is currently not physically possible. A number of our other clients also receive income through the Stripe process and urge that the Clerk endeavours to resolve and simplify the recording and checking process with Scribe. We are asking other clients in a similar situation to also seek a satisfactory solution with Scribe.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust series of corporate governance documentation and procedures in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we may reasonably be expected to ascertain as we do not attend meetings, no actions of a potentially unlawful nature have been or are being considered for implementation.

We have examined the Council's minutes for the financial year as posted on the website and provided in hard copy format by the Clerk 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 concerns have been identified.

We noted in our interim report that the Council adopted its SOs and Financial Regulations (FRs) at the Council meeting in May 2022. Following our previous recommendation, we are pleased to note that these have both been reviewed, updated and adopted appropriately in November 2023. We have examined the content of the documents noting that they are in line with the NALC model documents and reflect current legislative requirements.

Finally in this area, we note that the external auditors signed-off their certificate in the 2022-23 AGAR with one minor presentational issue highlighted: we have also ensured compliance with the requirements of the Accounts and Audit Regulations 2015 with the 2022-23 Notice of Public Rights duly posted on the website for the requisite 30 working days.

Conclusions and recommendation

We are pleased to record that no residual issues have been identified in this review area with our suggested amendments implemented appropriately.

R1. The adopted Standing Orders and Financial Regulations should be amended to reflect the clarified value for formal tender action in accordance with the relevant legislation as £30,000 including VAT. This has been addressed appropriately with revised documents adopted.

Review of Expenditure

Our aim here is to ensure that:

- Council resources are released in accordance with the Council's approved procedures and approved budgets;
- Payments are supported by appropriate documentation, 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;
- That members are provided with and approve schedules of payments made;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount; and
- VAT is identified for inclusion in the reclaims submitted to HMRC for recovery at quarterly intervals.

We have discussed with the Clerk the arrangements for processing payments confirming that invoices are subject to member review and online release with the Clerk setting them up online. We are pleased to note that all invoices are stamped with a suitably designed certification stamp signed by the Clerk and one or two councillors.

To gain assurance in this area we have examined a sample of payments throughout the year to supporting documentation. Our test sample includes all payments in excess of £1,500, together with every 30th payment as recorded in the Scribe payment listing. Our test sample includes 44 individual payments totalling £112,710 equating to 72% by value of all non-salary payments in the year.

We also note that VAT Returns continue to be compiled and submitted to for repayment quarterly through the Scribe software and have ensured appropriate recovery of the final 2023-24 quarter reclaim and the first three reclaims for 2023-24.

Conclusions

We are pleased to record that no matters arise in this area warranting formal comment or recommendation.

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 in order to minimise the opportunity for their coming to fruition.

We note the Council has reviewed and re-adopted its financial risk assessment in November 2023 and have reviewed the content considering that it remains appropriate for the Council's present requirements.

We have examined the Council's 2023-24 Zurich insurance policy, noting that Employer's Liability cover stands at £10 million, Public Liability at £12 million and Fidelity Guarantee at £500,000, together with a raft of insured items such as street furniture and other equipment: consequently, we consider that appropriate cover is in place.

We also note that inspections of the Council play areas are conducted monthly by an external contractor.

Conclusions

We are pleased to record that no issues arise in this area: 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 the level of precept to be drawn down from the Royal Borough: 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, whilst retaining appropriate sums to cover any unplanned expenditure.

We note that members continue to be provided with detailed financial information regularly during the year to facilitate budget monitoring.

We note that the 2024-25 budget and precept were formally discussed and agreed at the January 2024 full Council meeting with the latter set at £228,492.62. We are pleased to note that the Clerk periodically provides members with performance detail against the approved budget and have examined the year-end outturn noting that income equates to 188% of the approved annual budget, whilst expenditure equates to 92% of the agreed budget. We have examined the detailed Scribe budget report for the year noting that the apparent over-receipt of funds in the year has arisen primarily due to the Royal Borough paying the first tranche of the 2024-25 precept in March 2024: the significant increase in interest rates during the year, together with the receipt of further CIL moneys has also contributed to the significant rise in income for the year. Whilst there are a few overspends against the approved budget, we do not consider any require further enquiry.

We have considered the Council's level of balances and reserves held at 31st March 2024 noting that a raft of earmarked reserves (EMRs) is in place totalling £349,700 with the General Fund balance at 31st March 2024 standing at £29,100, the latter equating to approximately 1½ months' revenue spending at the 2023-24 level. Whilst this is below the generally recognised holding of between three and six months revenue spending, we do not consider this to be an issue of concern as, should the urgent need arise funds held in EMRs could be reverted back to the General Reserve.

Conclusions

We are pleased to record that no issues or concerns arise in this area warranting formal comment or recommendation.

Review of Income

The Council's principal sources of income, other than the Precept, arise from cemetery activity, allotment rents and tennis court hire fees, together with CIL moneys, bank interest and occasional car parking and open space hire fees, together with the quarterly VAT recovery of VAT. Our objective is to ensure that robust procedures are in place to ensure that all income due to the Council is identified and invoiced (where applicable) appropriately with recovery effected within a reasonable time span. We have to date:

- Agreed the precept received into the Council's bank account to the amount set and approved per the Council's minutes noting, as above, the advance receipt in March 2024 of the first tranche of the 2024-25 precept;
- Examined a sample of six burials occurring since March 2023 ensuring that the appropriate cremation or burial certificates are held and agreeing the fees charged to the approved schedule of fees and charges; and
- Noted that allotment rent income has been invoiced using the Scribe specialist software and have reviewed the schedule of tenants and rents due noting that, at the financial year-end, all had been paid.

We have examined the Scribe detailed income transaction report ensuring that, as far as we are reasonably able, all income due to the Council has been received and accounted for appropriately.

Conclusions

We are pleased to record that there are no additional matters arising to that recorded in the first section of this detailed report relating to recording of Stripe income.

Petty Cash Account

The Council does not operate a petty cash account: any “out-of-pocket” expenses incurred by officers or members are reimbursed through the normal suppliers’ payments procedures.

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 requirements of HMRC legislation and payment over of income tax and NI contributions, together with LGPS deductions and contributions payable to the respective agencies. To meet that objective, we have examined the September 2023 payroll documentation for the three employees: -

- Ensuring that all three are being paid at the appropriate contracted NJC pay scale for their contracted weekly hours;
- Noted that all three receive the “Outer London Fringe Allowance” (OLFA) paid pro rata for their contracted weekly hours: in this respect, we noted at our interim review that this allowance had not been uplifted to the value applicable from 1st April 2022;
- Checked the calculation of tax and national insurance deductions to the relevant and applicable HMRC tables;
- Ensured that pension contributions were being deducted at the appropriate percentage rate in accordance with the revised contribution bandings applicable from 1st April 2023; and
- Ensured that the gross pay, together with travel expenses due for payment in September 2023 had been paid appropriately.

We also note that mileage expenses, etc are recorded on the staff monthly time sheets and, whilst scrutinised by the clerk at the time of payroll preparation, they are not formally certified: consequently, we have suggested to the Clerk that she signs off the Deputy and Assistant’s records, whilst hers should be signed off by the Chair of the Finance Committee confirming the expenses as appropriate and necessarily incurred on Council business.

Conclusions and recommendation

As indicated above, we note that the incorrect OLFA has been applied to the September 2023 staff salaries, as has also been the case since the allowance’s uplift on 1st April 2022. Consequently, all three staff in post will have been underpaid since that date or the date of their appointment.

We also note that the Clerk has been awarded a spinal point increase from 1st April 2023, which has yet to be applied. The Clerk has advised that she was awaiting receipt / confirmation of the results of the 2023-24 national pay award negotiations, which have still to be resolved. Consequently, she will be entitled to payment of arrears of pay backdated to 1st April 2023 once the spinal point uplift and year’s pay award are confirmed and applied.

R2. *The revised Outer London Fringe Allowance should be applied for all staff in their next monthly salary payment together with arrears backdated to 1st April 2022 or their appointment date. This has been adjusted accordingly.*

R3. *The Clerk’s spinal point increase should also be applied with the next month’s salary pay calculation, together with arrears due from 1st April 2023. Noted and actioned accordingly.*

*R4. Ideally, the monthly timesheets and travel, etc expense sheets should be signed off by the Clerk, for her Deputy and Assistant, whilst the Clerk's should be signed-off by the Chair off the Finance Committee. **The Clerk has commenced the formal scrutiny ad sign-off of these records and will continue to do so.***

Fixed Asset Register

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 the Council is now using the Scribe asset register identifying individual assets including both the purchase and insured cost the former being disclosed in the AGAR. We have examined the content of the register ensuring its accuracy as far as we are reasonably able, as we have not had opportunity to visit the various sites where assets are recorded as being in place.

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, we suggest that consideration be given to the development of a photographic register of 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

Our objectives here are to ensure that the Council is investing "surplus funds", be they held temporarily or on a longer term basis, in appropriate banking and investment institutions, that an appropriate investment policy is in place, that the Council is obtaining the best rate of return on any such investments made, that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with the relevant loan agreements.

As noted earlier in this report, we have checked and agreed the year end balances on the Council's investment accounts, (CCLA, Nationwide and Unity) and tested the appropriate receipt and recording of interest received.

We are pleased to also note that the Council has an approved investment policy in place.

The Council has no loans repayable either by or to it at present.

Conclusions

We are pleased to record that no issues arise in this area warranting formal comment or recommendation.

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 that detail to the underlying Scribe records.

Conclusions

We have duly signed-off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

Rec. No.	Recommendation	Response
Review of Corporate Governance		
R1	The adopted Standing Orders and Financial Regulations should be amended to reflect the clarified value for formal tender action in accordance with the relevant legislation as £30,000 including VAT.	<i>This has been addressed appropriately with revised documents adopted. This has been addressed appropriately with revised documents adopted.</i>
Review of Staff Salaries		
R2	The revised Outer London Fringe Allowance should be applied for all staff in their next monthly salary payment together with arrears backdated to 1 st April 2022 or their appointment date.	<i>This has been adjusted accordingly.</i>
R3	The Clerk's spinal point increase should also be applied with the next month's salary pay calculation, together with arrears due from 1 st April 2023.	<i>Noted and actioned accordingly.</i>
R4	Ideally, the monthly timesheets and travel, etc expense sheets should be signed off by the Clerk, for her Deputy and Assistant, whilst the Clerk's should be signed-off by the Chair off the Finance Committee.	<i>The Clerk has commenced the formal scrutiny ad sign-off of these records and will continue to do so. The Clerk has commenced the formal scrutiny ad sign-off of these records and will continue to do so.</i>
Fixed Asset registers		
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.	