

# **Bruton Town Council**

*Internal Audit Report 2023-24 (Interim)*

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*For & on behalf of  
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## **Background**

**Statute requires all town and parish councils to arrange for an independent internal audit 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 our initial review for 2023-24, undertaken at our offices and during a visit to the Dovecote Building offices on 16 November 2023. We would like to thank the Town Clerk for her help and hospitality during this review.

## **Internal Audit Approach**

The objective of this interim review is to provide an appropriate level of assurance to the Council on their governance, procedures and financial control in advance of the main review at the financial year end. Any observations made, therefore, should be seen as an ‘early warning’ of issues that need to be addressed in order to provide full and supportable assurances in the Annual Governance and Accountability Return (AGAR) for 2023-24.

In commencing our review for the year, 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. Our programme of cover is designed to afford appropriate assurance that the Council has appropriate and robust financial systems in place that 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 ‘Internal Audit Report’ as part of the Council’s AGAR process, which requires independent assurance over a number of internal control objectives.

## **Overall Conclusion**

Details of the work undertaken on the Council’s accounting and other records during this interim review are set out in the following detailed report. While we have not seen the need to make any formal recommendations, we have made some observations throughout this report in order to improve governance and internal control procedures.

We wish to record our appreciation of the vast improvements in procedures and control introduced by the Town Clerk over the first year of her work with the Council. Issues that we have previously raised have been promptly and comprehensively dealt with. We are therefore confident that, should the level of established control be maintained, we can see no reason why the Council should not receive full and supportable assurances in its 2023-24 AGAR.

# Detailed Report

## Maintenance of Accounting Records & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and that no anomalous entries appear in cashbooks or financial ledgers. The Council uses the Scribe online accounting software, which allows for good analysis of transactions. Since April 2023 the Town Clerk has rationalised the bank accounts down to two with Unity Trust (current and Instant Access).

We have:

- reconciled the 2023-24 opening balances in Scribe to the closing 2022-23 figures in the Annual Governance and Accountability Return (AGAR), noting that some late amendments were made to Section 2 (Accounting Statement) of the AGAR that will need to be reflected in the final 2023-24 AGAR, which we will review at the appropriate time;
- Ensured that the cost and expenditure coding structure remain appropriate for purpose;
- Checked and agreed the Scribe bank reconciliations as at the time of audit for both Unity Trust accounts to the supporting bank statements. We have also confirmed that the closing balances on the former HSBC and Scottish Widows accounts were properly transferred.

We note that bank reconciliations on all accounts are undertaken on a monthly basis, and reported to the next meeting of the Council. We are pleased to note that, following on from the observations in our 2022-23 reports, two Councillors are now undertaking independent checks of transactions on a rotational basis in accordance with Financial Regulation (FR) 2.2. We also understand that some Councillors have been granted read-only access to the Scribe online accounting system, which is further evidence of good independent check.

### *Conclusions*

*There are no issues arising in this area of our review warranting formal comment or recommendation at this time.*

## Review of Corporate Governance

Our objective here is to ensure that the Council has a robust series of corporate governance policies, procedures and documentation in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we are able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation.

We note that the Standing Orders (SOs) and Financial Regulations (FRs) have been adopted by the Council in May 2023, and are in the current NALC Model Forms. Further to our observations in our 2022-23 reports we note that the tendering limits in both documents have now been reduced to £30,000.

We note that the Council re-affirmed its eligibility to exercise the General Power of Competence (GPoC) in the Annual Meeting of the Full Town Council in May 2023.

We have commenced our review of the Minutes of the Town Council and Standing Committee meetings for the year to date to establish whether any issues exist that may have an adverse effect, through litigation or other causes, on the Council's current or future financial stability. No such issues have been identified to date.

We note that the Exercise of Public Rights, undertaken with regard to the 2022-23 Accounts was properly undertaken in accordance with the Accounts and Audit Regulations. However, we note that the corrected 2022-23 AGAR (Section 2) was not made available at the time, although the differences are minor.

We note a good level of compliance with the Transparency Code 2015 on the Council's website, although this needs to be maintained into 2023-24. This can be achieved by re-linking to information already publicly available in the Council's agenda papers, which we have discussed with the Town Clerk. We have also discussed the publishing of further information, such as the Risk Register.

### ***Conclusion***

***There are no issues arising in this area of our review warranting formal comment or recommendation at this time, other than the above observation concerning updating information to meet the expectations of the Transparency Code 2015.***

## **Review of Expenditure**

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Payments are supported by suitable 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;
- 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 determined, and test checked, the procedures for receiving, processing and making due payments, with no issues arising. We note the extensive use of the Scribe online accounting system, which includes scans of relevant supporting documentation, which provides a good level of internal check.

We have also examined detail of VAT payments and reclaims processed during the year to date by reference to the accounting software control account. We continue to note some minor differences, which may be timing issues, which we have referred to the Town Clerk, although we are confident these will be capable of full reconciliation at the year-end.

### **Conclusion**

*There are no issues arising in this area of our review warranting formal comment or recommendation at this time, although we will maintain our review of the VAT account.*

## **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 current insurance policy, renewed from 1 June 2023 through BHIB brokers. We note that the following covers are in place: Employers Liability at £10M, Public & Products Liability at £10M, Officials Indemnity at £500,000 and other covers, including property, which we consider appropriate for the Council's current requirements;
- Noted that the Council's Risk Register is now subject to ongoing review by the Finance and Resources (F&R) Committee, although a final version will need to be approved by Full Council by March 2024 to meet the requirements of FR15.1;
- Noted that the Jubilee playpark is now subject to a weekly visual check as well as an annual safety review.

### **Conclusion**

*There are no issues arising in this area of our review warranting formal comment or recommendation at this time.*

## **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 Unitary Authority: 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 that might arise.

We note that the current budget position is a standing item for review at Full Council meetings.

As the process for determining a budget and Precept for 2024-25 has yet to be concluded, we will review this area during our 2023-24 final review.

### **Conclusion**

*There are no issues arising in this area of our review warranting formal comment or recommendation at this time. We shall undertake further work in this important area as part of our 2023-24 final review, ensuring that the 2024-25 Budget setting and Precept determination process has been completed appropriately and that the Council has formally recorded the Precept in the Minutes. At that time we shall also examine the year-end outturn report and level of retained reserves.*

## **Review of Income**

The Council receives income, in addition to its Precept and VAT recoveries, from cemetery fees, allotment rents, event fees, and miscellaneous grants.

We have undertaken a sample check of large income transactions within the Scribe system, with no issues arising.

We note that the Scribe Cemeteries accounting package has now been introduced, with a plan to update this package with historical data. We have test-checked information between this system, the main accounting system, and primary documents, and are confident that this now provides a good level of control over receipts in this area.

We have also test-checked some of the smaller income sources to primary records, with no issues arising.

We note that fees and charges were last formally reviewed in January 2023. An annual review of all fees and charges is a requirement of FR9.3, and should therefore be undertaken by March 2024.

### **Conclusion**

*There are no issues arising in this area of our review warranting formal comment or recommendation at this time.*

## **Petty Cash Account**

The Council does not maintain a petty cash account. It does, however, make small purchases on a Lloyds Bank credit card, which is processed through the accounts as a normal trade account.

### **Conclusion**

*There are no issues arising in this area of our review warranting formal comment or recommendation.*

## Review of Staff Salaries

In examining the Council's payroll function, we aim to confirm that salary payments are in line with the Council approved pay rates and that extant legislation is being appropriately observed as regards adherence to the requirements of HMRC legislation in relation to the deduction and payment over of income tax and NI contributions, together with pension contributions.

We note that the Council's payroll is managed by an external contractor (Pata Payroll).

We have test-checked the payroll for October 2023, agreeing detail of the basic salary payments to each employee. We have also checked the accuracy of the tax, NI and pension deductions by reference to the relevant tax and NI tables and percentage bandings applying to staff contributing to the Local Government Pension scheme with no issues arising. Finally in this area, we have checked the payment over of statutory deductions (tax, NI and pensions) to the relevant authorities, with no issues arising.

### *Conclusion*

*There are no issues arising in this area of our review warranting formal comment or recommendation at this time.*

## Fixed Asset Registers

All Councils are required to keep a record of their assets, to be valued at original purchase cost or, where this is not easily determined, an appropriate value which can be a nominal £1. This figure, which is only then changed by the addition or deletion of specific items, is reportable in the annual AGAR (Section 2, Box 9).

We would normally comment on the Asset Register at the year-end, as part of our review of the AGAR. However, we wish to highlight the considerable efforts by the Town Clerk in producing a comprehensive and supportable Asset Register in support of the reported total on the 2022-23 AGAR. We have reviewed this work, and are now fully confident that this meets the requirements of Government Accounting, providing a sound basis for necessary amendments due to acquisitions and disposals.

We will review the position, and any amendments to the Register throughout 2023-24, as part of our year-end review.

### *Conclusion*

*There are no issues arising in this area of our review warranting formal comment or recommendation at this time.*

## **Investments and Loans**

The Council holds no investments other than its accounts with Unity Trust bank. However, as those balances exceed £100,000 in total, it is a requirement of Government Accounting (JPAG Para. 1.11) that an Investment Strategy be approved and subjected to annual review. This is part of Assertion 1 of the Annual Governance Statement of the AGAR.

At the time of this review this Strategy is still under consideration, and therefore we will consider it as part of our year-end programme. We have discussed with the Town Clerk the suitability of using the CCLA Public Sector Deposit Fund for excess balances not required in the short term, which offers a higher rate of interest while being widely deemed as low risk across the Town and Parish Council sector. This account offers instant access, and would therefore need to be included in the Bank Reconciliation procedure detailed above.

There are no loans outstanding to or by the Council.

### ***Conclusion***

***There are no issues arising in this area of our review warranting formal comment or recommendation at this time, other than the continuing need to implement an Investment Strategy.***

Rec. No.	Recommendation	Response
<b>No recommendations made</b>		