

# **Bruton Town Council**

*Internal Audit Report 2023-24 (Final)*

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*For & on behalf of  
Auditing Solutions Ltd*

## **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 final review for 2023-24, undertaken at our offices and during a visit to the Dovecote Building offices on 9 May 2024. We would like to thank the Town Clerk for her help and hospitality during this review.

## **Internal Audit Approach**

The objective of this final review is to provide an appropriate level of assurance to the Council on their governance, procedures and financial control for the year 2023-24, in support of the assurances the Council is required to sign against in the Annual Governance and Accountability Return (AGAR) for 2023-24.

In concluding 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 reasonable 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 review are set out in the following detailed report. We have not seen the need to make any formal recommendations, although we have discussed a few minor issues with the Town Clerk during our audit visit.

We remain impressed with the ongoing improvements in procedures and control established by the Town Clerk, and the high level of governance maintained by Councillors.

# 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 2022-23 AGAR that have been properly reflected in the final 2023-24 AGAR, which is now correct;
- Ensured that the cost and expenditure coding structure remain appropriate for purpose;
- Checked and agreed the Scribe bank reconciliations as at 31 March 2024 for both Unity Trust accounts to the supporting bank statements. We previously 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 believe 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.*

## 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) at the Annual Meeting of the Full Town Council in May 2023.

We have concluded 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.

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 previously noted that the corrected 2022-23 AGAR (Section 2) was not made available at the time, although the differences are minor. This issue should not reoccur for the 2023-24 exercise.

We note a good level of compliance with the Transparency Code 2015 on the Council's website, although this needs to be enhanced for 2023-24 once the AGAR process has been concluded. 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, other than the above observation concerning updating information to fully 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 confirmed that the VAT account is now correctly reconciled, with reclaims sent to HMRC on a quarterly basis. The balance outstanding at 31 March 2024 is £2,727.46, to be recovered during 2024-25.

### **Conclusion**

*There are no issues arising in this area of our review 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 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, with the most current version being approved by Council in February 2024, which meets 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.*

## **Budgetary Control & Reserves**

Our aim here is to ensure that: -

- The Council has undertaken a budget determination exercise, which forms the basis of the annual precept request from the parent Council.
- The Council has received regular reports identifying the budget position throughout the year.
- The Council has formally approved the establishment of specific reserves.
- The utilisation of reserves and the return of unused balances to the General Fund are reported to the Council at regular intervals.
- Year-end reserves and General Fund balances are reviewed to ensure that they are both appropriate and are likely to be utilised.

We note that, at its January 2024 meeting, the Council formally established a Precept of £181,675.12 for 2024-25, following detailed review by the Finance and Resources Committee.

We note that the Council receives a report on the current budgetary position at each meeting, which is evidence of sound internal control.

We note that the Scribe system shows a total of £148,802 as at 31 March 2024 to various projects as Earmarked Reserves. Allowing for the year-end cash balance of £201,933, this leaves a General Reserve of £53,131, which represents around 29.25% of the agreed Precept against a Best Practice level of 50%. This level of General Reserve is therefore very low (in contrast to the position as at 31 March 2023) although, in an emergency, necessary funds could be diverted from Earmarked projects. We understand that this issue is now under regular review by the Finance and Resources Committee.

### ***Conclusions***

***There are no issues arising in this area of our review warranting formal comment or recommendation, other than our observation about the low level of the General Reserve.***

## **Review of Income**

The Council receives income, in addition to its Precept and VAT recoveries, from cemetery fees, allotment rents, event fees, and occasional 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 formally reviewed in January 2024, which satisfies the requirement of FR9.3 for at least an annual review.

### ***Conclusion***

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

## **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 and March 2024, 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 approved 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.***

## **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 previously commented on the considerable efforts by the Town Clerk in producing a comprehensive and supportable Asset Register. We remain fully confident that this meets the requirements of Government Accounting, providing a sound basis for necessary amendments due to acquisitions and disposals.

### ***Conclusion***

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

## **Investments and Loans**

The Council holds no investments other than its accounts with Unity Trust bank. As those balances exceed £100,000 in total, we are pleased to note that the Council agreed an Investment Strategy in February 2024, which is subject to ongoing review by the Finance and Resources Committee.

We note that the Council, consequent to this Strategy, has agreed to place surplus funds in the CCLA Public Sector Deposit Fund, which provides a good balance between low risk and optimum interest returns, with a working balance retained in the Unity Trust Instant Access account.

As the CCLA account was not established until April 2024, we will confirm transfers between the relevant accounts as part of our 2024-25 interim review.

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.***

## **Statement of Account and AGAR**

The AGAR incorporates the Council's Annual Accounts, which are subject to external audit scrutiny and verification.

### ***Conclusions***

***We have found no issues of material concern during this review, and have duly signed off the Internal Audit Certificate at Page 3 of the AGAR, assigning appropriate assurances in all relevant categories.***

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