

Bruton Town Council

Internal Audit Report 2024-25 (Interim)

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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 interim review for 2024-25, undertaken at our offices and during a visit to the Dovecote Building offices on 7 November 2024. We would like to thank the Town Clerk and her Assistant for their 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 2024-25.

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 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, and made some observations in this report for Council to consider.

We continue to be impressed with the ongoing improvements in procedures and control established by the Town Clerk, and the high level of governance maintained by Councillors. In that light, we can see no reason at this time why the Council should not receive an unqualified assurance on its 2024-25 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. The Council keeps its funds in two Unity Trust Bank accounts (Current, and interest-earning Instant Access), with longer-term balances held in a CCLA interest-earning account.

We have:

- reconciled the 2024-25 opening balances in Scribe to the closing 2023-24 figures in the Annual Governance and Accountability Return (AGAR);
- Ensured that the cost and expenditure coding structure remain appropriate for purpose;
- Checked and agreed the Scribe bank reconciliations as at 30 September 2024 for both Unity Trust accounts and the CCLA account to the supporting bank statements.

We note that a CCLA account has recently been established for the BruBowl project. We have discussed the controls over this account with the Town Clerk, and will review its operation as part of our final 2024-25 review.

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 independent Councillors continue to check transactions on a rotational basis in accordance with Financial Regulation (FR) 2.6. We understand that some Councillors have been granted read-only access to the Scribe online accounting system, which is further evidence of good independent check.

We note that the Town Clerk has delegated authority to move sums between accounts, to a level of £15,000 on each occasion, with subsequent reporting to Council. We would suggest that this level be reviewed, in order to maintain bank account balances at a prudent level, as it is now regularly exceeded by the level of monthly payments.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation at this time, other than our observation concerning the level of delegated authority to the Town Clerk.

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) were re-adopted by the Council in May 2024, and that the latest version of Financial Regulations (FRs) was been adopted by the Council in August 2024, and are in the current NALC Model Forms.

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 2024.

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 although, at the time of audit, we were unable to access the Minutes for the Finance & Resources and Town Committees, which we understand is due to an IT restructuring that has yet to be fully concluded.

We note that the Exercise of Public Rights, undertaken with regard to the 2023-24 Accounts, was properly undertaken in accordance with the Accounts and Audit Regulations.

We note that the External Audit review of the 2023-24 Accounts requires the Council to switch to the Income and Expenditure (I&E) accounting basis for 2024-25 (with appropriate restatement of the 2023-24 Accounts), as the Council's budget now routinely exceeds £200,000. We have discussed this with the Town Clerk, and are confident that this requirement will be met, although we will give it additional focus during our final review for 2024-25. We would assure the Council that this is purely a different accounting methodology, and does not affect the cash actually held by the Council.

We have discussed the desirability of drawing up a range of procedure notes with the Town Clerk, both for Business Continuity and as a training aid for the Assistant Town Clerk, who is now undertaking the CiLCA qualification. This is of particular relevance where new procedures need to be introduced with regard to I&E accounting.

We have discussed the requirements of the Transparency Code 2015 with the Town Clerk, and agreed that this can be fully achieved by re-linking to other information already made publicly available, such as full lists of approved payments. A good range of other statutory information is available, with regard to the tenets of Open Government.

Conclusion

There are no issues arising in this area of our review warranting formal comment or recommendation at this time, other than the above observations concerning Business Continuity planning, and the requirements of the Transparency Code.

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 the VAT reclaims for the final quarter of 2023-24, and the first quarter of 2024-25, between the Scribe system and the relevant bank records.

Conclusion

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

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 2024 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. We note the recent revaluation of the Council's historical assets;
- Noted that the Council's Risk Register is now subject to ongoing review by the Finance and Resources (F&R) Committee, most recently in June 2024 although, as mentioned above, we have not yet been able to confirm this to the Minutes. This needs to be approved by Council before 31 March 2025 to meet the requirement of FR2.2;
- Noted that the Jubilee playpark is now subject to a weekly visual check as well as an annual safety review, with records being retained for 21 years to meet insurance requirements.

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 ascertain whether the Council retains appropriate funds in Earmarked Reserves to finance its ongoing spending plans, whilst retaining prudent sums as a General Reserve 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 2025-26 has yet to be concluded, we will review this area during our 2024-25 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 2024-25 final review, ensuring that the 2025-26 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, where we expressed some concerns in our 2023-24 final review.

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 is in operation, with ongoing work to populate this package with historical data. We will undertake a sample review of transactions as part of our final 2024-25 review.

We would remind the Council that an annual review (not necessarily an increase) of all fees and charges is required before 31 March 2025, in order to meet the requirement of FR13.2.

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 September 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.

We note that the most recent NJC Pay Award, to be back-dated to 1 April 2024, is programmed to be paid to staff in December. Ideally this should receive prior Council approval.

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. As those balances exceed £100,000 in total, we note that the Council has a formal Investment Strategy in place, although this should be reviewed on an annual basis.

We note that the Council, consequent to this Strategy, places 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.

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.

Rec. No.	Recommendation	Response
	No recommendations made	