

Bloxham Parish Council

Internal Audit Report (Final update) 2024-25

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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 work undertaken in relation to the 2024-25 financial year, during our two reviews of the Council's records, which have been undertaken remotely on 30th December 2024 and 4th April 2025 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 our review for the year.

Internal Audit Approach

In undertaking our review, we have as previously 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 Certificate' in the Council's AGAR, which requires independent assurance over a series of internal control objectives.

Overall Conclusions

We are pleased to record that, based on the work undertaken this year, the Clerk continues to maintain adequate and effective controls over the Council's finances. We acknowledge the actions taken to address issues raised in prior year and this year's interim reports with the current status on each recorded in both the body of the report and appended Action Plan.

We have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area. 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 2024-25. Two bank accounts remain in place with the Unity Bank (Current and Instant Access). 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: -

- Ensured the accurate carry forward of the closing 2023-24 balances as opening balances in the Scribe accounts for 2024-25;
- 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 transactions recorded for the full financial year agreeing detail to the relevant supporting bank statements, as posted in the online Scribe accounts; and
- Verified the bank reconciliation detail as of 30th November 2024 and 31st March 2025.

Conclusions

We are again pleased to note that reconciliations are routinely presented to the Council and adopted, also being signed off by the Clerk and a nominated councillor. Copies of signed bank statements and reconciliations are duly uploaded to the Scribe accounts software,

We have also ensured the accurate disclosure of the combined account balances in the AGAR at Section 2 Box 8.

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 (SOs) 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 re-adopted both its extant SOs and Financial Regulations (FRs) at the May 2024 Council meeting, also noting the subsequent adoption of the recently updated NALC model FRs at the September 2024 Council meeting. We have made previous reference to the level at which formal tender action is required suggesting that a more appropriate level for a Council the size of Bloxham would be set at between £10,000 and £15,000. Whilst we acknowledge that the latest NALC model FRs suggest a level of £60,000 (Para 5.6 refers), we remain of the opinion that the above suggested value would be more appropriate for Bloxham. Care should also be taken to ensure that the SOs and FRs record a consistent value for formal tender action.

We have reviewed the Council and Committee minutes examining those for the financial year 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 2023-24 AGAR, again referring, inter alia, to various issues relating to the publication date of the Notice of Public Rights for the previous year. Consequently, we remind the Council to ensure that, when completing the 2024-25 AGAR and Public Notice, it ensures full compliance with the requisite Regulations.

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

- R1. *The Standing Orders and Financial Regulations should record a consistent value for formal tender action, ideally in the range of £10,000 to £15,000. **Detail will be amended in May 2025.***
- R2. *Care should be taken to ensure that, when completing the formal adoption of the 2024-25 AGAR and publishing the year's Notice of Public Rights, the legislative timing and disclosure requirements are observed and adhered to, as highlighted in the external auditor's certificate on the 2023-24 AGAR. **Noted.***

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 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. Whilst we acknowledge that members are reviewing and signing off the monthly schedules of payments to be made, ideally, the reviewing and authorising member(s) should initial copies of the certification stamp affixed to invoices prior to their being uploaded to the Scribe accounting records. We are pleased to note that, following our previous recommendation, the invoices saved thereon now correctly record the appropriate Scribe transaction posting reference and cost centre numbers.

To ensure compliance with the above test criteria, we have selected a sample of 36 individual payments in the year totalling £74,810 equating to 81% by value of non-pay related payments processed in the Scribe accounts for the year. In examining the detailed transaction report by cost centre at our interim review, we noted 1 apparent mis-posting with the annual "Digital mapping" fee coded to cost centre 68, which relates to bank charges. We are pleased to note that the Clerk has amended the coding accordingly.

We note that documentation supporting some elements of the Clerk's monthly expenses (occasional inclusion of "Zoom" invoices) paid with her salary are being uploaded to Scribe. Consequently, no confirmatory evidence exists that members have reviewed and approved any ad hoc expenses being reclaimed by the Clerk (e.g. mileage, postage costs, etc). As suggested previously, we urge that **all** documentation supporting each element of such ad hoc expenses should also be uploaded to Scribe, also ideally being signed off by the approving member(s). Certain of these items may probably also include VAT, which has consequently not been 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.

Finally, we again note that VAT reclaims are prepared and submitted to HMRC annually, with that for 2023-24 repaid in May 2024: we have agreed the reclaimed amount for 2023-24 to that year's Scribe detail and have also now examines the 2024-25 reclaim agreeing detail to the Scribe accounts.

Conclusions and recommendations

As indicated previously and above, we consider that controls over the authorisation and release of payments 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 incidental expenses, grants and donations, etc., should also be supported by a relevant document (e.g. copy of approving minute) also uploaded to Scribe.

- R3. *Members approving and releasing payments should, in line with best practice, ideally evidence their examination of individual invoices, till receipts, etc 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 prior to the documents being uploaded to Scribe. **All invoices are received electronically; therefore, it would be labour intensive to print them all off for Councillors to sign. Prior to PC meetings, all invoices are emailed to Councillors and the payments list is signed by two. They also have the option of a login for Scribe if they wish to view all financial documents.***
- R4. *To ensure the existence of a clear audit trail, **all** payment transactions, including the detail behind the clerk's miscellaneous expenses paid with her monthly salary, 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. **The clerk scans and includes receipts where possible.***
- R5. *The Clerk should review the detailed postings in the Scribe "Detailed transaction reports by cost centre" made in the year to date making an appropriate amendment to the highlighted mis-posting and any others that might exist. **The Clerk has amended the coding accordingly.***

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 record that the Council has a comprehensive Risk Management document in place and that it was reviewed and re-adopted by the Council at the May 2024 full Council meeting: we consider that the re-adopted document remains appropriate for the Council's ongoing requirements.

We have examined the Council's insurance policy with Hiscox noting that cover is in place with both Employer's and Public Liability cover standing at £10 million, together with 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 also in place at £10,000.

We again note that an external provider undertakes periodic 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. We understand that, following our recommendation last year, the clerk has ensured that the Council is appropriately protected against any potential claims.

Conclusions

No concerns have been identified in this area this year warranting formal comment or recommendation. We shall continue to monitor the Council's approach to risk management at future reviews.

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 deliberations on its budgetary and precept requirements for 2025-26, formally approving the precept for the year at £109,250 at the December 2024 meeting.

We again note that the Clerk provides members with detail of the Council's budgetary position during the year and have reviewed the latest Scribe generated budget report with no significant issues identified warranting further enquiry or comment.

We note that the Council now has 8 named earmarked reserves (EMRs) in place including 2 relating to Section 106 income totalling £266,707. No transactions appear to have taken place on these reserves during the year to date, although as last year, we note that one EMR (Christmas Tree and Lights) has a negative brought forward balance: EMRs may not strictly have a negative value and action should be taken to return the balance on the reserve to a positive or Nil value by an effective transfer from the General Reserve.

Conclusions and recommendation

We are pleased to record that no significant concerns arise in this area other than the need to update the one overdrawn EMR balance ensuring it records either a positive or Nil balance.

R6. Action should be taken to return the one recorded overdrawn balance to either positive or Nil value by transferring funds from the General Reserve. Noted.

Review of Income

The Council has relatively limited sources of income, primarily the annual precept, recoverable VAT and occasional grants and donations.

Our objective in this area is to ensure that all income due to the Council is identified and recovered within an appropriate period and is also banked promptly. We have, as indicated in the first section of this report, agreed the income recorded in the Scribe software to the supporting bank statements for the year to date with no issues arising.

Conclusions

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

Petty Cash Account

The Council does not operate a petty cash account: any out-of-pocket expenses by the Clerk or Councillors are reimbursed as with trader payments.

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 relating to the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme.

The Clerk is the only Council employee: we note that she is paid in accordance with the Council approved spinal point on the nationally agreed NJC salary scale for a set number of hours each month. 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, tax and NI contributions to HMRC and pension contributions to the Pension Fund Administrators.

To meet the above objective, we have: -

- Checked and agreed the Clerk's salary paid in September and November 2024, noting that the latter includes payment of the 2024-25 national pay award and arrears backdated to 1st April 2024;
- Checked and ensured the accurate calculation of tax, NI and pension fund deductions / contributions based on the gross salary paid in both months in accordance with the tax code recorded on the pay slip, NI Tables and pension contribution band; and
- Ensured that the appropriate tax, NI and employee / employer contributions to HMRC and the Pension Fund Administrators have been applied and been paid over to the respective agencies.

Conclusions

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

Fixed Asset Registers

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 is recorded in the AGAR at Section 2, Box 9.

We note that detail of the Council's asset stock is recorded in and managed through the Scribe accounting software, the content of which we have reviewed noting the recording of new assets acquired during the year. We have, consequently, verified the asset value to be reported in the year's AGAR Section 2, Box 9.

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.

R7. *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. **Noted.***

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.

We are again pleased to note the Council's compliance with the requirements of the Statutory guidance on Local Government investments (3rd Edition) issued under section 15(1)(a) of the Local Government Act 2003 effective from 1st April 2018 with an appropriate Annual Investment Strategy in place. Whilst it is improbable that the Unity bank will fail, with in excess of £330,000 in the combined two Unity accounts currently, the Council should consider diversifying the placement of surplus funds in other banking institutions, also ensuring that interest earning opportunities are maximised.

No loans are in existence payable either by or to the Council.

Conclusions and recommendations

Whilst we have no significant concerns in this area other than in relation to the potential loss of funds should the Unity Bank ever fail, we urge that the Council consider the further diversification of funds to other banking institutions as the Government's banking compensation scheme will only reimburse losses up to £85,000 should a bank "fail".

R8. *Consideration should be given to the diversification of the placement of surplus funds to reduce the risk of loss in the, albeit unlikely, event that Unity Bank should "fail", also maximising the potential further increase interest earning opportunities. **Noted.***

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 the AGAR Section 2 detail to the underlying Scribe records.

Conclusions

We are pleased to record that no issues arise in this area warranting formal comment or recommendation and have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

Rec. Recommendation No.		Response
Review of Corporate Governance		
R1	The Standing Orders and Financial Regulations should record a consistent value for formal tender action, ideally in the range of £10,000 to £15,000.	<i>Detail will be amended in May 2025.</i>
R2	Care should be taken to ensure that, when completing the formal adoption of the 2024-25 AGAR and publishing the year's Notice of Public Rights, the legislative timing and disclosure requirements are observed and adhered to, as highlighted in the external auditor's certificate on the 2023-24 AGAR.	<i>Noted</i>
Review of Expenditure & VAT		
R3	Members approving and releasing payments should, in line with best practice, ideally evidence their examination of individual invoices, till receipts, etc 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 prior to the documents being uploaded to Scribe.	<i>All invoices are received electronically; therefore, it would be labour intensive to print them all off for Councillors to sign. Prior to PC meetings, all invoices are emailed to Councillors and the payments list is signed by two. They also have the option of a login for Scribe if they wish to view all financial documents.</i>
R4	To ensure the existence of a clear audit trail, <u>all</u> payment transactions, including the detail behind the clerk's miscellaneous expenses paid with her monthly salary, 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.	<i>The clerk scans and includes receipts where possible.</i>
R5	The Clerk should review the detailed postings in the Scribe "Detailed transaction reports by cost centre" made in the year to date making an appropriate amendment to the highlighted mis-posting and any others that might exist.	<i>The Clerk has amended the coding accordingly.</i>
Budgetary Control & Reserves		
R6	Action should be taken to return the one recorded overdrawn balance to either positive or Nil value by transferring funds from the General Reserve.	<i>Noted</i>
Fixed Asset Registers		
R7	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.	<i>Noted</i>

Rec. Recommendation No.		Response
Investments and Loans		
R8	Consideration should be given to the diversification of the placement of surplus funds to reduce the risk of loss in the, albeit unlikely, event that Unity Bank should “fail”, also maximising the potential further increase interest earning opportunities.	<i>Noted</i>