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## **Aylsham Town Council**

*Internal Audit 2022-23: (Interim Report)*

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*for Auditing Solutions Ltd*

## **Background and Scope**

There is a statutory requirement for all town and parish councils to make arrangements for an independent internal audit examination of their accounting records and system of internal control each year and for the conclusions to be reported in the Annual Governance and Accountability Return (AGAR). Auditing Solutions Ltd was appointed to provide this service to Aylsham Town Council for the 2022-23 financial year.

This report sets out the results of our interim audit for 2022-23, which was undertaken during December 2022. The audit was carried out remotely on this occasion and we wish to thank the Town Clerk and Deputy Town Clerk/Finance Officer for providing us with the information and documentation required to complete our audit work.

## **Internal Audit Approach**

In carrying out our internal audit for the year to date, we have had regard to the materiality of transactions and their susceptibility to potential mis-recording or mis-representation in the year-end Statement of Accounts, operating a mix of 100% substantive or selective sampling techniques, where applicable.

Our audit programme is designed to afford appropriate 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 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 'Annual Internal Audit Report' in the AGAR, which requires independent assurance over a number of internal control objectives.

## **Overall Conclusion**

On the basis of the programme of work we have undertaken, we have concluded that the Council continues to maintain an adequate and effective system of internal control. The records held in support of the accounting transactions continue to be of a high standard and provide an effective audit trail, with clear cross-referencing of all relevant documentation.

In the sections below, we have explained the objectives of each area of our audit, summarising the work undertaken and our findings. We are pleased to report that there were no matters arising that require a formal recommendation. We have also followed up on the progress made in relation to matters raised in our final audit report for 2021-22 and have confirmed that appropriate action has been taken in relation to our recommendations. We ask that Members consider the content of this report.

# Detailed Report

## Accounting and Banking Arrangements

Our objective in this area is to confirm that the accounting records are being maintained accurately and kept up to date, that no anomalous entries appear in cashbooks or financial ledgers, and that appropriate banking arrangements are in place.

For 2022-23, the Council has moved to the Scribe accounting software to maintain the financial records. Barclays Bank Plc continues to be used for day-to-day banking services. There are two bank accounts in operation, the main Business Current Account, supplemented by an Active Saver (instant access deposit) Account.

In line with good practice, the Council has also deposited funds that are surplus to its immediate requirements across a number of financial institutions, in order both to minimise risk and to ensure a reasonable rate of interest return is achieved. During the financial year, the Council's short-term investments (i.e., those with a maturity date of up to one year) included investments with the CCLA Public Sector Deposit Fund and the Shawbrook Bank.

In the previous year, the Council held a 2-year Fixed Rate Bond with Hodge Bank, which was accounted for as a long-term investment. That bond matured in February 2022 and the balance had been held in the Current Account, pending a decision on how and when it should be re-invested. We note that, in the last month, £225,000 has been transferred across to the CCLA account, which provides a competitive rate of interest, whilst allowing instant access.

In the course of our audit work for the year to date, we have:

- Confirmed that the opening balance on Scribe reconciles to the 2021-22 AGAR;
- Confirmed the accounting code structure in place provides adequate information to meet budget reporting and control requirements;
- Checked and agreed the transactions recorded on Scribe to the relevant bank statements for two sample months (April and October 2022);
- Confirmed that regular bank reconciliations have been carried out by the Deputy Town Clerk/Finance Officer and independently reviewed by the Town Clerk in the year to date;
- Checked and verified the detail of the bank reconciliations as at 31<sup>st</sup> October 2022, and
- Confirmed that appropriate procedures remain in place for backing up financial and other IT systems in use at the Council. We have been informed that these are automatically backed-up to the Cloud.

### *Conclusion*

***There are no matters arising from our audit work to date that require a formal comment or recommendation.***

## Corporate Governance arrangements

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

During the course of our audit work, we have confirmed the following:

- Our review of the minutes of the Council meetings for the year to date has not identified any matters that we consider might have an adverse effect, through litigation or other causes, on the Council’s future financial stability;
- The Standing Orders and Financial Regulations continue to be the subject of periodic review and to reflect the latest national guidance provided by NALC. The most recent review was at the Council meeting on 2<sup>nd</sup> March 2022, when it was confirmed that no changes were required. We have confirmed with the Town Clerk that these are to be revisited before the end of the 2022-23 financial year;
- The Council formally re-adopted the General Power of Competence at its meeting in May 2019 and this continued to be applicable throughout 2022-23;
- The Council has continued to give active consideration to internal control matters, in particular, through the work of the Effectiveness of Internal Control Working Party and the “Independent Scrutineer” role, and
- Following a recommendation by the Efficiency of Internal Control Working Party, the Council agreed to set up official email accounts for all councillors. We have confirmed that these are now in place.

### *Conclusion*

*There are no matters arising from our audit work to date that require a formal comment or recommendation.*

## Expenditure

Our objective is to ensure that:

- Council resources are released in accordance with approved procedures and budgets;
- An official order has been raised for the supply of goods and services on any occasion where one would be anticipated;
- 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;
- Any 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 correctly identified and coded to the control account for recovery.

We have commenced our review of the procedures in place, selecting a sample of non-pay related payments for the first eight months of the financial year, to confirm compliance with the above criteria. Our test sample included all payments in excess of £2,000, together with a more random selection of every 30<sup>th</sup> payment as recorded in the Omega accounts. The net value of our sample was £140,483, which equated to 55% of non-pay expenditure in the year to date.

The Council holds a corporate Barclaycard for occasional urgent/internet purchases, with a maximum credit limit of £10,000. The Town Clerk is the only authorised user and the account is settled in full each month by direct debit. We checked the expenditure for two sample months (statements dated 11<sup>th</sup> August and 11<sup>th</sup> September 2022), with no issues arising.

VAT re-claims are being submitted on a regular quarterly basis during the 2022-23 financial year. We confirmed that the re-claims for the first two quarters have been made and that they agreed to the Scribe records. We also confirmed that payments have been received from HMRC for both quarters.

### **Conclusion**

***There are no matters arising from our audit work to date that require a formal comment or recommendation.***

## **Assessment and management of Risk**

Our objective 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 & safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage any risks identified in order to minimise the opportunity for their coming to fruition.

During the course of our audit work, we have confirmed the following:

- In October 2021, the Council entered into a new three-year agreement with Hiscox for the provision of its insurance services. We reviewed the schedule for the period commencing 1<sup>st</sup> October 2022 and confirmed that the cover continues to include Employer's Liability and Public Liability of £10 million, Hirer's Liability of £5 million and Fidelity Guarantee cover of £0.75 million. These are in line with similar-sized authorities;
- The Council's risk management arrangements, comprising the Financial Risk Assessments, Risk Management Policy and Internal Control Policy were last formally re-adopted at the Council meeting on 2<sup>nd</sup> February 2022, following consideration by the Effectiveness of Internal Audit Group. We have confirmed with the Town Clerk that these will be reviewed again by the Council before 31<sup>st</sup> March 2022, to ensure that it can satisfy the regulatory requirement to review the risk management arrangements at least once within each financial year;
- Council staff have continued to undertake regular reviews of playground equipment throughout the year, with annual inspections carried out by either RoSPA Play

Safety Ltd or The Play Inspection Company. The latest annual inspections were undertaken during June and July 2022 and we confirmed that no potentially high-risk issues were identified.

In last year's final report, we noted that there had been delays in undertaking remedial work identified in the 2021 external play inspections and recommended that the monitoring arrangements should be improved to ensure action is taken on a timely basis. In particular, we recommended that all issues raised are recorded on a detailed monitoring schedule. We have confirmed that this has now been put in place.

We also recommended that the key issues arising from the annual play inspections should be reported to the Council, given Members' responsibilities in relation to health & safety matters and the potential budget implications of any significant remedial actions required. We have noted from our review of the minutes, that the inspection reports for 2022 were considered by the Properties Committee on 10<sup>th</sup> November 2022.

### **Conclusion**

*There are no matters arising from our audit work to date that require a formal comment or recommendation.*

## **Budget setting, budgetary control and reserves**

Our objective here is to confirm that the Council has robust procedures 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 consider whether the Council retains sufficient funds in earmarked and general reserves to finance its ongoing spending plans and to cover any unplanned expenditure that might arise.

During our interim audit, we have confirmed that effective budget monitoring arrangements remain in place, with the Council receiving monthly reports on progress against the 2022-23 budget and the overall financial position, including the level of reserves.

We note that, at its meeting on 7<sup>th</sup> December 2022, the Council provisionally agreed a Precept requirement of £455,305 for 2023-24, which is an increase of 7% on the current year. This would result in an increase of £11.56 for a Band D property. The budget and Precept for 2023-24 are due to be formally agreed at the Council meeting on 4<sup>th</sup> January 2023.

We will review the 2022-23 budget outturn and the overall reserves position, at our final audit.

### **Conclusion**

*There are no matters arising from our audit work to date that require a formal comment or recommendation.*

## **Review of Income**

In considering the Council's income streams, our objective is to confirm that robust systems are in place to ensure the identification of all income due to the Council from its various sources, to ensure that it is invoiced in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due. In addition to the Precept and any

grants received, the main sources of income for the Council are allotment rents, cemetery and related fees, market rents (general market, farmers' market and collectors' fair) and hall hire.

To meet our objective, we have undertaken the following work during our interim audit:

- Fees and charges: We have confirmed that Members continue to review the Council's scales of fees and charges annually, in line with the requirements of the Financial Regulations. Those for 2022-23 were considered by the Council at its meeting on 7<sup>th</sup> December 2022. The Council decided to change to the charging arrangements for the Town Hall hires, but to leave the charges for the Drill Hall and Cemetery and Market rents unchanged. We note that the allotment fees to apply from 2024 are to be discussed with allotment holders before a decision is made by the Council;
- Banking of income: As noted earlier in this report, we have checked and agreed two sample months' receipts transactions from Scribe to relevant bank statements;
- Cemetery-related income: We have checked the details of interments, as recorded in the Burial Register, for the period 1<sup>st</sup> May to 30<sup>th</sup> November 2022, confirming that all entries are supported by appropriately completed undertakers' applications and that the correct fee has been invoiced, with payment received and banked in a timely manner. We also reviewed the income arising from the sale of Exclusive Rights of Burial and the installation of memorials/addition of further inscriptions for the same period, again confirming that the appropriate fees have been charged, recovered and banked promptly;
- Hall fees: We have reviewed the fees charged for the hire of the Town Hall and Drill Hall for a sample period of two weeks in October 2022, confirming that all hirers were invoiced for the correct amounts and income was received on a timely basis;
- Market rents: We have confirmed that appropriate action has been taken in relation to our recommendation last year that a register of stall holders be introduced and completed on each market day to record attendance and confirm completeness of billing. We will undertake a sample review of market rent income at our final audit visit for 2022-23.
- Allotment rents: We have confirmed that all allotment holders have been invoiced for the current year and that, with minor exceptions, the rent due has been received. We will review a sample of tenancy agreements at our final audit visit, to confirm that these are in place, and
- Outstanding Debtors: We reviewed the list of outstanding sales invoices recorded on Scribe and confirmed that the amount of outstanding debt remains very low and the debtor position is well managed.

### **Conclusion**

***There are no matters arising from our audit work to date that require a formal comment or recommendation.***

## Petty Cash

When completing the ‘Annual Internal Audit Report’ in the AGAR, we are required to confirm that there are effective controls over the petty cash account operated by the Council. To meet that objective, we confirm that:

- Any petty cash account(s) in operation are managed effectively and that all expenses incurred are appropriately supported by a trade invoice or relevant till receipt;
- Only low value expenditure is incurred from any petty cash account(s) in use;
- Where appropriate, VAT is identified and coded accordingly for periodic recovery from HMRC; and
- The physical cash held is periodically reconciled to the supporting records.

The Council operates a limited petty cash account, topped up “as and when required” to a maximum holding of £250. At our interim audit, we confirmed that regular reconciliations continue to be undertaken by the Deputy Town Clerk/Finance Officer and reviewed by another member of staff.

At our final audit visit, we will confirm that the petty cash balance as at 31<sup>st</sup> March 2023 has been included correctly as part of the ‘total cash and short-term investments’ figure in Section 2, Box 8 of the AGAR.

### *Conclusion*

*There are no matters arising from our audit work to date that require a formal comment or recommendation.*

## Salaries and Wages

In examining the Council’s payroll function, our objective is to confirm that extant employment legislation is being adhered to, that the requirements of HM Revenue and Customs (HMRC) legislation are satisfied regarding the deduction and payment over of income tax and NI contributions and that the requirements of the local government pension scheme are met.

All Council staff continue to be paid on a monthly basis, with the “Brightpay” software used to prepare the payroll. This is completed by the Deputy Town Clerk/Finance Officer and reviewed by the Town Clerk.

To meet our objectives, we have:

- Confirmed that the Council continues to approve the staff pay rates annually, noting that following the salaries review at the end of 2021-22, some regrading of salaries was applied from 1<sup>st</sup> April 2022;
- Confirmed, for a sample month (November 2022), that;
  - Tax and National Insurance deductions for all employees have been made applying the appropriate PAYE code and NIC Table;
  - The correct local authority pension scheme percentage deductions are being applied, where applicable;

- The net payments to staff as shown on the payslips agree to the summary BACS settlement reports, and
- The correct payments have been to HMRC and the Norfolk Pension Fund.

The national Local Government Services pay agreement for 2022-23, applicable from 1st April 2022, was finally agreed by all parties in October 2022. We confirmed that the payment of arrears due to all staff was made with the November salary payments and that the appropriate revised pay scale rates were applied.

### ***Conclusion***

***There are no matters arising that require a formal comment or recommendation.***

## **Investments and Loans**

Our objective is to confirm that an appropriate investment strategy/policy is in place, that any funds not required for immediate use, whether temporarily or on a longer-term basis are invested in line with that strategy and that interest earned is brought to account correctly and appropriately in the accounting records. We also confirm that any loan repayments due to or payable by the Council are transacted in accordance with the relevant loan agreements.

During the course of our audit work, we have:

- Confirmed that the Council’s investment strategy was last re-adopted, without amendment, at the Council meeting in March 2021;
- Confirmed that the Council no longer any long-term investment in place – as noted above, a 2-year Fixed Rate Bond with Julian Hodge Bank matured in February 2022 and the funds are currently held in the Current Account, pending a decision on re-investment;
- Reviewed the transactions for the short-term investments held in the CCLA Public Sector Deposit Fund and with Shawbrook Bank;
- Checked and agreed the capital and interest repayments in the year for the Council’s Public Works Loan Board (PWLB) loan to the third party “demand” notices;
- Confirmed that the annual principal repayment of £10,000 has been made on the interest-free loan of £50,000 which the Council obtained from the Salix Energy Efficiency Loan Scheme towards the LED upgrade of existing street lights.

### ***Conclusion***

***There are no matters arising that require a formal comment or recommendation.***