
Aylsham Town Council

Internal Audit Report 2022-23: (Final Update)

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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 final audit visit for 2022-23, which was undertaken on 4th May 2023. We wish to thank the Town Clerk and the 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, 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 which ensures effective probity of transactions and affords 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.

We have completed and signed the 'Annual Internal Audit Report' in the 2022-23 AGAR, having concluded that the internal control objectives as set out in that report were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

We have identified one area where we consider the current control arrangements could be further improved and this is set out in the detailed report, together with our recommendation for action. We ask that Members consider the content of this report and respond, in due course, to the recommendation set out in the Action Plan.

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 deposited funds that are surplus to its immediate requirements across a number of financial institutions, both in order 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) also included investments with the CCLA Public Sector Deposit Fund (which is an instant access account) and a one-year fixed rate bond with Shawbrook Bank.

Currently, the CCLA Deposit Fund has a favourable rate of interest compared to the Council's other accounts and to take advantage of this, a significant proportion of the overall "surplus" funds have been held in that account in recent months.

In the course of our audit work for the year, 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 three sample months (April and October 2022, plus March 2023);
- Confirmed that regular monthly bank reconciliations have been carried out by the Deputy Town Clerk/Finance Officer and independently reviewed by the Town Clerk;
- Checked and verified the detail of the bank reconciliations as at 31st October 2022 and 31st March 2023;
- 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, and
- Confirmed that the overall cash balance has been reported correctly in the draft AGAR (Section 2, Line 8).

Conclusion

There are no matters arising 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 did not identify 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 reflect the latest national guidance provided by NALC. The most recent review of both documents was undertaken at the end of the financial year and formally adopted by the Council at its meeting on 5th April 2023;
- 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 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 completed 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 30th payment as recorded in the Omega accounts. The net value of our sample was £187,151, which equates to 54% of non-pay expenditure in the year.

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 11th August and 11th September 2022), with no issues arising.

VAT re-claims have been submitted on a regular quarterly basis during the 2022-23 financial year. At the time of our final audit, payments had been received from HMRC for the first three quarters.

Conclusion

There are no matters arising 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 1st 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 reviewed and formally re-adopted at the Council meeting on 9th February 2023, following consideration by the Effectiveness of Internal Audit Group.
- 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 update report, we noted that there had been delays in undertaking remedial work identified in the 2021 external play inspections and we 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 is now being done.

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 10th November 2022.

Conclusion

There are no matters arising 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, and, also, that an effective budget 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 audit work, we have confirmed that effective in-year budget monitoring arrangements remain in place, with the Council receiving monthly reports on progress against the 2022-23 budget and on the overall financial position, including the level of reserves.

The budget and Precept requirement for 2023-24 were formally agreed at the Council meeting on 4th January 2023, following consideration at the December 2022 meeting. The Precept request was set at £455,305, compared to £421,120 for 2022-23. This represents an estimated cost to a Band D property of £167.70, an increase of £11.56, or 7%. As in previous years, a detailed budget report was provided by the Town Clerk to inform the decision-making process.

As part of the budget process, consideration was given to the fees and charges to apply from 1st April 2023. At the meeting on 7th December 2022, a number of changes were agreed to Town Hall charges, whilst it was decided that those for the Drill Hall, together with Market Rents, Cemetery Charges and Allotment Fees (where 12 months' notice of an increase are required) would remain unchanged.

At the year-end, the Council's overall reserves amounted to £386,771 (compared to £408,197 at the previous year-end). Of the total reserves, £307,832 (£282,921) has been earmarked for specific purposes, with the remaining £78,939 (£124,859) held as a General Fund (contingency reserve).

In previous years, we have reported that, whilst there is no formal guidance on the level of General Fund that should be retained, as this will vary depending on the circumstances of each council and the risks faced, a yard-stick of between 25% and 50% of the Precept is often cited. Whilst the Council's General Fund at 31st March 2023 is lower than this, at around 17% of the 2023-24 Precept (down from 20% at the previous year-end), this does not appear unreasonable given the significant level of funds retained in earmarked funds. However, this is a matter for the Council to keep under review when setting future years' Precepts.

Conclusion

There are no matters arising 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 identify all income due to the Council, to ensure that invoices are raised on a timely basis 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 (Town Hall and Drill Hall).

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

- **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. As noted above, those for 2022-23 were considered by the Council at its meeting on 7th 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 1st May to 30th 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. At our final audit visit, we undertook a sample review of market rent income for a sample week in February 2023 (see conclusion and recommendation below).
- **Allotment rents:** We have confirmed that all allotment holders were invoiced for the 2022-23 allotment year and that all rents due have been received. At our final audit, we undertook a sample review of the tenancy agreements and confirmed that signed agreements were in place in all cases, and

- **Outstanding Debtors:** We reviewed the list of outstanding sales invoices recorded on Scribe at our interim audit and at the year-end, confirming that the amount of outstanding debt remains very low and the debtor position is well managed.

Conclusion and Recommendation

In general, the controls over income were found to be adequate and to be operating effectively. However, we have identified the need to improve the controls over the recording of payments due for market rents.

In our final update report last year, we drew attention to the fact that no record was being maintained of the stall holders who are present on each market day, so it was not possible to confirm that all those present had been charged, or that those that had paid had been charged the correct amount. We recommended that an attendance register be introduced to provide this control.

In following up at this year's final audit, we found that, whilst an attendance register has been introduced, this is not being completed on every market day and it does not provide any indication of the amount that should be charged to individual stall holders (which varies with the size of pitch).

RI Market rents: The register of stall holders that was set up in response to our recommendation in last year's final update report, must be completed on every market day, to record attendance and must be reconciled to the receipts book (which is also used to record payments made by card) to confirm that all attendees have paid for their pitch. The register should also be revised to include details of the amount due from the stall holders on each day (which is dependent on the size of pitch), to confirm the correct amount has been charged/received.

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, which is 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 confirmed that, as at 31st March 2023 the petty cash balance had been topped up to £250 and had 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 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 the following the salaries review at the end of 2021-22, some regrading of salaries was applied from 1st 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 which was last re-adopted, without

amendment, at the Council meeting in March 2021, is in line with national guidance;

- Confirmed that the Council no longer has any long-term investments in place, with the majority of funds that are not required for immediate use currently held in the CCLA Public Sector Deposit Fund instant access account and the Shawbrook Bank one-year fixed interest bond;
- 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;
- Confirmed that the loan repayments made in the year, for both the PWLB loan and Salix loan, and the overall loan balances outstanding at the year-end have been reported correctly in the AGAR (Section 2, Lines 5 and 10, respectively).

Conclusion

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

Statement of Accounts and AGAR

We have examined the detailed Income and Expenditure accounts produced from the Scribe software and the draft of the statutory Accounting Statements that the Council is required to complete as Section 2 of the AGAR. We have agreed the detail to the supporting accounting records and other related documentation.

Conclusions

There are no matters arising from this area of our review that require a formal comment or recommendation. We look forward to receiving a copy of the finalised AGAR (Sections 1 and 2), once the document has been approved by the Council.

On the basis of the work undertaken during the course of our audit review for the year, we completed and signed the 'Annual Internal Audit Report' on Page 3 of the AGAR, on 4th May 2023, assigning positive assurances in all areas of internal control.

Recommendation		Response
Review of Income		
R1	Market rents: The register of stall holders that was set up in response to our recommendation in last year's final update report, must be completed on every market day, to record attendance and must be reconciled to the receipts book (which is also used to record payments made by card) to confirm that all attendees have paid for their pitch. The register should also be revised to include details of the amount due from the stall holders on each day (which is dependent on the size of pitch), to confirm the correct amount has been charged/received.	