

Standsted Mountfitchet Parish Council

Internal Audit Report 2022-23 (Interim)

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Background

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 2022-23 financial year, during our interim review of the Council's records for the year, which we have undertaken in part at our offices in advance of our onsite visit on 28th November 2022. We thank the Clerk and her staff for assisting the process, providing all necessary documentation in either hard copy or electronic format to facilitate commencement of our review for the year.

Internal Audit Approach

In undertaking our review, we have again 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 advise that, based on the work undertaken to date, the Council continues to maintain adequate and effective internal control arrangements with only a few relatively minor issues identified requiring attention.

Details of such issues are set out in the following detailed report with any resultant recommendations further summarised in the appended Action Plan: we ask that the report be presented to members and a formal response be provided in advance of our final review to those recommendations indicating the actions taken and / or in hand at that time.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. The Council continues to use the Rialtas Omega software to maintain its accounting records with three bank accounts in place with Barclays, transactions on each account being recorded in separate cashbooks in the Omega software. A small petty cash account was previously in use but has now been effectively closed. We have previously noted the Council's intention to move to Unity bank, noting that this still requires action having stalled due to other work pressures: we will monitor progress in this respect at our final review visit. To date, we have: -

- Checked and agreed the opening trial balance with the 2021-22 closing Statement of Accounts and certified AGAR detail;
- Ensured that a full and effective cost centre and nominal account coding structure remains in place;
- Ensured that the accounts remain 'in balance' at 31st October 2022;
- Checked and agreed detail of transactions in the current bank account cashbooks to the relevant bank statements for April, July & October 2022;
- Due to their low volume, checked the full year transactions on the other two accounts to 31st October 2022; and
- Checked that bank reconciliations are prepared routinely each month verifying detail in those at the month-ends for April, July and October 2022 on each of the three accounts.

Conclusions and recommendation

We are also pleased to note that, in accordance with the adopted Financial Regulations (FRs), a councillor has reviewed and signed-off bank reconciliations and bank statements for the current financial year.

We have drawn the Clerk's attention to the Omega facility in the Management Accounts > Reports > Annual Return suite of programmes to the availability of a combined bank account reconciliation statement which would, albeit minimally, reduce the reviewing member's need to sign-off three reconciliation statements each month. We do, however, suggest that in order to afford clear evidence of the verification of detail of cashbook balances as well as bank statement balances in the reconciliations, the first page of the Omega Trial Balance should also be printed and used to verify the individual account "Cashbook balances" as recorded on the reconciliation statement, that print out also being signed-off.

We note that the former petty cash account has been closed with the residual cash holding re-banked: we also note that the Omega Trial Balance is currently still showing a petty cash holding of £100, which also appears on the above referenced combined cash and bank reconciliation statement: we have discussed this with the clerk and agreed that she would liaise with the external contract accountants to agree the best way of clearing the balance from the accounts – we will check the outcome at our next review visit.

We will undertake further work in this area at our final review for the year including checking further cashbook and month-end bank reconciliations, also ensuring the accurate disclosure of the combined cash and bank balances in the year's AGAR at Section 2, Box 8.

R1. Action should be taken to ensure that the residual £100 relating to the former petty cash account is cleared from the Omega accounts.

Review of Corporate Governance

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

We have commenced our review of the Council and standing committee's minutes for the current financial year, examining those posted on the Council's website, to ensure that no issues exist or may be being considered by the Council that may have an adverse effect, through litigation or other causes, on the Council's future financial stability.

We note that both SOs and Financial Regulations (FRs) have been reviewed and re-adopted by the Council in May 2022.

We are also pleased to note that the external auditors signed-off the 2021-22 AGAR without qualification or comment.

Conclusions

We are pleased to record that no issues arise currently warranting formal comment or recommendation. We shall continue to monitor the Council's approach to governance at future visits, also continuing our examination of Council and Committee minutes.

Review of Expenditure & VAT

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 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;
- Members have met their fiduciary duties approving release of each payment in accordance with extant legislation;
- An appropriate order has been placed in each case where one would be anticipated;
- All discounts have been taken;
- 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 and that submissions have been returned to HMRC in a timely manner.

We have discussed the procedures in place for the approval and release of payments with the Clerk and are pleased to note a rubber certification stamp is now again being affixed to each invoice / payment docket with the Clerk and one councillor signing them off approving the invoice for payment: we also note that, as and when a schedule of payments is prepared, it is printed and reviewed by members with each entry checked to the underlying invoices and initialled

accordingly. We consider this process appropriate for the Council's present requirement affording clear evidence of members' control and approval of payments for release.

We have made previous reference to the need for improved controls over the physical release of funds by the introduction of a degree of segregation of duties between setting up and actually releasing the payments. We have previously also noted the intended move to Unity bank and again urge that the appropriate action is taken to expedite the opening of one or more Unity bank accounts, which would then provide the required degree of segregation of duties with the Clerk setting up the payments and a member then releasing the online payments: we do not imply any impropriety as having occurred but consider such division of duties would afford greater protection to the Clerk in the event that any untoward or fraudulent activity should occur on the Council's bank accounts by an external agent.

We have selected a sample of 29 payments, including 5 Uttlesford DC NNDR invoices paid over ten months of the year: our test sample includes those individually exceeding £2,500, plus every 35th payment recorded in the Omega Current account cashbook regardless of value, for compliance with the above criteria and totals £110,320 equating to 56% by value of non-salary related payments made during the year to date.

We are pleased to note that VAT returns continue to be prepared and submitted to HMRC quarterly and have ensured the accurate recovery of the final quarter's reclaim for 2021-22 and the first two quarterly reclaims for 2022-23 by reference to the Omega nominal control account record with no issues arising.

Conclusions and recommendations

We are pleased to record that no significant concerns arise in this area at present, although we urge that appropriate action be taken to implement a degree of segregation of roles between the set-up of online payments and their physical release, thereby affording a greater degree of security and protection to staff and over public funds.

We shall undertake further work in this area at our final review selecting a further sample of purchase invoices and examination of the remaining quarterly VAT reclaims for 2022-23 agreeing detail to the underlying Omega control account.

R2. *An effective system of control should be implemented with the Clerk setting up payments for processing online, with one or more members then "logging-on" and physically releasing the payments: we acknowledge that this will be actioned once new accounts are set up with Unity Bank.*

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 arrangements exist to monitor and manage any significant risks identified and to minimise the opportunity for their coming to fruition.

We noted in our final 2021-22 report that a more localised register of risks based on sample documents adopted by other neighbouring councils had been produced and been adopted in March 2022. We have seen no indication in the current year minutes that any subsequent review has occurred and take this opportunity to remind the Clerk and Council that the Governance and

Accountability Manual – “The Practitioner’s Guide” requires councils to review and adopt their financial risk registers at least once annually.

We have examined the Council’s insurance policy with Hiscox running to March 2023, to ensure that appropriate cover is in place, noting that Public and Employer’s Liability cover both stand at £10 million, together with Fidelity Guarantee at £500,000 and Hirer’s Liability at £5 million, all of which we consider appropriate for the Council’s present requirements.

Conclusions

We are pleased to report that no issues arise in this area warranting formal comment or recommendation at this stage of our review; we will undertake further work in this area at our final review visit ensuring that the risk register has been reviewed and formally re-adopted by the Council.

Budgetary Control and 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 level of precept to be drawn down from the District Council; also, that an effective reporting and monitoring process is in place. Additionally, we aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

This review visit took place in advance of the Council’s formal consideration of its budget and precept requirements for 2023-24; consequently, we shall revisit this area at our final review ensuring that the budget and precept are formally approved and minuted as adopted.

We also note that members continue to receive periodic budget monitoring reports and have reviewed the latest position by reference to the October 2022 Omega budget report detail with no significant or unexplained variances arising at this stage of the financial year. Total income currently stands at 79% of the year’s target budget, whilst expenditure stands at 53%.

Conclusions

We are pleased to record that no issues have been identified in this area warranting formal comment or recommendation currently. We will undertake further work in this area at our final review, including ensuring, as above, the adoption of the 2023-24 budget and precept, examining the year-end budget outturn and considering the appropriateness of retained reserves at the financial year-end to meet the Council’s ongoing revenue spending commitments together with any further development aspirations.

Review of Income

In this area of our review, we aim to ensure that income due to the Council is identified, invoiced (where applicable) and recovered at the appropriate rate and within a reasonable time scale; also, that it is banked promptly in accordance with the Council’s adopted FRs.

In addition to the annual precept, the Council receives income from various sources annually including rent from the local Library Service, cemetery activities, allotment rents, VAT recoveries, sundry grants and donations plus bank interest. We are pleased to note that fees and charges for

2022-23 have been reviewed and adopted in accordance with the requirements of the Council's FRs (Para 9.3 refers).

We have reviewed detail of the burials occurring to date in 2022-23, as recorded in the formal Burial Register ensuring that for each entry, appropriate interment forms have been received from undertakers, together with the legally required burial / cremation certificates and that the correct fees and charges have also been levied. In checking the recovery of interment fees, we have noted that fees for two of the ten interments to date in the financial year have seemingly not been recovered (Burial Register ref. nos. 563 & 567). We have discussed these with the clerk who has agreed to check the position and, if fees remain outstanding, ensure recovery is pursued actively.

Allotment rents fall due on 1st January annually: consequently, we shall review that income stream at our final visit together with other income sources ensuring appropriate and timely recovery of fees due to the Council.

We have reviewed the Omega detailed income transaction reports for the year to date ensuring, as far as we may reasonably be able to ascertain, that all income due to the Council has been received and coded to the appropriate account.

Conclusions and recommendation

No significant issues arise in this area currently other than the need for the position on the two seemingly unpaid burial fees to be followed up. As indicated above, we will examine further income streams at our final review.

R3. The position on the two seemingly unpaid burial fees should be examined with appropriate follow up to ensure recovery action taken should they prove to be outstanding.

Petty Cash Account and Credit / Debit Cards

We note, as above, that the former petty cash account has been closed with the residual balance banked. As also indicated above, the residual £100 balance on the nominal account code (no. 220) should, with assistance from the external accountants, be cleared to record a Nil balance.

Review of Staff Salaries

We note that the Council continues to outsource production of its monthly payroll to an external provider. In examining the Council's payroll function, we aim to confirm that current legislation is being appropriately observed as regards adherence to the requirements of HMRC legislation and the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme as regards employee contribution bandings.

The Clerk has provided detail of staff in post, their basic hourly pay rates (NJC scale point in her case) and contracted weekly hours together with copies of staff payslips for November 2022. We have, by reference to those payslips, ensured that all staff have been paid in accordance with their approved, as advised to us, pay rates, that PAYE, NI and pension contributions were being applied in accordance with the relevant HMRC tables and pension fund contribution bandings.

As identified previously, the Clerk remains the only employee paid on the national NJC Local Government Salary Scales: we note that Ellis Whittam have been appointed to undertake a review of the Council's staff structure with the intention of moving everyone onto the national pay scales. This review has still to be finalised: consequently, we will monitor progress at our final review.

Conclusions

No issues arise in this area currently warranting formal comment or recommendation.

Investments and Loans

Our objectives here are to ensure that the Council is “investing” surplus funds, be they held temporarily or on a longer term basis in appropriate banking and investment accounts; that an appropriate investment policy is in place; that the Council is obtaining the best rate of return on any such investments made; that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with appropriate loan agreements.

The Council does not have any long-term investments currently: however, as noted earlier in the report, it continues to hold a proportion of its funds in a Barclays ‘Base Rate Reward’ account which pays interest periodically. This account currently has a balance in excess of £0.5 million. The Government’s compensation scheme only provides cover up to £85,000 leaving a significant portion of the Council’s reserves at risk should, however unlikely, Barclays Bank ever “fail”. Consequently, we urge that consideration be given to the placement of elements of this total sum in alternative banking institutions. Whilst we cannot obviously act as financial advisors, a number of our clients are placing their surplus funds in the CCLA Deposit Fund and / or with the Cambridge and Counties Building Society and Hampshire Trust Banks.

We were pleased to note in last year’s report that the Council’s formal Investment Strategy was reviewed and re-adopted by the Council in May 2021.

The Council currently has no loans in pace payable either by or to it.

Conclusions and recommendation

Given the current financial state of the country’s economy and consequent potential increased risk of a High Street bank “failing”, we urge that serious consideration be given to the diversification of surplus funds in a variety of other banking institutions.

R4. Consideration should be given to the placement of elements of the surplus funds currently held into alternative banking institutions covered by the Government’s compensation scheme should Barclays ever “fail”.

Rec. No.	Recommendation	Response
Review of Accounting Arrangements and Bank Reconciliations		
R1	Action should be taken to ensure that the residual £100 relating to the former petty cash account is cleared from the Omega accounts.	
Review of Payments and VAT		
R2	An effective system of control should be implemented with the Clerk setting up payments for processing online, with one or more members then "logging-on" and physically releasing the payments: we acknowledge that this will be actioned once new accounts are set up with Unity Bank.	
Review of Income		
R3	The position on the two seemingly unpaid burial fees should be examined with appropriate follow up to ensure recovery action taken should they prove to be outstanding.	
Investments & Loans		
R4	Consideration should be given to the placement of elements of the surplus funds currently held into alternative banking institutions covered by the Government's compensation scheme should Barclays ever "fail".	

Standsted Mountfitchet Parish Council

Internal Audit Report 2022-23 (Final update)

Stuart J Pollard

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Auditing Solutions Ltd*

Background

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 2022-23 financial year, during our two review visit to the Council's offices which took place on 28th November 2022 and 22nd May 2023, together with final work at our offices following closedown of the year's accounts by DCK Accounting in the Omega accounting software.

We thank the Clerk and her staff for assisting the process, providing all necessary documentation in either hard copy or electronic format to facilitate completion of our review for the year.

Internal Audit Approach

In undertaking our review, we have again 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 advise that, based on the work undertaken this year, the Council continues to maintain adequate and effective internal control arrangements with only a few relatively minor issues identified at our interim visit requiring attention. Details of those issues were set out in the resultant interim report with any resultant recommendations further summarised in the appended Action Plan: we are pleased to note and record that positive action has been taken to address those issue with only one further recommendation arising from our final review relating to a variance in the total asset value (and content) recorded in the Council's asset register and that in the contract accountants' formal Statement of accounts..

We have duly signed-off the IA Certificate assigning positive assurances in each relevant area. We take this opportunity to remind the Clerk of the requirements of the guidance notes in the preface to the year's AGAR in relation to the documentation that should be displayed on the Council's website, together with the need to ensure compliance with the timing requirements for publication of the Notice of Public Rights to examine the Council's documentation for the financial year.

This report has been prepared for the sole use of Stansted Mountfitchet Parish Council. To the fullest extent permitted by law, no responsibility or liability is accepted by Auditing Solutions Ltd to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. The Council continues to use the Rialtas Omega software to maintain its accounting records with three bank accounts in place with Barclays, transactions on each account being recorded in separate cashbooks in the Omega software. A small petty cash account was previously in use but has now been closed. We have previously noted the Council's intention to move to Unity bank, noting that this still requires action having stalled due to other work pressures: we will monitor progress in this respect at our next review visit. Consequently, we have: -

- Checked and agreed the opening trial balance with the 2021-22 closing Statement of Accounts and certified AGAR detail;
- Ensured that a full and effective cost centre and nominal account coding structure remains in place;
- Ensured that the accounts remain 'in balance' at the financial year-end ;
- Checked and agreed detail of transactions in the current bank account cashbooks to the relevant bank statements for April, July & October 2022, plus January and March 2023;
- Due to their low volume, checked the full year transactions on the other two accounts;
- Checked that bank reconciliations are prepared routinely each month verifying detail in those at the month-ends on each of the three accounts for April, July and October 2022, plus January and March 2023; and
- Ensured the accurate disclosure of the combined account cash and bank balances in the year's AGAR at section 2, Box 8.

Conclusions and recommendation

We are again pleased to note that, in accordance with the adopted Financial Regulations (FRs), a councillor continues to review and sign-off bank reconciliations and bank statements during the financial year.

We have drawn the Clerk's attention to the Omega facility in the Management Accounts > Reports > Annual Return suite of programmes to the availability of a combined bank account reconciliation statement which would, albeit minimally, reduce the reviewing member's need to sign-off three reconciliation statements each month. We do, however, suggest that in order to afford clear evidence of the verification of detail of cashbook balances, as well as bank statement balances in the reconciliations, the first page of the Omega Trial Balance should also be printed and used to verify the individual account "Cashbook balances" as recorded on the reconciliation statement, that print out also being signed-off.

We note that the former petty cash account has been closed with the residual cash holding re-banked: however, as pointed out in our interim report, the Omega Trial Balance was still showing a petty cash holding of £100, which also appeared on the above referenced combined cash and bank reconciliation statement: we discussed this with the Clerk at the time of our interim visit and are pleased to note that this has been adjusted during the year-end closedown process.

R1. Action should be taken to ensure that the residual £100 relating to the former petty cash account is cleared from the Omega accounts. This has been actioned accordingly during the year-end closedown process.

Review of Corporate Governance

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

We have extended our review of the Council and standing committee's minutes for the financial year and to date in 2023-24 as posted on the Council's website or provided in hard copy format by the Clerk, to ensure that no issues exist or may be being considered by the Council that may have an adverse effect, through litigation or other causes, on the Council's future financial stability.

We note that both SOs and Financial Regulations (FRs) have been reviewed and re-adopted by the Council in May 2022. We take this opportunity to advise the Clerk and Council of the recent clarification of the value at which tenders must be formally publicised on the Government's Contract Finder website: that value has now been formally advised as £30,000 including VAT and we suggest that, when the Council's SOs and FRs are next reviewed, this clarified value be recorded in both documents.

We are also pleased to note that the external auditors signed-off the 2021-22 AGAR without qualification or comment and that the Council published the appropriate Notice of Public Rights to examine the Council's financial records for 2021-22 for the requisite 30 working days.

Conclusions

We are pleased to record that no issues arise this year warranting formal comment or recommendation. We shall continue to monitor the Council's approach to governance at future visits, also continuing our examination of Council and Committee minutes.

Review of Expenditure & VAT

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 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;
- Members have met their fiduciary duties approving release of each payment in accordance with extant legislation;
- An appropriate order has been placed in each case where one would be anticipated;
- All discounts have been taken;
- 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 and that submissions have been returned to HMRC in a timely manner.

We have discussed the procedures in place for the approval and release of payments with the Clerk and are pleased to note a rubber certification stamp is now being affixed to each invoice / payment docket with the Clerk and one councillor signing them off approving the invoices for payment: we also note that, as and when a schedule of payments is prepared, it is printed and reviewed by members with each entry checked to the underlying invoices and initialled accordingly. We consider this process appropriate for the Council's present requirement affording clear evidence of members' control and approval of payments for release.

We have, however, made previous reference to the need for improved controls over the physical release of funds by the introduction of a degree of segregation of duties between setting up and actually releasing the payments. We have, as recorded above, noted the planned move to Unity bank and understand that this will be actioned early in the new financial year following the elections when new signatories will potentially be required.

We have extended our test sample to include 49 payments, including 5 Uttlesford DC NNDR invoices paid over ten months of the year: our test sample includes those individually exceeding £2,500, plus every 35th payment recorded in the Omega Current account cashbook regardless of value, for compliance with the above criteria and totals £180,700 equating to 56% by value of non-salary related payments made during the year.

We note that VAT returns continue to be prepared and submitted to HMRC quarterly and have ensured the accurate recovery of the final quarter's reclaim for 2021-22 and the four quarterly reclaims for 2022-23 by reference to the Omega nominal control account record with no issues arising.

Conclusions and recommendations

We are pleased to record that no significant concerns arise in this area, although we urge that, once the Unity account(s) are opened and functional, the previously suggested improvements and segregation of duties between the set-up of online payments and their physical release is implemented, thereby affording a greater degree of security and protection to staff and over public funds.

R2. An effective system of control should be implemented with the Clerk setting up payments for processing online, with one or more members then "logging-on" and physically releasing the payments: we acknowledge that this will be actioned once new accounts are set up with Unity Bank. Implementation has been delayed pending the outcome of the 2023 election when new signatories may be required.

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 arrangements exist to monitor and manage any significant risks identified and to minimise the opportunity for their coming to fruition.

We noted in our final 2021-22 report that a more localised register of risks, based on sample documents adopted by other neighbouring councils, had been produced and been adopted in March 2022. This has been reviewed subsequently in May 2022 and been re-adopted accordingly. We also note that a further more robust document has been developed and been adopted in May 2023.

We have examined the Council's insurance policy with Hiscox running to March 2023, to ensure that appropriate cover is in place, noting that Public and Employer's Liability cover both stand at £10 million, together with Fidelity Guarantee at £500,000 and Hirer's Liability at £5 million, all of which we consider appropriate for the Council's present requirements.

Conclusions

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

Budgetary Control and 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 level of precept to be drawn down from the District Council: also, that an effective reporting and monitoring process is in place. Additionally, we aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

We are pleased to note that, following due deliberation, the Council approved the budget and precept for 2023-24 setting the latter at £436,650 at the full Council meeting held in January 2023.

We also note that members continue to receive regular budget monitoring reports and have reviewed the year-end outturn by reference to Omega budget report detail with no significant or unanticipated variances existing warranting further comment or enquiry having examined the relevant nominal account codes and obtained appropriate explanations for their existence. We note that total income equated to 84% of the planned budget whilst total expenditure equated 91% of the planned budget at the financial year-end.

We have reviewed the level of retained reserves at the financial year-end, noting that they have increased to £496,8569 (£434,771 at 31st March 2022). The General Reserve balance at 31st March 2023 has also increased to £159,059 (£134,381 at the prior year-end): this equates to approximately four months' general revenue spending at the 2022-23 level and sits comfortably within the generally recognised level of between three and twelve months such spending.

Conclusions

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

Review of Income

In this area of our review, we aim to ensure that income due to the Council is identified, invoiced (where applicable) and recovered at the appropriate rate and within a reasonable time scale; also, that it is banked promptly in accordance with the Council's adopted FRs.

In addition to the annual precept, the Council receives income from various sources annually including rent from the local Library Service, cemetery activities, allotment rents, occasional hire of the Community Centre, VAT recoveries, sundry grants and donations plus bank interest. We are pleased to note that fees and charges for 2022-23 were reviewed and adopted in accordance with the requirements of the Council's FRs (Para 9.3 refers).

We reviewed detail of the burials occurring to the date of our interim review in 2022-23, as recorded in the formal Burial Register ensuring that for each entry, appropriate interment forms had been received from undertakers, together with the legally required burial / cremation certificates and that the correct fees and charges had also been levied. In checking the recovery of interment fees, we noted that fees for two of the ten interments at the time of our interim review had not been recovered (Burial Register ref. nos. 563 & 567): we are pleased to note that they have been recovered subsequently.

Allotment rents fall due on 1st January annually: consequently, we have reviewed that income stream at this final visit and are pleased to note that all fees for 2023 were paid prior to the financial year-end.

We have also, at this final review, examined a sample of bookings recorded in the underlying booking diary ensuring that appropriate hire agreement forms were held and that invoices had been raised for the appropriate amounts with recovery of fees due duly received within a reasonable timescale. Consequently, we are pleased to record that no issues arise in this respect warranting comment or recommendation.

We have also reviewed the Omega detailed income transaction reports for the year ensuring, as far as we may reasonably be able to ascertain, that all income due to the Council has been received and coded to the appropriate account.

Conclusions and recommendation

No significant issues arise in this area this year following recovery of the two unpaid, at the time of our interim review, burial fees.

R3. The position on the two seemingly unpaid burial fees should be examined with appropriate follow up to ensure recovery action taken should they prove to be outstanding. These accounts have been pursued and settled accordingly.

Petty Cash Account and Credit / Debit Cards

We note, as above, that the former petty cash account has been closed with the residual balance banked. We are now also pleased to note that, as part of the year-end closedown process, the residual £100 balance in Omega has been cleared.

Review of Staff Salaries

We note that the Council continues to outsource production of its monthly payroll to an external provider. In examining the Council's payroll function, we aim to confirm that current legislation is being appropriately observed as regards adherence to the requirements of HMRC legislation and the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme as regards employee contribution bandings.

At our interim review, the Clerk provided detail of staff in post, their basic hourly pay rates (NJC scale point in her case) and contracted weekly hours together with copies of staff payslips for November 2022. We have, by reference to those payslips, ensured that all staff were paid appropriately in accordance with their advised salary detail, also ensuring that PAYE, NI and pension contributions were being applied in accordance with the relevant HMRC tables and pension fund contribution bandings.

We have noted previously that Ellis Whittam had been appointed to undertake a review of the Council's staff structure with the intention of moving everyone onto the national pay scales. This review has still to be finalised: consequently, we will continue to monitor progress at future visits.

Conclusions

No issues arise in this area currently warranting formal comment or recommendation.

Fixed Asset Registers

The Practitioner's Guide requires councils to maintain a formal register of their assets with the nominal (i.e., purchase costs net of VAT) reported in the year's AGAR. This value should only be amended year-on-year to reflect the purchase cost of any new additions or, again at nominal value, the reduction in value following disposal of assets.

We are pleased to note that the asset register has again been updated to reflect the cost of new acquisitions during the year: in contrasting the total value recorded therein with the detail in the Statement of Accounts prepared by DCK Accounting on behalf of the Council, we noted a disparity between the recorded values with the Clerk's register recording a total asset value of £2,019,403 compared with the accountants record which records a total value of £2,034,786.

The two records should be synchronised to ensure consistency of both content and asset values.

Conclusions and recommendation

this has been done.

As indicated above, the Council's own formal asset register should be reviewed and updated accordingly to ensure inclusion of all assets and that it is in synch with the detail in the accountants asset detail recorded in the year-end Accounts prepared by them on the Council's behalf.

R4. The Council should review its asset register to ensure consistency of content and the values assigned to individual assets with the detail recorded in the contracted accountants asset detail in the Statement of Accounts prepared on behalf of the Council for the financial year.

Investments and Loans

Our objectives here are to ensure that the Council is "investing" surplus funds, be they held temporarily or on a longer term basis in appropriate banking and investment accounts; that an appropriate investment policy is in place; that the Council is obtaining the best rate of return on any such investments made; that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with appropriate loan agreements.

The Council does not have any long-term investments currently: however, as noted earlier in the report, it continues to hold a proportion of its funds in a Barclays 'Base Rate Reward' account which pays interest periodically. This account currently has a balance in excess of £0.3 million. The Government's compensation scheme only provides cover up to £85,000 leaving a significant portion of the Council's reserves at potential risk should, however unlikely, Barclays Bank ever "fail".

We appreciate that the Clerk has been awaiting the outcome of the May 2023 elections before setting up further accounts with, inter alia, the Cambridge and Counties Bank and will check on progress at our 2023-24 interim review visit.

We are pleased to note that the Council's formal Investment Strategy was again reviewed and re-adopted by the Council in May 2022.

The Council currently has no loans in pace payable either by or to it.

Conclusions and recommendation

Given the current financial state of the country's economy and consequent potential increased risk of a High Street bank "failing", we urge that the intended action to open further accounts be expedited as soon as is practicable.

R5. Consideration should be given to the placement of elements of the surplus funds currently held into alternative banking institutions covered by the Government's compensation scheme should Barclays ever "fail". This will, as with R2 above, be actioned following the elections in the new financial year.

Statement of Accounts and AGAR

The Accounts and Audit Regulations require all Councils to prepare annually a Statement of Accounts in the AGAR, which now forms the statutory Accounts subject to external audit scrutiny and certification.

As a courtesy to the Council, we have checked and agreed entries in the detailed Statement of Accounts generated by DCK Accounting based on the Omega accounts closing Trial Balance detail for 2022-23 and the accountants own generated intermediary working papers. The only issue is in relation to the value of the Council's assets which, as recorded above, the Council's record differs to that recorded in the accountants' Statement of Accounts.

Conclusions

We are pleased to record that no additional issues arise in this area this year and, based on the satisfactory conclusions drawn from our programme of work for the year, we have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each area.

Rec. No.	Recommendation	Response
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Review of Accounting Arrangements and Bank Reconciliations

R1 Action should be taken to ensure that the residual £100 relating to the former petty cash account is cleared from the Omega accounts. *This has been actioned accordingly during the year-end close-down process.*

Review of Payments and VAT

R2 An effective system of control should be implemented with the Clerk setting up payments for processing online, with one or more members then "logging-on" and physically releasing the payments: we acknowledge that this will be actioned once new accounts are set up with Unity Bank. *Implementation has been delayed pending the outcome of the 2023 election when new signatories may be required.*

Review of Income

R3 The position on the two seemingly unpaid burial fees should be examined with appropriate follow up to ensure recovery action taken should they prove to be outstanding. *These accounts have been pursued and settled accordingly.*

Fixed Asset Register

R4 The Council should review its asset register to ensure consistency of content and the values assigned to individual assets with the detail recorded in the contracted accountants asset detail in the Statement of Accounts prepared on behalf of the Council for the financial year. *THIS HAS BEEN DONE.*

Investments & Loans

R5 Consideration should be given to the placement of elements of the surplus funds currently held into alternative banking institutions covered by the Government's compensation scheme should Barclays ever "fail". *This will, as with R2 above, be actioned following the elections in the new financial year.*