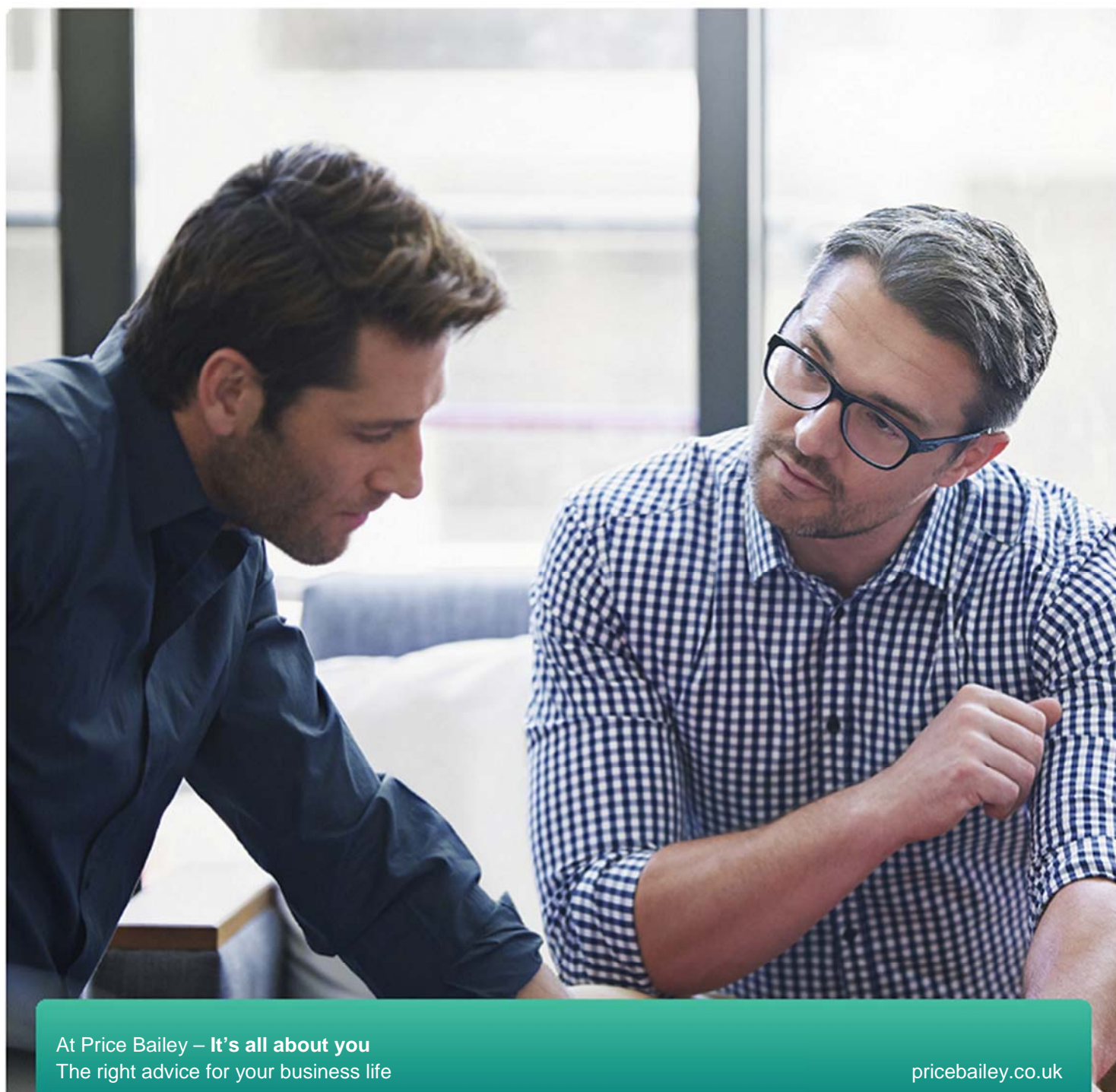


Sprowston Town Council

Final Internal Audit review, 2022-23

Controls report

May 2023



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1 Introduction and Background


- 1.1 This audit was completed in accordance with the Letter of Engagement, dated 10 January 2023 and approved by the Council. For this second and final review as part our 2022-23 work, we tested the expected key financial controls in place at the year-end.

2 Scope

- 2.1 The work was undertaken in accordance with the terms of reference issued prior to the audit and as such, the scope is limited to those areas. The results of our work should assist in providing assurance on the key controls relating to the areas of income, expenditure, banking, ledger reconciliation, access controls, risk management and providing financial information. The report confirms the findings from the final visit, and includes validation of AGAR control aspects. We have also signed off our responsibilities within the AGAR for 2022-23.

3 Key findings

Report Assurance Rating¹

Assurance level	Definition
 Green	There is a sound control framework in place to achieve system objectives and the controls to manage the risks audited are being consistently applied. There may be some weaknesses but these are relatively small or relate to attaining higher or best practice standards.

Organisational Reporting

- 3.1 The Council's Financial Regulations and Standing Orders will be formally reviewed, updated and approved at the annual Town Council meeting on 17 May 2023. The procedures in place remain sound and are in line with model documents as advised by NALC.
- 3.2 We receive the year-end reports from Sage and compared the account balances to the draft AGAR figures. In addition, we verified the roll forward amounts for the prior year cashbook were correct recorded on the AGAR and the new financial year end balances matched current year cash book entries. There were no discrepancies
- 3.3 Our testing in the various income, expenditure cash and back testing below included matching financial transactions in the cashbook to bank statement entries. It is considered that appropriate accounting records have been properly kept throughout the year.

¹ See Appendix A

- 3.4 We confirmed that up to date information is published on the Council's website. Minutes of meetings reflect in-year monthly transaction in monthly council activity such as payment approval listings, and in quarterly accounts as reported by the RFO in his comprehensive quarterly reports to the Council. The annual accounts for previous years are also posted to the website in line with requirements.

Cash handling and bank accounts

- 3.5 Access to cash and banking facilities is appropriately restricted to key individuals. There are six bank accounts in operation. Council is comfortable with the number of accounts
- 3.6 The Council is in the process of implementing 'named officials' (five designated Council members who can contact the bank for information). The bank will then require authorisation from two named officials to set up payments. The banking access controls in place are appropriate.
- 3.7 We tested for the prompt and accurate recording of recent income from income records held in Sage to paying in slips and bank statements in the previous visits - no discrepancies were identified and there are appropriate controls in place over bank and cash accounting.
- 3.8 We obtained the December 2022 and March 2023 bank reconciliations and saw that they were performed promptly and had been independently reviewed by the Chairman.
- 3.9 VAT is accounted for automatically by Sage, with some minor adjustments for some suppliers. Reclaims have been prepared and submitted promptly and we saw amounts to be repaid to the Council at the year-end, correctly accounted for in the year end balances.

Income receipt and recording

- 3.10 As previously reported, the majority of income received in year is from burial fees and burial plot allocation, allotment fees, and fees from hirings and lettings. We tested income activity in the last three months by sampling a selection of receipts from a report of all income from 1 January to 31 March 2023. All of our sample related to lettings income. We confirmed in each case a sales invoice was raised and a hire agreement was in place.
- 3.11 We confirmed all income had been received into the Council's bank account. In all cases, the invoice had been accurately marked as paid in Sage. No issues were identified.

Debtors

- 3.12 After the Council review of aged debtors in December 2022 (which included sending reminder invoices and notifications through Sage), we saw that the debtor position at year-end was low and few material amounts were outstanding. Evidence has been collated in email format at the Finance email address and further copy invoices have been sent to assist income recovery. Reminder letters are available for the different stages of debt.

- 3.13 At the year-end position, we saw that one large debt for over £3k for room hire, finance staff have arranged an agreement which is now in place and is being paid (and one other is being chased but will shortly clear). There are no overdue debts that might be classified as “bad debts”. It is concluded that a debt chasing process is in place and supporting evidence is being retained.

Petty Cash

- 3.14 The previous petty cash float of £95.92 at the time of the interim visit was still in place, there had been no transactions. The account will continue to be topped up as a cash float and there is likely to be very few transactions.
- 3.15 This has been discussed by the Council - the account is used rarely and is being maintained at a reasonable level for top up when necessary. It is considered that the account does not need to be treated as an Imprest account.

Ordering goods and services and invoice payments

- 3.16 New suppliers are entered into Sage once an invoice is raised, using the invoice details. The Council utilises local suppliers where possible and purchases items through ESPO/Amazon to obtain best value where purchasing locally is not possible. Although there is a risk that any new supplier used may not be bona fide, may not be the most appropriate and new supplier bank details may be incorrect, the Council is comfortable to bear the risk of using new suppliers subject to initial information gathering.
- 3.17 Credit cards are also used and if a new supplier is for a material amount, further due diligence will be undertaken. The Finance team will continue to control the use of current and new suppliers closely.
- 3.18 Orders for goods and services are placed by the Council via email but official, numbered purchase order forms are not used. Discussions revealed the Council is comfortable that it does not need to raise official orders for each purchase and that current controls in place within Finance are appropriate.
- 3.19 Procurement and value for money requirements are defined in the Financial Regulations. For a sample of five various types and values of purchase, we confirmed that where required, quotes had been obtained. For our sample, we confirmed all goods and services were all checked by the RFO and Finance Officer prior to payment. No issues were identified.
- 3.20 One credit card is held in the office safe and can be accessed by all office staff; receipts are maintained by the Finance Officer and reconciled monthly to the credit card statement. For a sample of five credit card transactions we confirmed the payment agreed to an underlying receipt. No issues were identified.

Expenditure

- 3.21 For our sample of five purchases above, we confirmed in all cases the payment agreed to a supporting invoice and the transaction had been accurately recorded in Sage. No issues were identified.

- 3.22 All of the expenditure was authorised in line with the schedule of delegated authority and all had been appropriately presented to the Council for oversight and approval.
- 3.23 We previously saw that some contractual arrangements were not documented in the contracts listing but all known current regular payment arrangements are now documented. The need for a more formal and detailed contracts register has been discussed and staff confirmed they are capturing and paying all regular payments under agreement.

Reconciliations

- 3.24 The main account reconciliations are being performed promptly and regularly, and independently reviewed. We saw evidence of reviews and sign off for the third and four quarters of 2022-23 by the Chairman.

Ledger Access and Control

- 3.25 Physical and IT access to the finance system is appropriately controlled.

Risk Management

- 3.26 Risk management arrangements should be reviewed annually; significant risks should be identified and controls in place to manage these. The Finance Risk Assessment document in place was inherited by the current RFO and is fit for purpose. We confirmed that the Council's risks and controls are identified and held in a suitable risk register, and saw evidence that this is formally presented to Members at least annually.

Appropriate insurance cover is in place, covering Land, Building, Public liability, employers' and hirers' liability, employees (including councillors) liability, business interruption and cyber security.

Salaries and allowances

- 3.27 Further to our interim checks, we further tested for a newly appointed employee that a current contract was in place on file and that the contracted pay scale amount matched the pay rate paid. There were no issues arising - Sage payroll entries matched to the payslip.
- 3.28 PAYE and NI requirements should be properly applied - we confirm that recent deductions calculated in Sage had been paid over to the HMRC.

Budgetary Control

- 3.29 There should be an adequate budgetary process where progress against budget is regularly monitored and any reserves should be appropriate. Budget levels are monitored with the RFO to monitor the Council's overall financial position; we confirmed that a comprehensive budget report is produced to provide budget performance and explanations for any significant or unanticipated variances, as well as attention to any earmarked reserves.

Asset Management

- 3.30 Asset and investment registers are complete and accurate and properly maintained. There were no issues arising from our interim testing; addition and disposal records are easy to follow, the registers is complete, accurate and properly maintained. We also confirmed that the asset values agreed to the AGAR year-end information.

Accounting records / Availability of Accounts Information

- 3.31 We can confirm that the accounting statements are prepared on a receipts and payments basis and testing agreed to the cash book, supported by an adequate audit trail in Sage. In 2022 the Council correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.
- 3.32 Our findings were discussed with staff at the time of the review. We would like to thank the RFO and Finance Officer for their time and assistance in completing this review.

4 Recommendations

Finding	Risk	Recommendation	Priority	Update, May 2023
1. Debt chasing Although we confirmed through review of the aged debtors report that there was evidence of aged debts being chased by the Finance Officer through Sage, there was no evidence of the correspondence supporting this process. At present, a debt collection process is not formalised.	Monies owed to the Council may not be collected promptly; there may be inconsistencies in debt collection processes across.	A Debt Chasing Policy should be implemented.	2	It is concluded that a debt chasing process is in place and supporting evidence is being retained.
2. Petty Cash The account is not an imprest account and the original opening balance is not known. Occasionally, the account is topped up to effect a cash float but is not reconciled back to an original open balance.	The account is not reconciled back to an original balance or an agreed amount.	The account should be treated as an Imprest account going forwards.	3	This was discussed by the Council; there is little use of the account and it is now maintained at a reasonable level, topped up when necessary.
3. Use of new supplier forms New suppliers are entered into Sage once an invoice is raised, using the invoice details. There is currently no due diligence review over new suppliers as the Council feels this is a	Any new supplier used may not be bona fide, may not be the most appropriate and new supplier bank details may be incorrect, leading to	A new supplier form could be instigated for use by staff when purchasing goods and services to capture new supplier information. This form should be verified by a second member of	2	This was discussed by Council – there are few new suppliers – the Council is comfortable to bear the risk of using new suppliers subject to initial information

Finding	Risk	Recommendation	Priority	Update, May 2023
low risk area.	the possibility of poor value and/or financial loss.	Finance and should include conducting a Companies House check and verification that the bank details supplied are bona fide. The Council could also consider checking a supplier's employment status using the HMRC "Check Employment Status for Tax questionnaire".		gathering. Credit cards are also used and if a new supplier is for a material amount, further due diligence will be undertaken
4. Use of purchase orders We found that purchases are made by the Council via email but official purchase order forms are not used.	There is a risk that there may not be appropriate oversight over Council expenditure.	The Council should raise official purchase orders for all purchases made in order to formalise the agreed type, quantity, quality and price of goods and services required.	2	PO's are not used. Where a verbal/emailed order is used, it is signed off by the RFO and is approved at Council.
5. Approval of payments by Full Council We identified that seven payments made in year were reported to the Council after the related invoice had been paid. In four cases, the payment was within the authorisation limit defined in the Financial Regulations but in the remaining three cases, the payment was in excess of this value. These three cases related to two existing contracts and to the payment of NDR rates.	There is a risk that payments are not made in line with the Financial Regulations and the Council may not have sufficient oversight over expenditure.	The Council should instigate a check to ensure all invoices for payment are presented to the Council for oversight and approval, and approved in line with the Financial Regulations.	3	






Finding	Risk	Recommendation	Priority	Update, May 2023
<p>6. Contract recording</p> <p>For three purchases tested where the payment was in excess of the RFO authorisation limit, the contractual arrangement was not documented in the contracts register.</p> <p>There has not been a recent review of the contract listing.</p>	<p>Not all arrangements may have been captured and the details of others may be out of date.</p>	<p>The Council should review and update the Contract Register with all known current regular payment arrangements to ensure all contractual agreements are documented on a more formal and detailed contracts register</p>	<p>3</p>	<p>The register is continuously reviewed and updated when new regular transactions are agreed.</p>

Appendix A: Assurance and Priority Ratings

Recommendation Priority Ratings

Risk level	Definition
Priority One (1)	There is potential for financial loss, damage to the Council's reputation or loss of information. This may have implications for the achievement of business objectives and the recommendation should be actioned immediately.
Priority Two (2)	There is a need to strengthen internal control and/or enhance operational efficiency
Priority Three (3)	Internal control should be strengthened but there is little risk of material loss.
Advisory	Improvements in the control environment are suggested in line with best practice. There is negligible control weakness or resultant risk.

Report Assurance Ratings

Assurance Level	Definition
 Green	There is a sound control framework in place to achieve system objectives and the controls to manage the risks audited are being consistently applied. There may be some weaknesses but these are relatively small or relate to attaining higher or best practice standards.
 Amber/Green	Weaknesses have been identified in the control framework or non-compliance which may put achievement of some system objectives at risk. Remedial action is required.
 Amber	Weaknesses have been identified in the control framework or non-compliance with controls which put achievement of several system objectives at risk. Remedial action is required.
 Amber/Red	Significant weaknesses have been identified in the control framework or non-compliance with controls which put the achievement of several system objectives at risk. Remedial action should be taken promptly
 Red	Fundamental weaknesses have been identified in the control framework or non-compliance with controls leaving the system open to error or abuse. Remedial action is a priority.

Appendix B: Key staff involved in the review

Client Contacts	Post
Guy Ranaweera	RFO/ Town Clerk
Ewelina Ciak	Finance Officer
Price Bailey Contacts	Post
Paul Cullen	Corporate Audit Partner
Simon Craven	Internal Audit Manager
Dawn Turner	Senior Internal Auditor

Appendix C: Key control areas considered

Organisational Reporting

- Prevailing Council guidance, agreed procedures and authority levels are in place
- Appropriate accounting records have been properly kept throughout the year
- Up to date information is published on the Council's website.

Cash handling and bank accounts

- Access to cash and banking facilities is appropriately restricted to key individuals
- Bankings are undertaken promptly and securely
- Bank reconciliations are performed regularly and independently reviewed
- Vat reclaims are prepared and submitted in a timely manner in line with the underlying records and in accordance with current HMRC requirements

Income recording

- All income due, including grants and precept, is promptly identified, captured, recorded and banked
- Income received is fully and accurately accounted for within the Council's finance system
- Debtors are promptly monitored and effectively followed up

Ordering, purchasing and payments,

- The use of new suppliers and changes to current suppliers details is appropriately controlled
- Purchase orders are authorised in line with financial standing orders and delegated financial limits
- The use of any purchasing/credit cards is appropriately controlled
- Goods and services received are checked and agreed to original orders and any delivery notes
- Purchase invoices are supported by and matched to original orders prior to payment, unless valid reasons can be given

Expenditure recording

- Expenditure is completely and accurately recorded in the accounting system
- Expenditure is authorised in accordance with the scheme of delegated authority in standing orders
- Any payments made to staff are appropriately reviewed and authorised
- Creditors are adequately monitored and controlled

Petty cash

- The use of petty cash is appropriately controlled and regularly reviewed

Ledger access and control

- Physical and IT access to the local recording system and centrally held ledgers, is appropriately controlled in line with access permissions and password protocols
- Main account reconciliations are performed promptly and regularly, and independently reviewed

Risk management

- Significant risks are identified and controls in place to manage these
- Appropriate insurance cover is in place

Budgetary control

- An adequate budgetary process where progress against budget is regularly monitored and reserves appropriate

Salaries to employees and allowances to members

- Appropriate contracts of employment are in place for all employees
- Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied

Asset management

- Asset and investments registers are complete and accurate and properly maintained
- Where applicable, loans to or by the Council are recorded

Accounting statements

- Appropriate accounting records have been properly kept throughout the year
- The accounting statements are prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors properly recorded

Availability of accounts information

- The Council has demonstrated that during 2022 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations

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