

# **Newton Abbot Town Council**

*Internal Audit Report: Final update 2024-25*

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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 2024-25 financial year, during our two review visits for the year, which have been undertaken partially in advance at our offices and on site on 15<sup>th</sup> October 2024 and 29<sup>th</sup> May 2025. We thank the Clerk and the Deputy Clerk / Responsible Finance Officer (RFO) for assisting the process, providing all necessary documentation in either hard copy or electronic format to facilitate our review for the year.

## **Internal Audit Approach**

In conducting 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 record that, based on the work undertaken this year, the Council and its officers continue to maintain adequate and effective internal control arrangements with only a few issues identified at our interim review that, as detailed in the following report, we consider require action to further strengthen existing controls. We note the action taken to date to address those issues and reflect the current status in the body of the report and in the appended Action Plan.

Based on the overall satisfactory conclusions drawn from our work programme this year, we have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

We take this opportunity to remind the Clerk and RFO of the requirements of the guidance notes in 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 financial and other documentation for the year.

# 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 the cashbooks prepared using the Rialtas Omega software with two Lloyds bank accounts in day-to-day use (Current and Instant Access Account). These are operated in a single cashbook with daily, as required, automatic inter-account transfers effected by the bank to retain the Current account with a balance of £100. The Council also has surplus funds on deposit with the CCAL Public Sector Deposit Fund (PSDF) with monthly interest added, which is paid directly into the Lloyds account by CCLA.

Consequently, we have: -

- Ensured the accurate roll forward of the 2023-24 closing balances as opening balances in the 2024-25 Omega accounts;
- Ensured that the accounts remain “in balance” at the financial year-end;
- Checked four months’ transactions on the combined Current and Instant Accounts cashbook (April and September 2024, plus January and March 2025) by reference to supporting bank statements;
- Agreed the monthly CCLA interest receipts deposited in the Lloyds Current account cashbook to the monthly CCLA statements for the full financial year;
- Checked and agreed the accuracy of bank reconciliations on the accounts as at 30<sup>th</sup> April and September 2024, plus 31<sup>st</sup> January and March 2025; and
- Ensured the accurate disclosure of the combined accounts year-end balances in the AGAR at Section 2, Box 7.

We are pleased to note that members are provided with copies of month-end bank reconciliations, budget reports and other financial documentation for scrutiny with reconciliations bearing clear evidence of such scrutiny and sign-off.

### *Conclusions*

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

## Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we may reasonably be expected to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We also aim to ensure that appropriate policies, procedures and protocols are in place to prevent and provide a reasonable assurance of the detection of any fraudulent or corrupt activity.

We have examined Council and Standing Committee (excluding Planning) minutes reviewing those for the financial year and to date in 2025-26 as posted on the Council’s website, to determine whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council’s future financial stability with no such concerns identified.

We have noted previously that the Council's SOs and FRs were reviewed with the Council opting to retain them in their existing format. NALC has, in early 2024, reviewed and issued a revised version of its model FRs, which we understand the Council will be reviewing and adopting accordingly in conjunction with its extant documentation (both SOs and FRs) in the near future: we will review the resultant adopted documents at our 2025-26 interim review visit.

We are pleased to note that the external auditors finalised their review of the 2023-24 AGAR and signed off their Certificate with no significant issues of concern raised. We are pleased to note that the formal Notice of Public Rights for 2023-24 has been published appropriately as required by the 2015 Accounts and Audit Regulations.

### ***Conclusions***

***We are pleased to record that no issues arise in this area this year: we will continue to monitor the Council's approach to governance at future reviews reporting our conclusions accordingly.***

## **Review of Expenditure**

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;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have again examined the payment approval and release process during our two reviews for the year and consider that the controls in place remain appropriate with effective segregation of duties in place between setting up payments online and their physical release. We also note that a certification stamp is being affixed to every invoice with appropriate initialling of the various stages of checking and data entry into the Omega accounts, a councillor also initialling and dating the invoices as evidence of their review and approval for payment.

To confirm the effectiveness of the controls over the processing of payments, we have selected a sample of 98 individual payments, including the annual Newton's Place Non-Domestic Rate bill paid over 10 months of the year and monthly contract payment to Grenke Leasing, processed in the financial year. Our test sample includes all those payments individually more than £3,000, together with a more random sample of every 50<sup>th</sup> payment, as listed in the Omega cashbooks. The sample totals £538,060 equating to 46% by value of the non-pay related payments processed in the year with all the above criteria met.

VAT reclaims continue to be prepared and submitted to HMRC for recovery at the end of each quarter: consequently, we have ensured that the final 2023-24 quarter's reclaim and the four 2024-

25 reclaims have been prepared, submitted to and been repaid by HMRC, details of which we have agreed to the Omega nominal control account.

### **Conclusions**

*We are pleased to record that the controls in place over the payment of traders' invoices continue to operate effectively with no issues arising in this area warranting formal comment or recommendation this year.*

## **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 / or health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks to minimise the opportunity for their coming to fruition.

We are pleased to note that the Council's Business Continuity and Risk Management Plan was reviewed and re-adopted by the Council at the May 2024 full Council meeting and have reviewed the content which we consider remains appropriate for the Council's present requirements.

We have examined the Council's current year insurance policy arranged with Aviva to ensure that appropriate cover remains in place, noting that both Employer's and Public Liability cover stand at £10 million, together with Fidelity Guarantee cover at £1 million and Business Interruption – Loss of Revenue cover at £25,247, all of which we consider appropriate for the Council's present requirements.

### **Conclusions**

*We are pleased to record that no issues arise in this area this year warranting formal comment or recommendation. We shall continue to review the Council's approach to risk management at future visits.*

## **Budgetary Control & Reserves**

We aim in this review area to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the amount to be precepted on Teignbridge DC (TDC); that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans.

We note the satisfactory conclusion of the Council's 2025-26 budget and precept deliberations with the latter formally approved and adopted by Council at £1,698,731 at the January 2025 full Council meeting.

We are again pleased to note that members continue to receive periodic budget reports throughout the year and have reviewed the Omega year-end budget outturn report obtaining appropriate explanations for the few significant variances existing by reference to the Omega detailed transaction report. We also note that, at the year-end, income equated to 116% of the annual budget, whilst expenditure stood at 118% with a marginal net surplus of income over expenditure for the year of £6,871.

We have also considered the appropriateness of the level of retained reserves noting that total funds at the financial year-end have increased significantly to £909,386 (£714,240 at the prior year-end) comprising the increased General Reserve balance of £478,463 (£247,723 at 31<sup>st</sup> March 2024) leaving £430,923 (£466,517 at 31<sup>st</sup> March 2024) in six earmarked reserves (EMRs) including ringfenced CIL money of £41,600 and the Capital Receipts reserve of £374,000 generated by sale of the former Town Hall.

### **Conclusions**

***No issues arise in this area warranting formal comment or recommendation. We shall continue to monitor budgetary performance at future reviews ensuring, as far as we are reasonably able, that no significant unexplained or anticipated variances exist.***

## **Review of Income**

The Council receives income primarily by way of the annual precept, room hire fees at the Museum / Council offices, allotment rents and from a plethora of small miscellaneous sources.

We have examined the manuscript Museum room booking diary identifying and examining detail of the fee paying and “free of charge (FOC)” hires during June 2024: the hire fees are recorded on the Council’s website together with the Terms and Conditions of hire.

In endeavouring to review the relevant supporting documentation (hire agreement forms and invoices) that should be in place we have, as last year, identified several potential concerns relating to the existence of an appropriate audit trail and clarity in the determination of those instances where hires are regarded as “Free of charge - FOC”.

The booking diary identifies several of the hires as FOC, also referring to the date payment of fees due to the Council has occurred. In examining the Omega Sales Ledger detail, it was apparent last year that an impracticable, from an audit trail viewpoint, system of recording invoices was in existence without invoices being assigned sequential numbers during the year, with that field in Omega purely recording a date, month and year, presumably relating to the date either the hire occurred or when the invoice was raised. We were, at our interim review visit, disappointed to note that no action had been taken to allocate invoices with sequential reference numbers during 2024-25 despite our prior year recommendation to that effect.

To ensure that appropriate and clear financial recording and an effective audit trail is put in place, we restate our previous suggestions that the following detail should be recorded in the booking diary and Omega accounts: -

- Invoices should be raised and issued with a unique sequential reference number rather than purely a date reference;
- Copies of all invoices raised should be retained on file in sequential number order;
- As and when payment is received, the date of payment should be recorded on both the invoice, and in the booking diary, with, ideally, the top right-hand corner cut off the invoice to afford a clear visual record of paid invoices, with any “Unpaid” remaining on file intact;
- To provide clear cross-referencing between the booking diary and financial records, the raised invoice reference numbers should also be recorded in the booking diary, together with the settlement date (as is currently the case);
- All hire forms, both casual and regular, should be signed by the hirers confirming understanding and acceptance of the Terms and Conditions of hire: booking forms for

regular hirers should, as a minimum, be renewed and signed at least once annually (as the event organiser / hirer may change from time to time);

- Copies of the signed hall booking agreement forms should be retained appropriately on file to provide confirmation of hirers' agreement to the terms and conditions of hire;
- A more transparent policy on "FOC" or reduced fee hires should be determined and published on the web site and in the "Premises use policy" to avoid any potential queries as to why certain hirers pay no fees and some are charged at 50%.

We have at this final visit, examined the controls in place over income arising from the Christmas market and allotment rents. In the former case, a spreadsheet control record was again maintained which we have reviewed and, as last year, are pleased to note that full detail of stall holders, the fees due and date of payment are recorded: consequently, no issues arise in that respect.

Regarding the allotments, the controlling officer has provided copies of the tenants for each plot, the plot size, the total income due and received in the year with only one tenant's rent apparently remaining unpaid at the year-end, which we understand is being actively pursued. Consequently, we will revisit this area at our 2025-26 interim visit ensuring that the one outstanding rent has been received also examining the 2025-26 records accordingly.

### ***Conclusions and recommendations***

***As indicated above, controls over the recording the hire of rooms at the Museum / Council offices should be strengthened to provide an appropriate and clear audit trail, also affording the Council greater protection in the event of any damage occurring during a hire potentially resulting in a claim against the hirer or Council's insurance policy for any necessary repairs that might arise on the premises.***

- R1. An effective system of recording room bookings at the Museum should be implemented, together with more comprehensive records maintained affording a clear audit trail, as detailed in the body of the report. This has been partly actioned. The invoice number and payment date are recorded within the booking diary.***
- R2. An effective cross-referencing system should be introduced with sequentially numbered invoices raised, rather than the use of a date as the invoice reference number. This has yet to be actioned but will be once a new bookings system has been implemented.***
- R3. Prepared invoices should be retained on file in sequential order for audit inspection, ideally with a corner of the invoice cut off on receipt of payment and the date of payment duly recorded thereon. The date of payment received has always been recorded on the invoice, however, other aspects have not yet been actioned.***
- R4. A more transparent and formally recorded policy on "free" hires and those to be charged at 50% should be determined and published to avoid any potential queries as to why certain hirers pay no fees and some are charged at 50%. This has now been actioned, and the policy has been updated.***

## **Petty Cash Account**

We are required, as part of the AGAR IA Certification process, to review and verify the soundness of controls over the operation of the Council's petty cash account. We have noted previously that a separate nominal account code (# 250) remains in place, with no transactions actually recorded against the code during each financial year with an "imprest" value of £200.00 recorded. As and

when expenses are incurred, they are reimbursed in full, generally monthly, with full analysis of the expenditure codes being charged recorded in the relevant Omega payments cashbook.

We examined transactions since the last reimbursement (in August 2024) during our interim visit checking detail as recorded on the control record to the supporting documentation with no issues arising.

We also checked the physical petty cash holding on the day of our interim visit agreeing the cash holding, together with the above referenced payment vouchers to the £200 imprest value.

### **Conclusions**

*We are pleased to record that no issues arise in this area this year.*

## **Review of Staff Salaries**

In examining the Council's payroll function, we aim to confirm that salary payments are made in line with the Council's approved pay rates and that extant legislation is being appropriately observed as regards adherence to the requirements of HMRC legislation in relation to the deduction and payment over of income tax and NI contributions.

The RFO has, as in previous years, kindly provided detail of the NJC spinal point (or hourly rate where staff are not on the NJC scale) and contracted weekly hours payable to each employee. The Council implemented the 2024-25 NJC national pay award with the November 2024 salary payments together with arrears backdated to 1<sup>st</sup> April 2024.

We have checked and agreed, at our interim review, the September 2024 gross salaries for all employees to the RFO's schedule by reference to the underlying payslips also verifying the appropriate application of HMRC tax and NI tables, together with the appropriate LG Pension Fund contribution bandings applicable from 1<sup>st</sup> April 2024. We have, at this final review, examined and agreed a sample of the November 2024 payslips ensuring that staff have been assimilated to the correct monthly gross salary applying from 1<sup>st</sup> April 2024, together with the accurate calculation of arrears backdated to 1<sup>st</sup> April which were also paid with the November salaries.

We note that certain officers work overtime and are paid accordingly based on the weekly timesheet detail of total hours worked: we have, at our interim review, checked the relevant timesheets supporting the September salary payments again also noting that those records are checked and certified accordingly confirming that the overtime was necessarily worked and is appropriate for payment.

### **Conclusions**

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

## **Fixed Asset Registers**

The Practitioner's Guide requires all councils to maintain a record of all assets owned. We have recorded previously that the register, in its present state, identifies assets in groups at a very high level and should, in line with best practice identify greater specific detail for each Council owned asset. We have again reviewed the existing register noting that the new acquisitions in 2024-25

have been added to the register at net cost with no issues arising this year.

### ***Conclusions***

***No residual uncleared issues arise in this area this year.***

## **Investments and Loans**

As indicated earlier in this report, the Council has placed surplus funds amounting to £447,198 at the financial year-end in the CCLA Public Sector Deposit Fund, which is earning significant interest each month, that interest being credited directly to the Council's Current account.

We have also checked and agreed the two half-yearly PWLB repayments for the year to their demand invoices as part of our previously referenced expenditure review with no issues arising. We have also, at this final review visit, agreed the year-end residual loan liability to the UK Debt Agency confirmatory advice note of the balance repayable at that date also ensuring its accurate reporting in the AGAR at Section 2, Box 10.

### ***Conclusions***

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

## **Statement of Accounts / AGAR**

The Accounts and Audit Regulations, as amended periodically, require all councils to prepare annually a Statement of Accounts, now in the form of the AGAR, which, together with the Annual Governance Statement, is subject to independent external audit examination and certification.

As part of our review process, we have examined the Council's procedures in relation to the identification of detail for inclusion in the AGAR, which for most values is generated automatically by the Omega accounting software and duly verified the accuracy of that detail.

### ***Conclusions***

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

Rec. No	Recommendation	Response
<b>Review of Income</b>		
R1	An effective system of recording room bookings at the Museum should be implemented, together with more comprehensive records maintained affording a clear audit trail, as detailed in the body of the report.	<i>This has been partly actioned. The invoice number and payment date are recorded within the booking's diary.</i>
R2	An effective cross-referencing system should be introduced with sequentially numbered invoices raised, rather than the use of a date as the invoice reference number.	<i>This has yet to be actioned but will be once a new bookings system has been implemented.</i>
R3	Prepared invoices should be retained on file in sequential order for audit inspection, ideally with a corner of the invoice cut off on receipt of payment and the date of payment duly recorded thereon.	<i>The date of payment received has always been recorded on the invoice, however, other aspects have not yet been actioned.</i>
R4	A more transparent and formally recorded policy on “free” hires and those to be charged at 50% should be determined and published to avoid any potential queries as to why certain hirers pay no fees and some are charged at 50%.	<i>This has now been actioned, and the policy has been updated.</i>