

**Ashburton Town Council**  
**Financial Year 2022-23**



IAC Audit and Consultancy Ltd

Audit date: 29 June 2023

**Year End Internal Audit Observations**

**A Appropriate accounting records have been properly kept throughout the financial year.**

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
1	Are accounting entries correct with few correcting entries?	No	<p>From a review of the Councils Xero accounting system it is clear that there are widespread and significant failures in the maintenance of the Council accounting records. By way of an example a bank balance of the Community Land Trust, which is not an account of the Council, is recorded in the Xero system, however a balance of £55,481 held with CCLA is not recorded. Similarly creditor balances and debtor balances in the Xero system are not correct.</p> <p>The extent of the accounting failures is such that the Xero accounting system cannot be relied upon to produce accurate accounting reports. This is not a failure of Xero, which is a widely used and reliable accounting system, it is a failure to properly maintain accounting records.</p>	<p>The Council to note that the standard of financial record keeping at the Council is wholly inadequate and has been for a number of years.</p> <p>The Council must, as a priority, urgently address the quality of its accounting records. As part of this process the Council should consider whether Xero is an appropriate form of record keeping for the Council (details of alternative accounting systems in use at other Councils has been provided to the Clerk).</p>	Non Compliance	
2	Is the general custody of accounting records adequate – is filing neat and well organised?	Yes	<p>It was noted that, although the Xero system balances are wrong, significant efforts had been made by Council staff to reconcile the main Council bank account. An audit review of this account identified a small number of duplicated entries which were corrected during the audit. Records requested during the audit were provided promptly.</p>	<p>The Council to note that the underlying standard of record keeping and retention of records appears good. In the absence of accurate accounting records it was this that enabled the values for the statutory Accounting Statements to be produced.</p>	Low	
3	Accounting system opening balances agree to prior year Annual Return	No	<p>The balances on the Xero system do not agree to the values reported in the 2021-22 Accounting Statements. From a review of records it appears that the values stated in Xero, which date back to 2019 may never had agreed to the values stated in the statutory Accounting Statements approved by Council.</p>	<p>Council to note that the failure to maintain accurate accounting records dates back to at least 2019. This is a long standing problem and not something that has arisen during the 2022-23 financial year.</p>	High	

**B** This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
1	Does the Council use the NALC model Standing Orders?	No	<i>The Council does not use the NALC model Standing Orders. This can make it difficult to ensure that Standing Orders are regularly updated and comply with relevant legislation.</i>	The Council to consider adopting the NALC model Standing Orders.	Medium	
2	Have Standing Orders been subject to regular review in accordance with paragraph 1.14 of The Practitioners Guide 2021?	No	<i>The Councils Standing Orders state that they were adopted at the Town Council meeting of 10th May 2022 however MInutes of that meeting do not record Council review and approval of Standing Orders.</i>	The Council MUST put in place a process for the regular review of Standing Orders. It may be appropriate for this to be carried out on an annual basis, for example at the Annual Meeting of the Council. This review should be properly confirmed in Council minutes.	Medium	
3	Does the Council use the NALC model Financial Regulations?	No	<i>Council does not use the NALC model Financial Regulations. This can make it difficult to ensure that the Council is aware of, and complies with, proper practices.</i>	The Council to consider adopting the NALC model Financial Regulations.	Medium	
4	Are the regulations the current version of the Model Regulations?	No	<i>The Financial Regulations in use are not the latest version of the NALC Model Financial Regulations.</i>	Council to review and update its Financial Regulations.	Medium	
5	Have the Financial Regulations been subject to regular review in accordance with paragraph 1.14 of The Practitioners Guide 2021?	No	<i>As with the Councils Standing Orders, the Financial Regulations state that they were adopted at the Town Council meeting of 10th May 2022 however MInutes of that meeting do not record Council review and approval of Financial Regulations.</i>	The Council to put in place a process for the regular review of Financial Regulations. It may be appropriate for this to be carried out on an annual basis, for example at the Annual Meeting of the Council. This review should be properly recorded in the Minutes of the relevant meeting.	Medium	
6	Is the tender threshold set at £25,000 consistent with the Public Contract Regulations and NALC Model Financial Regulations?	No	<i>The Councils Financial Regulations state a tender threshold of £10,000 which is not consistent with the level set in the Public Contract Regulations</i>	The Council to review its Financial Regulations and consider setting the tender limit at £25,000.	Medium	

**C** This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
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1	The Council, as a body, has undertaken a formal review of risk (this cannot be delegated to sub-committee) - Year End Audit	No	<i>The Council, as a body, has not formally Minuted a review of Risk during the Financial Year.</i>	It is a requirement of the Annual Governance Statement, as well as the Annual Internal Audit Report, that the Council has undertaken a review of Risk. As no such review has been confirmed in Council Minutes the Council must record a Negative response for Assertion 5 of the Annual Governance Statement. It will also be necessary for the Internal Auditor to give a Negative Response for Internal Control Objective C on the Annual Internal Audit Report.	Non Compliance	
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**D** *The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.*

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
1	The Council formally set a budget	No	<i>The Council approved the precept for the 2022-23 financial year at a meeting held on 18th January 2022. From a review of records it was not possible to verify when the Council formally approved the budget for the year.</i>	The Council to note that Minutes do not record when the Budget for the year was approved.  The Council to ensure that, in future, approval of the budget is formally recorded in the Minutes of the meeting at which it was approved.	High	
2	The Council approved the budget for the year prior to setting the precept	No	<i>The Council did not formally approve a budget prior to setting the Precept as required by paragraph 1.8 of The Practitioners Guide 2021.</i>	The Council to note that it MUST approve a budget prior to setting the Precept.  The Council to consider what response it should give in respect of Assertion 1 of the Annual Governance Statement.	High	
3	The Minutes of the meeting of Full Council, in which the precept was set, clearly states the value of the precept to be raised	No	<i>The Minutes of the meeting in which the precept was set, do not state the value of the precept to be raised.</i>	In future the Council should ensure that the value of the Precept to be raised is clearly recorded in the Minutes of the meeting in which the Precept is set. The Council to formally confirm the value of the precept raised for the year.	High	
4	The Council has reviewed any points raised by the External Auditor as required	No	<i>From a review of Minutes it is unclear whether the Council has received the final report from the External Auditor for 2021-22.</i>	The Council to clarify the status of the 2021-22 External Audit. The Council should formally review and note the report of the External Auditor when received.	Medium	

5	The Council has reviewed any points raised by the Internal Auditor as required	Yes	<p><i>Council Minutes record Council review of the report of the Internal Auditor. These reports were reviewed by the current Internal Auditor as part of the 2022-23 Internal Audit.</i></p> <p><i>Given the widespread failure of the Councils financial accounting system, and the complete absence of key controls, such as regular bank reconciliations, it is remarkable that these were not raised in the reports of the Internal Auditor in prior years.</i></p>	The Council to note that the previous Internal Audit reports appear to be wholly inadequate and that they failed to identify the widespread failure of the Councils accounting system and the systems of Internal Control.	High	
6	Level of Reserves were appropriate, their purpose is identified	No	<p><i>It was not possible to verify that the Councils reserves are appropriate and their purpose clearly identified. The Xero accounting system does not record any specific reserves and it is unclear whether the Council has established any.</i></p>	Council to review the level of Reserves to ensure that they are appropriate and their purpose is identified.	Medium	
7	Regular budget reports have been presented to council and there is evidence that corrective actions have been taken as a result of review	No	<p><i>From a review of Minutes it was not possible to verify that the Council has regularly reviewed progress against budget.</i></p>	The Council should ensure that progress against budget is subject to regular review during the year, either through meetings of Full Council or a nominated Committee.	High	

**G** *Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.*

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
1	The Council has published the details of Members Allowances paid in accordance with Regulation 15 (3) of Members Allowances Regulations 2003.	No	<i>The Council has not published the details of Members Allowances paid in accordance with Regulation 15 of Members Allowances Regulations 2003.</i>	The Council to note the publication requirements in respect of Members Allowances and to ensure that details of allowances paid are published in accordance with the Regulations.	High	
2	Tax and National Insurance have been appropriately accounted for on Members Allowances	No	<i>The Council pays a Mayor's Allowance, this is recorded in Xero as being £700 per annum. From a review of records it is not clear that this has been paid subject to PAYE.</i>	The Council to note that Members Allowances are taxable under PAYE. The Council to ensure that, in future, it correctly processes such payments through its payroll system.	High	

**I** *Periodic bank account reconciliations were properly carried out during the year.*

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
1	There a bank reconciliation for each account (Year End)	No	<i>It was noted that the Council does not have in place a process for the reconciliation of its bank statements to the Councils accounting records. Papers were provided to the Internal Auditor which purported to be bank reconciliations, but these did not state the actual cashbook balance or reconcile the cashbook to the bank. It appears these statements were simply prepared based on the bank statements without reference to the Councils accounting system.</i>  <i>From a review of the records available it appears that the balances on the Xero system (which date back to 2019) may never have been reconciled to actual bank balances.</i>	The Council to note that bank reconciliations to the Xero accounting system have not been carried out. As at the 31st March the balances stated on the Councils bank statements (which agree to the statutory Accounting Statements) do not agree to the balances stated in Xero.	High	

**J** *Accounting statements prepared during the year were 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 were properly recorded.*

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
1	Year end creditor balances are reasonable and agree to year end Trial Balance	No	<i>It was noted that the Xero accounting system records outstanding creditors the balance of which have not changed since March 2021. It appears that these balances are incorrect (see comments above re Box A). It was noted that no creditors are recorded in the draft statutory Accounting Statements for 2023.</i>	Council to review the value stated for Creditors and agree them to the Trial Balance.	Medium	
2	Year end debtor balances are reasonable and agree to year end Trial Balance	No	<i>It was noted that the Xero accounting system records debtors of £32,749 which date back over the last 3 years. Most of this balance relates to the Izettle card system and it appears this relates to inaccurate accounting for these transactions rather an outstanding balance due (see comments above re Box A)</i>	Council to review the value stated for Debtors and agree them to the Trial Balance.	Medium	
3	Audit Extended Trial Balance agrees to draft Accounting Statements	No	<i>The Internal Audit Extended Trial Balance does not agree to the draft Accounting Statements. As advised in Box A above the Council accounting records (particularly the balance sheet) are not accurate. It was possible, by reconciling the movement on the councils bank accounts for 2022-23 to verify the values for Boxes 2 through to Box 8 for the 2022-23 financial year.</i>  <i>Based on the reconciliation of the bank account to the statutory Accounting Statements there is a unresolved difference of £12,221.04 that may need to written off.</i>	The Council to note that the values for the 2022-23 Accounting Statements agree to movements in the Councils bank accounts for the year, but that the Xero accounting systems balances are not accurate and do not agree to the Accounting Statements (see comments re Box A above).  The Council to note that there is significant balancing amount that cannot be substantiated. The Council to consider what action is should take in respect of this amount.	High	
4	Stock quantities on hand have been physically verified	No	<i>The Council is recording a balance of Information Centre stock of £4,632 which is carried over from March 2022. It is unclear what the basis is for this stock valuation and an equivalent valuation as at 31st March 2023 is not available.</i>	The Council to note that the stock value of £4,362 as at 31st March 2023 has not been subject to review and verification. The Council should review the value of stock held at the Information Centre and ensure that an accurate figure is made available for the end of the 2023-24 financial year.	High	

**M** *The authority, during the previous year (2021/22) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).*

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
1	Council Minutes record the dates set for the Exercise of Public Rights	No	<i>Council Minutes do not record the dates set for the Exercise of Public Rights.</i>	In future the Council to ensure that the date set for the Period of Exercise of Public Rights is recorded in Council Minutes.	High	

**N** *The authority has complied with the publication requirements for 2021/22 AGAR (see AGAR Page 1 Guidance Notes).*

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
1	The Council has published the Notice of Conclusion of Audit on its website in accordance with the requirements of Regulation 16 of the Accounts and Audit Regulations	No	<i>The Council has not published the Notice of Conclusion of Audit on its website in accordance with the requirements of Regulation 16 of the Accounts and Audit Regulations. The External Auditor advised in September that they had been unable to complete their work, and this was published by the Council. It is unclear whether the External Auditor has now completed their work.</i>	The Council should review the status of the 2021-22 External Audit and confirm whether the External Auditor has completed their work. If the auditor has confirmed their work is now complete the Council should publish confirmation of this and also published the Notice of Conclusion of Audit.	High	
2	The Annual Governance Statement was approved at a meeting of Full Council as required by Regulation 12 of the Accounts and Audit Regulations 2015	No	<i>The Council reviewed both the Annual Governance Statement and Accounting Statements at a meeting held on 14th June 2022 (Min Ref 097/22). The Minutes record "It was agreed that Annual Governance and Accountability Return would be signed off at the Finance Committee meeting on 21st June, ahead of the External Audit." It is unclear why Full Council, which had received both documents did not approve them at the meeting of 14th June at which they were reviewed.</i>	The Council To note the it is a responsibility of Full Council to approve both the Annual Governance Statement and the Accounting Statements and that this cannot be delegated to a committee.	High	