

Responses to Internal Auditor AGAR – Nos

1) BUDGET

D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.		✓
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The internal auditor report states:

“Analysis of the council’s year-end income and expenditure report shows total income for the year reported as 164.3% (£797,565) and total expenditure as 132.6% (£353,335) against budget resulting in a surplus of £444,230 of which £620,243 has been transferred into earmarked reserves resulting in a deficit of £176, 013 on the general reserve.

I have reviewed the income and expenditure against budget and note the additional income against budget is due in the main to £620k of CIL, £12k of Interest received, Grants of £127k and £13k of Assembly Hall Bar. The overspends against budget are attributable in the main to an additional spend of £210k on wages £40k on legal fees, £62k on play areas, £32k on CCTV.

It was noted at the interim visit that several cost centres in total were overdrawn; however, it was clear from evidence that council has been made fully aware of this and was taking remedial action. During the budget setting period for the 2025/26 budget the budget was extensively reworked to avoid these types of variances manifesting again. “

RESPONSE:

The budget is now being reviewed regularly and presented to every Finance, Governance & Performance Committee meeting. The RFO will make recommendations to Council if there are areas of the budget that need review.

2) ASSETS

H. Asset and investments registers were complete and accurate and properly maintained.		✓
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The internal auditor report states:

“I confirmed the council has an asset register in place, but it is clear this is still being worked on and will need to be substantially updated for the current year additions and disposals as I have not been able to locate evidence that in accordance with financial regulation 16 that council has been provided with a business case for all additions and disposals over £500 and indeed whilst the nominal ledger shows details of fixed assets

purchased in the year, these have not been added to the register. I have recommended that a reconciliation is also shown that will show the movement from the prior year to the current year.

The asset register is maintained on excel and is in a simple list format. The council is custodian of over £6m of assets and for a council of this size excel can become unwieldy. I recommend a fixed asset reporting package be acquired that is better suited to the council requirements and that council review the requirements of Financial Regulation 16.

The balance on the AGAR does not match the register – the AGAR needs to be amended.”

RESPONSE:

Extensive work on the Asset Register has been carried out over the past year. The RFO has recommended to Council that a complete thorough review is done of all assets, and that an asset management software system is purchased in order to ensure adequate records and details of all assets are maintained.

The 2023/24 Asset Register has been reviewed and restated. A comments column has been added to make it clear what changes have been made, and why.

Council currently only include assets over the value of £500 on the Asset Register. The RFO has spoken the internal auditor as she believes the value should be lowered to ensure that all assets are included. £500 may limit assets such as laptops, printers etc being on the Register, assets that are worthy of being included. A recommendation will be presented to Council for consideration.

3) Bank reconciliations

I. Periodic bank account reconciliations were properly carried out during the year.		✓
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The internal auditor report states:

“I reviewed the March 2025 bank reconciliation for all accounts and was able to confirm all the balances except one to the bank statements and cashbooks and found no errors. The balances agreed to the end of year AGAR.

The council has no underlying documentation from the Cambridge Building Society to verify the year end closing balance of £86,682 as shown in the accounts. This must be rectified before the accounts are finalised. IA Update – the Cambridge BS statement was received 05/06 which showed an additional £2,471.84 of interest needs to be recognised in the accounts. I have advised the RFO.

The council benefits in part from the £85,000 protection limit offered by the Financial Services Compensation Scheme (FSCS). The council also has an adopted investment strategy on its website.

Financial regulations 2.6 requires the council to review and sign off the bank reconciliation on an at least quarterly basis and this activity to be reported to council. The council is not following this regulation. The bank reconciliation is a key control account and council verification is required to reduce the risk of error or misstatement. The council must be seen to verify the council bank balances as part of protecting public money.

It was mentioned in the interim report reported to Finance Committee in January 2025 that the minutes should show council approval, and the council has asserted “*All financials will be presented to every Finance Committee meeting.*”; however, there is no evidence to show the bank reconciliation or the face of the bank statement were signed in accordance with regulation, indeed the minutes refer only to the cashbooks..

I am not satisfied the requirements of this control objective were met for 2024/25.”

RESPONSE:

The bank statement for the Cambridge Building Society was finally received in May, after a lot of chasing. The interest received during 2024/25 has been added to the accounts and has now been included within the financials and the AGAR. The internal auditor has received a copy of the statement and adjusted their AGAR figures accordingly.

The bank reconciliations are now being included on each Finance, Governance & Performance Committee agenda. Bank reconciliations have been signed off regularly by two councillors visiting the office to check the statements against the reconciliation and signed off accordingly. However, this has not been reported to the Committee meeting and minuted, which is now being done.

Samantha Haywood
Locum RFO