Shipley Town Council

Internal Audit 2023/24: Final report

26 June 2024

For and on behalf of Phil Parkin Ltd

Background and Introduction

All town and parish councils are required by statute to make arrangements for an independent internal audit and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR). The Town Council has requested that Phil Parkin Ltd provides this service, based on a letter of engagement agreed and signed by the Council.

Phil Parkin Ltd is a member of the Internal Audit Forum – an association of Internal Auditors for local councils which seeks to promote high quality internal audit.

This audit appointment was made at a late stage (June 2024), and consequently, no interim work had been undertaken.

Independence and Ethics

I can confirm that I comply with the FRC's Revised Ethical Standard 2024 covering Integrity, Objectivity and Independence. Additionally, I confirm that I comply with the International Ethics Standards Board of Accountants (IESBA) Code of Ethics which is based on five principles:

- integrity
- objectivity
- professional competence and due care
- confidentiality
- professional behaviours

I am not aware of the any relationships that might constitute a threat to my independence.

Internal Audit Approach

In undertaking my audit, I have been guided by Section 4 of the Practitioners' Guide, March 2023. The Council's Clerk assisted the audit by providing suitable evidence.

In addition to the evidence provided substantive testing of underlying accounting records was undertaken.

Overall Conclusion

This is the first year that I have undertaken the internal audit I have found that, generally, effective controls are in place. However, I have identified some areas where arrangements can be strengthened and I have made appropriate recommendations in order to assist the Council.

During my audit, I have identified a sum of £329.89 of unclaimed VAT that can now be added to the next VAT claim.

I have entered positive assessments on the Internal Audit section of the AGAR, except for B – relating to VAT; L – regarding publication in line with legal requirements; and M – public rights.

Detailed Report

My detailed report follows the structure of the Annual Internal Audit Report section of the AGAR .

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

The Council uses the Scribe accounting system, which is kept up to date and forms the basis of the AGAR. The closing balance of last year did not agree to the opening balance for 2023/24, though the Clerk subsequently resolved the discrepancy.

An Investment Strategy is in place though this was prepared in 2020, and would benefit from being updated. I understand that the Council is to spread its funds by the middle of the financial year 2024/25, because the Council has funds in the current account over the protected amount of £85,000 per institution.

Until this is addressed, the Council should consider adding this to its risk assessment.

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

There are controls over the receipt and approval for the payment of invoices. At present, bacs payments are scheduled by officers, and approved by a councillor. All payments are then sampled in two half-yearly tranches, by the Internal Control & Audit Sub-Committee.

I reviewed payments made in December 2023, and found that they were supported by invoices or other documents.

A payment to the City of Bradford for £4,484.45 did not have the VAT recorded or reclaimed.

I recommend that the VAT claim be amended, thus providing a further £329.89 for the Council.

The Council is aware of a significant issue relating to previous VAT claims. VAT has been routinely accounted for but not yet re-claimed. The first claim, since the Council's inception, is currently being prepared dating back the full three years to 29 June 2021. The VAT not claimed and which is now older than the three-year claim limit is a total of £1,281.25.

I understand the reason this has come about is a combination of workload and VAT not being given the priority it deserved. The Council understands the steps needed to rectify this in terms of a claim to be made for past VAT (29 June 2021 to present) and thereafter claiming on a quarterly basis going.

Due to the lateness of claims for 2023/24 and the recognition of a significant loss, I conclude that this control objective has not been met.

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

A risk assessment exists for 2023/24 and was considered by the Management Committee on 14 March 2024, and subsequently worked on to update it, to reflect the Committee's discussion. It was re-presented for adoption in its updated form at the next ordinary meeting of the Management Committee on 9 May 2024.

A review of the effectiveness of the system of internal control was carried out and considered by the Internal Control and Audit Sub-Committee on 27 January 2024.

Fidelity cover is set at £250,000 which appears sufficient at the moment.

D. The precept or rates requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored; and reserves are appropriate.

The Town Council considered a budget and set a precept of £164,255 at its meeting on 18 December 2022. Pleasingly, I have also seen evidence of consideration of general and earmarked reserves.

Budgetary control reports have been presented regularly to the Management Committee.

E. Expected income was fully received based on correct prices, properly recorded and promptly banked; and VAT appropriately accounted for.

I confirmed that the precept of £164,255 was received in April 2023.

Other income mainly comprised grants and allotment rents. I reviewed a large sample of allotment holders and confirmed that they had paid the correct amounts. There is no VAT charged on allotments. Five tenants had not paid in the year, but action has been on all of these, resulting either in subsequent payment or write-off where rents were deemed uncollectable.

F. Petty Cash payments were properly supported by receipts, all petty cash expenditure.

was approved and VAT appropriately accounted for.

The Council does not hold any petty cash.

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

All staff have signed contracts of employment. however, they have not been amended to reflect performance increments or national pay awards since they were signed (hence the pay amounts are out of date). This is due to be rectified following the Management Committee when it meets on 11 July 2024.

I sample tested payroll payments and deductions for December 2023 and found them to be correct and supported by pay-scales referenced in the contract of employment.

H. Asset and investment registers were complete and accurate and properly maintained.

The Council maintains an asset register which is kept up to date. I reviewed the Council's asset register and confirmed that major assets were covered by its insurance policy. The assets recorded were correctly reported on the AGAR for 2023/24.

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

Bank reconciliations are prepared frequently and are reported to the Management Committee. In February and March 2023, bank reconciliations were not balanced, though the reasons were understood.

I reviewed the April 2023 bank reconciliation which showed that the bank statement should be £173,426.45. The bank statement at 30 April showed £173,447.98 – a difference of £21.53 - due to an allotment rent cheque affecting the opening balance which was subsequently corrected. Unfortunately, the minutes did not record this.

I reviewed the year-end bank reconciliation totalling £205,081.36, which agreed to the bank statement.

J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cashbook, supported by an adequate audit trail from underlying records and, where appropriate, debtors and creditors were properly recorded.

The Council maintains its accounts on the correct basis, namely receipts and payments. The accounting statement in the AGAR is completed from the accounting system. I reviewed the AGAR and confirmed that it had been correctly compiled from the accounting system. However, I noted that a small difference existed between the receipts on the bank reconciliation and on the AGAR; a similar and off-setting difference existed on payments – this was subsequently corrected.

K. If the authority certified itself as exempt from a limited assurance review in the prior year, it met the exemption criteria and correctly declared itself exempt.

This does not apply to the Town Council.

L. The authority published the required information on a website / web page, up to date at the time of the internal audit in accordance with the relevant legislation.

The Council has developed a new website, which unfortunately does not contain all that it should. The legislative requirement to publish five year's accounts is not complied with.

I recommend that the past five year's accounts are published in order to meet this requirement.

All minutes were "draft". Whilst it is good practice to publish draft minutes promptly after meetings, ***the Council should publish the final, approved minutes.***

M. The authority has, during the previous year, correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations.

The notice of public rights was not on the Council's website at the time of my audit. I understand that the notice had been published on line, but deleted in order to tidy up the website. Whilst I have no reason to doubt this, and I have seen the minute resolving the dates for the inspection period, I have not seen the notice and I am therefore unable to verify that the notice was duly published.

I recommend that in future, the public rights notice be retained on line.

Across the country there has been some confusion regarding the legal requirements surrounding the publication of the AGAR and the related notice of public rights. As standard practice, I am sharing with all my clients, information to clarify the position.

According to law, the inspection period commences the day following the notice (irrespective of what date the Council actually states). This is important, as the period to make an objection is strictly governed by the law, and runs for ONLY 30 working days after the day following the publication.

External auditors have all commented on how the strict legal requirements are not always followed by parish and town councils.

The correct period is 30 working days including the first 10 working days of July.

However, it is important to note that public rights commence on the **DAY FOLLOWING** the announcement.

Regulation 15(3) of the Accounts and Audit Regulations 2015 says:

"The period for the exercise of public rights is treated as being commenced on the day following the day on which all of the obligations specified in paragraph (2) have been fulfilled, insofar as they are applicable to the authority in question."

The reason this is important is so there is absolute clarity as to the period of 30 days in which objections can be made. However there is some confusion, as the recommended form states that the date of placing the notice must be not less than one day before the commencement of rights, but effectively should say "one day".

I trust this is helpful and commend the Council for resolving the dates to be adopted the dates for public rights.

N. The authority complied with the publication requirements for the prior year AGAR.

The Council published on its website, just the final audited Section 1 and 2 of the AGAR, together with section 3 (external auditor's certificate). I understand that it also published the notice of the conclusion of the external audit (and I have seen the actual document) though this has since been removed.

I recommend that the Council publishes and retains the notice of completion, and that it remains on the website.

It is recommended good practice to publish page 3 of the AGAR (the IA report). I would further suggest that the detailed Internal Audit report be published demonstrating good governance and openness.

O. Trust funds (including charitable)

The Council does not act as trustee for any trust funds.

Report ends