Shipley Town Council

Internal Audit 2024/25: Final report

29 August 2025

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 (July 2025), 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 2024. 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 second year that I have undertaken the internal audit and I have found that, generally, effective controls are in place. However, it is disappointing that VAT remains unclaimed for three years. I have identified some areas where arrangements can be strengthened, and I have made appropriate recommendations in order to assist the Council.

I have entered positive assessments on the Internal Audit section of the AGAR, except for B – relating to VAT.

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. I confirmed that the correct balance had been brought forward from 2023/24 into 2024/25.

An Investment Strategy is in place and though this was prepared in 2020 it remains relevant. I understand that the Council is planning to spread its funds in order that it has less than £85,000 in one institution where possible and practical.

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 authorised by a councillor. All payments are then sampled in two half-yearly tranches, by the Internal Control & Audit Sub-Committee. However, individual invoices are not annotated to indicate approval or other checks eg arithmetic, goods received etc.

It is good practice to use a suitably designed certification stamp to confirm that these basic checks have been carried out (see Practitioners' Guide 4.21 -page 28).

I reviewed payments made in September 2024 and found that they were supported by invoices or other documents, and VAT was correctly accounted for.

Standing Orders and Financial regulations are regularly reviewed and up to date.

Last year I noted that :*"The Council is aware of a significant issue relating to previous VAT claims. VAT has been routinely accounted for but not yet reclaimed. 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 reclaimed and which is now older than the three-year claim limit is a total of £1,281.25."*

Disappointingly, no VAT has yet been reclaimed.

Whilst recognising that the Council has faced significant workload issues, I urge it to now give priority to this matter.

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

A risk assessment register was approved by the Management Committee in May 2025.

A "summary of Financial Control Tasks" was prepared and considered by the Internal Control and Audit Sub-Committee on 2 April 2025, and subsequently by the Management Committee and full Council. Whilst the document is comprehensive, I suggest that it, and related minutes confirm that it is an assessment of the effectiveness of controls, together with a conclusion thereon.

The Council's assets are covered by insurance. Fidelity cover is set at £250,000 which is currently sufficient.

The Council has a comprehensive package with Cloudy IT to provide Microsoft 365 accounts for staff and councillors. This cover includes security and backup for the servers to the cloud.

However, at present there is no IT Policy, which will be a requirement from next year.

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 £189,134.75 at its meeting on 18 January 2024. Pleasingly, I have also seen evidence of consideration of general and earmarked reserves.

I note that for 2025/26, the Council approved a budget and 15% increase in the precept on 19 December 2024. However, the minutes did not record the resolution of a specific precept, as is required.

I recommend that the Council rectify this by a resolution to confirm the amount of the precept at the earliest opportunity.

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 £189,134.75 was received on 26 March 2024 (rounded to £189,135.00).

Other income mainly comprised grants and allotment rents. I tested a large sample of allotment rents and confirmed that rents due had been received.

I suggest that cross referencing payments to the invoices raised would help the audit trail, including the use of plot numbers.

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.

I sample tested payroll payments, deductions and employer contributions for September 2024 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 2024/25 as £34,693.

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

Bank reconciliations are prepared frequently and are reported to the Management Committee. I reviewed the June 2024 bank reconciliation showing £173,917.15 which agreed to the bank statement.

I reviewed the year-end bank reconciliation totalling £46,684.05 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, as it has not yet had three successive years where receipts or payments have exceeded £200,000. 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.

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's website has all accounts since it was created on 1 April 2020. When the 2024/25 accounts are added this will become five years, in line with the legal requirement.

I commented last year that all minutes were "draft" and recommended that the Council should publish the final, approved minutes. However, all minutes for 2024/25 are again "draft" versions. Also, not all minutes were published on the website. This does not comply with the publication scheme to publish agreed, signed minutes.

I therefore repeat my recommendation that final, approved minutes for all committees be published.

It is good practice to publish the Council's Publication Scheme and its various polices including Financial Regulations and Standing Orders. I understand that this is planned for the near future.

This is particularly important, as from next year, all authorities must follow the Local Government Transparency Code 2015.

I recommend that the Council gives careful consideration to these requirements, including – amongst other things – procurement details, land holdings and all payments above £500 (See Appendix A of the Code).

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.

Public rights for 2023/24 were exercised as required – for a period of 30 working days including the first 10 days of July and was approved by the Council on 27 June 2024.

Due to the delay in preparing the 2024/25 AGAR, it was not published before 30 June, nor were public rights exercised in the prescribed timescale. Consequently, the Council must answer "No" to assertion 4 on the Annual Governance Statement for 2025/26.

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

The Council published on its website, the final audited Section 1 and 2 of the AGAR, together with section 3 (external auditor's certificate) for 2023/24. It also published the notice of the conclusion of the external audit. Pleasingly, the detailed Internal Audit report was published demonstrating good governance and openness.

O. Trust funds (including charitable)

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

Report ends