
Edlington Town Council

Internal Audit 2023/24: Final report

22 May 2024

For and on behalf of Phil Parkin Ltd



Internal Audit Forum

THE VOICE FOR LOCAL COUNCIL AUDIT

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 promotes high quality internal audit.

This report sets out the interim work undertaken in relation to the 2023/24 financial year. I wish to thank the Clerk for assisting the process and providing documentation in electronic format to facilitate the audit.

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 the revised Section 4 of the Practitioners' Guide, March 2023. The Council's Clerk assisted the audit by preparing

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my Advance Audit Information questionnaire, which was supported by some evidence, with more evidence provide at my interim visit.

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

Following the final stage of my audit, I will prepare a further audit report to the Council and complete the Annual Internal Audit Report section of the AGAR for submission to the external auditor. I have now done this. I repeat the findings from my interim audit, and have added additional comments in highlighted text.

Overall Conclusion

In line with previous years, there are generally sound controls within the Council though, I have made some recommendations aimed at strengthening arrangements.

My interim audit, undertaken in January 2024, was not straightforward and required additional time to complete the necessary audit tests and to resolve resulting queries. I refer to this in “Fees and Next Steps” at the end of this report. Additional work in May 2024 confirmed this position and I have entered positive assessments on the Internal Audit section of the AGAR, except for J – Accounting statements.

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 year

Accounts are recorded on a new accounting package which is kept up to date. I reviewed the opening balances and compared them to the previous year’s closing balances. I confirmed the balances for the Nationwide (£88,413.44) and the General Deposit Co-op (£10,000) agreed to the previous year. However, the Cambridge and Counties (£26,330.65) had not yet been brought forward – the Clerk is aware of this. Also, the Co-op Business select account was previously £34,715.34 but had been brought forward as £72,436.20.

It is important that the accounts have correct opening balances and I therefore recommend that these discrepancies be resolved.

The opening balances have now been corrected.

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

Quotations are sought for all work, as evidenced in the Council’s minutes. There are controls over the receipt and payment of invoices.

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The Council, in common with most other town councils, makes payments on-line using the bacs facility. There are sound controls over the approval of individual invoices, but the actual bank transfers are solely at the discretion of the Clerk. Other town and parish councils have arranged for on-line payments to require one or more councillors to authorise such payments and many banks have this facility. I understand that the Council's current bank does not offer this facility, and also that the Clerk finds the bank administratively difficult to use.

I recommend that the Council considers this added safeguard, and if necessary changes bank. But if it wishes to retain the status quo, I urge this "risk" to be reflected in the risk assessment and that clear mitigation arrangements be put in place.

VAT is reclaimed promptly on a quarterly basis.

I reviewed payments made in September 2023 and found them to generally be supported by invoices or other documentation. VAT was reclaimed for one item for £179.99, without a VAT invoice; the Clerk is to either seek a valid VAT invoice or make an adjustment on the next VAT claim.

VAT of £16.70 was also reclaimed on four other transactions, without VAT invoices. These are to be adjusted on the next VAT claim.

I recommend that in future, VAT is only reclaimed on valid VAT invoices.

Financial Regulations (FRs) and standing Orders (SOs) are published on the Council's website. The FRs are clearly in need of updating, as they are undated, and contain many "optional" references normally inserted in the model version. For example, Para 6.4 says "Cheques or orders for payment drawn on the bank account in accordance with the schedule as presented to council or committee shall be ***signed by [one] two member[s]*** of council"

The Council's SOs are dated but also reflect the model version; for example, para 19c says: "The chairman of Staffing committee or in his absence, the vice-chairman shall upon a resolution conduct a review of the performance and annual appraisal of the work of ***[the member of staff's job title]***."

Pleasingly, these issues have either been addressed or will be in the near future.

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

A risk assessment was prepared and presented to the Council in September 2023, in line with its Risk Management Policy (adopted in /July 2023). A comprehensive quarterly updated risk register is considered by the Council.

The Council's grounds and maintenance team carry out regular inspections of play and sport areas. In addition, the Council has an agency arrangement with Doncaster Council's Play Area inspection team which inspects the recreation ground children's play equipment on a quarterly basis and advises of any remedial repairs/maintenance work required.

Other open space areas such as cemetery, community woodland and other sites are inspected/maintained by the Council's Cemetery & Grounds Maintenance staff.

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The Council is insured with Aviva and is covered for £1.2m relating to buildings. Whilst the policy does not specify which buildings this refers to, the Clerk has now obtained confirmation that all buildings are covered. Fidelity cover is £0.5m which is sufficient to cover the maximum funds held at any time.

The Clerk has also identified that the insurance does not covers all significant items of value such as, the limestone statues on the Woodland trail, the limestone ampitheatre on the woodland trail and the limestone picnic tables and benches on the woodland trail, the pit wheel in the miners memorial garden and the pit tub in the Miners Memorial garden.

This is why it is important, from time to time, to review the insurance cover against the Council's asset register. Pleasingly, these omissions will be addressed at the end of February when an insurance policy review is carried out.

A review of the effectiveness of internal controls was undertaken in February 2023. The Clerk is to update this shortly. A further review was reported to the Council on 13 February 2024.

All electronic documentation is backed up to the cloud, as well as an to an external hard drive each month which is maintained off site.

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 approved a budget and set a precept of £160,628 at its meeting on 17 January 2023. During the process, no consideration was given to the level of reserves. Encouragingly, a reserves policy is now in place, and the precept for 2024/25 process will include consideration of both general and earmarked reserves.

Regular budget monitoring reports are provided to the Council, with variations from budget documented. This now incorporates a comprehensive narrative explanation for major variations.

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 £160,628 was received in the bank in two installments in April and September 2023.

I confirmed that quarters one and two VAT claims were submitted promptly and credited to the bank account.

Significant work has been undertaken to review outdated allotment rents, and address issues where some allotment holders did not live within the designated area and the mis-use of allotments for storage purposes. Revised tenancy agreements have been for all four allotment committees; I will review payments at my final audit, as these have not yet been paid.

A booking system is in place for hall bookings invoices are raised to users. I reviewed charges made for bookings in November 2023. All charges were correct, except for one user who had been charged for five weeks, but should have been just four – an overcharge of

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£13.50.

One user invoiced for £256 had not paid; this is to be chased up by the Clerk.

I noted that there was a range of different hourly charges (sometimes informal) as the Council is seeking to generate more users of its facilities.

There is currently not a clear trail from bookings to proof of payment in the bank; however, the Clerk is introducing a better link via a record of receipts which should streamline the system.

I recommend, in due course, that a range of charges be formally adopted by the Council.

Additionally, I confirmed that all cemetery invoices issued in November 2023 were correctly calculated and paid. One item was charged at £50 (the Edlington residents' rate) though there was no evidence of an address to confirm residence in Edlington. This was subsequently provided.

F. Petty Cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.

No petty cash is held. However, a sum of £31.09 was subsequently discovered by the Clerk, who is to pay this into the bank.

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 a contract of employment, which are signed by both employer and employee.

I sample tested the January 2024 payroll and found gross pay and deductions, including NI and NEST pension contributions to be correct. Net pay for all staff were also confirmed to payments made in September 2023. However, the summary schedule which is taken to the Council, contained different figures from pay slips. I understand that the Clerk has contacted Moneysoft but has not been able to explain the differences.

I recommend that for 2024/25, the Clerk seeks to resolve this issue.

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

The Council maintains a suitable asset register, recording new assets and removing asset disposed of. Assets are correctly recorded at cost price. A thorough review is being undertaken to update the register and ensure that it is correct as at 31 March 2024. At my final visit, I confirmed that the assets recorded on the asset register agreed with the entry on the AGAR.

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

Regular bank reconciliations are printed off the new accounting system and presented to the Council each month. I reviewed the June and September 2023 reconciliations and found that they reflected the bank statements. However, two "uncleared and unrepresented effects" were

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on the reconciliations for a debit of £2,522.24 and a credit of £1,073.52.

I recommend that these items be formally reconciled so that they no longer appear.

I also recommend that the reconciliation considered by the Council, be supported by the relevant bank statement for the month.

I reviewed the year-end bank reconciliation totaling £141,138.67 and agreed it to bank statements. The previous uncleared and unrepresented items have now been resolved.

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 income and expenditure. I reviewed the AGAR and confirmed that it had been correctly compiled from the accounting system. However, a credits are due for around £12,000 from SSE relating to overcharges in 2023/24, and have not been reflected in the accounts. I understand the reluctance not to amend the Council's accounts at this late stage, but would say therefore that expenditure is overstated and reserves understated as at 31 March 2024. Consequently, the accounts have not been compiled on the correct accounting basis, as this is a material sum.

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/webpage up to date at the time of the internal audit in accordance with the relevant legislation.

The Council complies with this requirement - specifically retaining five years of accounts on its website.

It has adopted the ICO's model publication scheme (dated 1 April 2019) and publishes this on its website. However, there is a newer version (V.3) which the Council should adopt.

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 were properly exercised and the Council resolved the dates for the exercise of those rights on 9 May 2023.

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

The Council published on its website, the conclusion of the external audit, together with the AGAR for 2022/23. Furthermore, it publishes page 3 of the AGAR (Internal Audit report) as well as the full detailed Internal Audit report, which is good practice.

O. Trust funds (including charitable) - the Council has met its responsibilities as a

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trustee.

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

Fees and Next steps

My letter of engagement says "The fee is based on the assumption that the Town Council's records and accounts are accurate, up to date and reliable. Should any further work be required, due to shortcomings in records or accounts, then additional fees may be chargeable, but only after consultation with the Parish Council."

The issues raised herein and further work to resolve queries were due to records and accounts falling short of what would be expected, consequently, the audit has consumed more time than would ordinarily be the case.

I will endeavour to keep the additional fee as low as possible, and I will assess the position after my final audit visit. Having now concluded my final audit, and done my best to mitigate costs, I have assessed the additional fee as £100.

My interim audit has covered around 75% of the required audit work and I will raise an invoice to reflect this. The remaining work will be completed later in 2024, when the AGAR and final year end documentation is available.

Report ends.