Harworth and Bircotes Town Council

Internal Audit 2024/25: Final report

14 May 2025

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 seeks to promote high quality internal audit.

This report sets out the interim work undertaken in relation to the 2024/25 financial year. I wish to thank the Executive Officer and her staff 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 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 2024. The Council's Executive Officer assisted the audit by preparing an Advance Audit Information questionnaire in December 2024, which was supported by suitable evidence.

In addition to the information 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

I found that there are effective controls within the Council.

My interim audit was undertaken in January 2025, and I am satisfied that sufficient evidence has been made available to support this conclusion. Additional work in May 2025 confirmed this position. I have entered positive assessments on the Internal Audit section of the AGAR.

The council currently holds a substantial level of general reserves. However, I am assured that this is being used appropriately, and will be significantly reduced in 2025/26.

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

The Council uses the Omega accounting system which is self-balancing and kept up to date. I have seen evidence that the opening balances were generated from the closing balances of the previous year.

An Investment Strategy was approved by the Council on 8 April 2024. As yet no investments have been made, as the various funds held need to be available at short notice. Options to make suitable investments are kept under review.

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, and when appropriate, are evidenced in the Council's minutes. There are controls over the receipt and payment of invoices, including a stamp which facilitates a record of the checks carried out prior to payment.

VAT is reclaimed promptly on a quarterly basis. I confirmed that quarters 1 and 2 claims were promptly credited into the bank.

I reviewed payments made in September 2024, and found them generally to be supported by invoices. One payment re-imbursing a member of staff for £37.90 was not supported by an invoice; consequently VAT was not reclaimed. VAT was reclaimed on a payment of £115.55, though there was no VAT invoice.

I recommend that either VAT invoices be obtained, or an adjustment be made on the next VAT return.

Fidelity guarantee insurance is set at £500,000, which is less than the maximum funds held by the Council.

I recommend that the Council reviews the likely future level of funds and increases the insurance cover accordingly.

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

A risk assessment is due to be considered by the Council on 16 January 2025.

Regular health and safety inspections are made of the Council's cemetery; any issues are minuted at the Council's meetings.

The Council's review of the effectiveness of its system of internal controls is due to be considered at its January 2025 meeting.

Electronic records are stored off site on the cloud.

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 agreed a precept on 5 February 2024, noting a 6% increase. However, the minute recording this matter omitted the actual amount of the precept (£302,416) but this was rectified by resolution on 20 May 2025. Pleasingly, consideration was given to reserves as part of this process. At the end of 2024/25, the Council held reserves of £664,159, comprising earmarked reserves of £244,132 and general reserves of £420,027. General reserves are higher than I would expect, and are in excess of the annual precept. However, £9,520 has been used to support the 2025/26 budget. Further sums are to be moved from general to earmarked reserves in 2025/26, meaning that general reserves should stand at a more prudent level.

Regular budget monitoring reports are provided to the Council, with variations from budget documented together with a 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 £302,416 plus grants of £21,108 was received in two installments in April and September 2024.

Signed tenancy agreements exist for all allotment holders.

16 half plots are held for allotment users, charged at £7.50 per half plot. This totals £120. I saw receipts provided for all plots and £120 was paid into the bank on 25 April 2024, as part of a credit of £360.

I reviewed a sample of entries in the booking diary and found that, generally, invoices were correctly raised and paid, except for one invoice raised for 29.5 hours which should have been for 30 hours. A range of rates are used to charge users which have not recently been reviewed.

I recommend that the Council reviews its hall hire charges.

I checked a sample from the burial records and confirmed that correct charges had been made and banked.

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 by the Council.

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.

I sample tested payroll payments, deductions and employer's contributions for September 2024 and found them to be correct.

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. At my final audit, I confirmed that the asset register agreed to box 9 of the AGAR.

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

Regular bank reconciliations were carried out, scrutinised by the Council and signed by the Chair. I reviewed the bank reconciliations for June and September 2024 and agreed them to bank statements. I reviewed the year-end bank reconciliations and agreed them to bank statements, totalling £638,406.20 which agreed to box 8 of the AGAR.

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. Appropriate accruals are made at the year end. I have not seen the completed AGAR accounting Statement, but this will be based on a report from the accounting system which I have seen.

I confirmed that boxes 5 and 10 of the report – relating to borrowings were supported by the statement from PWLB.

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 maintains a well populated website, including council agendas and minutes. The legislative requirement to publish five year's accounts is complied with.

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.

Dates were adopted by the Council on 17 June 2024, covering the required 30 working days, and a notice was published on its website.

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

The Council met its publication requirements. Also, in line with good practice, page 3 of the AGAR (the Internal Audit report) is published on the website as well as the detailed internal audit report.

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

The Council does not act as a trustee.

Next steps

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 2025, when the AGAR and final year end documentation is available.

Report ends