

# Annual Internal Audit Report 2023/24

Harworth and Bircotes Town Council ENTER NAME OF AUTHORITY

harworthandbircotestowncouncil.org.uk ENTER WEBSITE/WEBPAGE ADDRESS

During the financial year ended 31 March 2024, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2023/24 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.			✓
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic bank account reconciliations were properly carried out during the year.	✓		
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		
K. If the authority certified itself as exempt from a limited assurance review in 2022/23, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2022/23 AGAR tick "not covered")			✓
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.	✓		
M. In the year covered by this AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations (during the 2023-24 AGAR period, were public rights in relation to the 2022-23 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set).	✓		
N. The authority has complied with the publication requirements for 2022/23 AGAR (see AGAR Page 1 Guidance Notes).		✓	
<b>O. (For local councils only)</b> Trust funds (including charitable) – The council met its responsibilities as a trustee.			✓

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

Name of person who carried out the internal audit

12/01/24 14/05/24

P R Parkin

Signature of person who carried out the internal audit

P. R. Parkin

Date

14/05/2024

\*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed). See separate report.

\*\*Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).



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# **Harworth and Bircotes Town Council**

*Internal Audit 2023/24: Final report*

*14 May 2024*

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*For and on behalf of Phil Parkin Ltd*

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## 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 2023/24 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 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 Executive Officer assisted the audit by preparing an Advance Audit Information questionnaire in December 2023, which was supported by suitable evidence.

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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. It was notable that a far better trail is now in place linking income to banking records.

My interim audit was undertaken in January 2024, and I am satisfied that sufficient evidence has been made available to support this conclusion. Additional work in May 2024 confirmed this position and I have entered positive assessments on the Internal Audit section of the AGAR except for N - publication requirements relating to the AGAR and audit.

## 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 in December 2021. As yet no investments have been made, as the various funds held need to be available at short notice. This is, however, 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 quarter 1 and 2 claims were promptly credited into the bank.

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I reviewed payments made in September 2023, and found them to be supported by invoices. One re-imbusement to a member of staff for £44.85 was overpaid by £1.75; this is to be corrected. VAT was incorrectly calculated on this item as £1.16, but should be £2.01.

The payment on cheque number 3580 (for bulbs) omitted £1.20 VAT which should have been reclaimed.

VAT of £21.96 was reclaimed on a payment (cheque number 3581), without a valid VAT invoice. A VAT invoice is to be sought, or an adjustment made in the next VAT claim.

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

A General and Financial risk assessment was presented to, and approved by the Council on 11 December 2023.

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

The Council's review of the effectiveness of its system of internal controls is due to be considered at its January 2024 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 set a precept of £288,015 at its meeting on 16 January 2023. Pleasingly, consideration was given to reserves as part of this process.

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

I note that the Council resolution confirming the 2024/25 precept omitted the actual amount.

***I recommend that the amount to raised from the precept be confirmed by a resolution of the Council as soon as possible.***

***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 £288,015 plus grants of £19,782 was received in two installments in April and September 2023.

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 May 2023.

Sequentially numbered receipts are given for cheques and cash received, and there was a much improved trail between the receipts book and the paying in book / bank statement.

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I also reviewed craft market payments for September 2023 and found them all to be correctly accounted for and banked.

I checked the burial records for September 2023 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 and deductions for September 2023 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. I confirmed that the value of assets of £1,509,855.88 on the register was correctly recorded in the accounts.

***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 2023 and agreed them to bank statements. I reviewed the year-end bank reconciliations for the Nat West deposit account of £65,691.51, the Nat West current account of £415,386.57 and £90,686.89 for the Unity Bank and agreed them all to bank statements, and the accounts totalling £571,764.97.

***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 reviewed the AGAR pro-forma extracted from the accounting system and confirmed that it agreed to the asset register, the bank reconciliations, PWLB payments and the PWLB outstanding balance. This will in turn be used to prepare the AGAR to be submitted to the external auditor.

***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.***

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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.***

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

The Council's notice of Public rights was published on 23 May 2023, with the rights set to run from 5 June to 14 July 2023. The correct period was covered (30 working days including the first 10 working days of July). However, it is important 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.

***I recommend that in future, the notice of public rights refers to commencement as being one working day after date of the announcement.***

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

The Council has previously published the required information on its website. However, due to an administrative error, neither the conclusion of the external audit, nor the external audit report and certificate for 2022/23 were published by 30 September. This was corrected on 24 October 2023.

In line with good practice, page 3 of the AGAR (the Internal Audit report) is published on the website.

***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

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invoice to reflect this. The remaining work will be completed later in 2023, when the AGAR and final year end documentation is available.

**Report ends**

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