
Tuxford Town Council

Internal Audit 2021/22: Final report

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.

This report sets out the interim work undertaken in relation to the 2021/22 financial year. I wish to thank the Clerk in assisting the process and providing documentation (including some in electronic format) to facilitate the audit.

Independence

It is important that the auditor is independent of the Council and has no conflict of interest, in order that a truly professional audit is performed. I can confirm that I comply with the Auditing Practices Board's Ethical Standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence. 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 2021. The Council's Clerk assisted the audit by preparing my Advance Audit Information questionnaire in February 2022, which was supported by suitable evidence.

I agreed to defer the substantive testing of underlying accounting records to my final visit.

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. **This, I have now done.**

Overall Conclusion

In line with previous years, there are sound controls within the Council.

My interim audit, undertaken in February 2022, provided good evidence of sound controls.

Further work at the final audit stage was mainly satisfactory and I have completed the Internal Audit section of the AGAR. However, one area, namely the calculation of National Insurance contributions, was incorrect and I was therefore unable to give a positive assess criteria G relating to payroll.

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Detailed Report

My detailed report follows the structure of the Annual Internal Audit Report section of the AGAR . I repeat the findings from my interim audit, and have added additional comments in highlighted text.

A. Appropriate accounting records have been kept throughout the year & periodic bank reconciliations were properly carried out during the year.

Regular bank reconciliations were carried out, signed and dated as well as being approved by the Chair of Finance and subsequently considered by the Finance and Services Committee.

I reviewed the year-end bank reconciliation and agreed it to bank statements. I confirmed that the reconciling items were cleared in the bank in April 2022.

An Investment Strategy is in place to govern all investments by the Council.

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 minutes. There are controls over the receipt and payment of invoices.

VAT is reclaimed promptly on a quarterly basis.

I reviewed payments made in September 2021 and found they were generally supported by invoices. One item (for e-bay fees of £39.99) proved challenging to obtain an invoice and therefore reclaim VAT; however, the Clerk is attempting to obtain the required document.

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 February 2021.

There is a weekly playground inspection as well as an annual inspection by an external body.

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 at its meeting on 21 January 2021.

I recommend that in future, the precept report makes specific reference to the proposed level of general reserves, and that the minutes records this.

Regular budget monitoring reports are provided to the Council, with variations from budget

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documented together with a brief 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 £137,396 was received in two installments in April and September 2021 (together with grants of £3,362).

Signed tenancy agreements exist for all allotment holders.

Charges are promptly raised for allotments.

Sequentially numbered receipts are given for all cash received. And a trail to demonstrate that all income is banked, exists.

I reviewed receipts for income in January 2022 and saw evidence that they had all been credited to the bank.

I confirmed from a sample of entries in the Register of Burials in September and October 2021 that the income had been correctly accounted for and banked.

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

A petty cash float is kept and topped up as required. A record of receipts is maintained and the balance is reconciled and reported on Scribe.

I saw evidence of receipts for items purchased; encouragingly VAT is also reclaimed where appropriate. Councillors periodically undertake internal control checks, including a review of the petty cash balance.

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 reviewed a sample of payments in December 2021 and confirmed that gross pay was correct. Income tax and pensions were also correct. However, National Insurance had been incorrectly calculated and now needs adjusting to correct the error. The Clerk is in contact with HMRC to consider how this can be achieved.

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.

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.

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I agreed entries in the AGAR to underlying accounting records including the asset register and DMO evidence.

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 publishes information on a website / web page, and complies with the relevant Transparency Code.

The Council maintains a well populated website, though this criteria does not apply to the Council. At the time of my interim audit, minutes for the Council meeting on 19 August 2021 needed to be linked to the calendar (though they were listed under ‘agenda and minutes’); this has now been done.

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 formally resolved the dates for the exercise of those rights.

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 2020/21.

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

The Council does not act as trustee for any funds.

Other matters

It is good practice to record in the minutes that reasons for apologies were given **and** accepted. Under section 85(1) of Local Government Act 1972, a councillor is disqualified for non attendance over a period of six months, “*unless the failure to attend was due to a reason approved by the authority*”. So it is important that the Council considers and approves the reason for non attendance; it should record such approval rather than just accepting apologies.

Financial Regulations were adopted in May 2019 and reviewed in April 2021; the Clerk is to update the front page to reflect this.