
Thurcoft Parish Council

Internal Audit 2023/24: Final report

13 June 2024

For and on behalf of Phil Parkin Ltd



Internal Audit Forum

THE VOICE FOR LOCAL COUNCIL AUDIT

This report has been prepared for the sole use of Thurcoft Parish Council. No responsibility or liability is accepted by Phil Parkin Ltd to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

Background

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 Parish 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.

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 an Advance Audit Information questionnaire in December 2023, 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.

Introduction

The Council received a detailed, critical Internal Audit report last year, which it has begun to address. An Internal Audit Committee has been established, and it, as well as the Council has actively considered all the recommendations made. Many recommendations have been implemented whilst others are work-in-progress.

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I have reviewed the Clerk's schedule of action and, in spite of the challenges involved, significant progress is being made towards improving the governance of the Parish Council. Whilst some areas need further work, the evidence I have seen would indicate that satisfactory results are likely to ensue.

I have had in mind the reported weaknesses in formulating my audit tests this year, and report my findings below.

My report herewith 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. I have now done this. I repeat the findings from my interim audit, and have added additional comments in highlighted text.

Overall Conclusion

It is clear that the Council has made a significant effort to address the previous year's internal audit report. I found that substantial progress has been made in improving the governance of the Parish Council, though, unsurprisingly, some areas still need to be strengthened. I have made suitable comments and recommendations below.

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 and June 2024 confirmed this position and I have entered positive assessments on the Internal Audit section of the AGAR except for E – Income, G – Salaries, M – public rights and N – publication of the AGAR.

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 maintained on Scribe and kept up to date.

Reconciliations confirm the correct rolling forward of the previous year's balances.

An Investment Policy was approved by the Council on 28 September 2023. However, no investments have yet been made, even though the Council holds substantial reserves.

I recommend that consideration be given to making suitable investments to generate interest, consistent with maintaining the security of funds.

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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 and a stamp is to be introduced to record approval and payment details on each invoice.

The first three quarter's VAT claims were submitted on 2 January 2024 and I confirmed that they totalled £15,076.93 which was credited to the bank on 8 January 2024.

I understand that the late submissions were due to pressure of work, but I would urge that prompt submissions be made in future.

I reviewed payments made in September 2023, and found that payments were supported by invoices or other documentation. However, VAT was incorrectly reclaimed on two LBM till receipts (of £11.48 each); also, VAT was incorrectly reclaimed on an invoice for office supplies of £141.80 - in the sum of £23.63 but should have been £0.80.

A payment to a member of staff has been reduced by £50 due to a previous overpayment. It is good practice to annotate the pay slip documentation to record why a lesser amount was paid.

I recommend that the next VAT claim be amended to reflect the required corrections.

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

A financial risk assessment was prepared and presented to the Council on 27 April 2023 and a Corporate Risk Register was prepared and considered on 8 November 2023.

The play areas are inspected by suitably qualified Rotherham MBC staff once a month. Any issues are highlighted to the Council and are subsequently addressed.

The Council's fidelity insurance cover is currently set at £1m; this needs to be increased to cover the maximum funds that the Council is likely to hold, (when it receives the precept in April and September funds held are likely to exceed £1m)

The Council has not formally undertaken a review of the effectiveness of its system of internal controls. In view of the critical Internal Audit report, the Council may have considered its controls to be ineffective. Nevertheless, it is a legal requirement (under the Accounts and Audit Regulations 2015) to carry out an annual review and for the Council to consider it.

I therefore recommend that the proposed Internal Control Policy and Checklist form the basis of this requirement and be formally completed and considered by the Council.

The Council has now considered a review of the effectiveness of internal controls.

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 £176,114 at its meeting on 26 January 2023. Unfortunately this was minuted as £176,144, but was corrected at the 30

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November 2023 meeting. Whilst consideration was given to reserves, a more comprehensive approach is planned for both general and earmarked reserves when setting the 2024/25 budget and precept.

Regular budget monitoring reports are provided to the Council, with clear evidence that significant variations from budget are considered.

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 £176,114 was received in two installments in April and September 2023.

Allotments are managed by the Allotment Association in Thurcroft. An annual rental charge of £300 was historically charged, but has recently been suspended. I understand that the Council is reviewing its agreement with the Association, including the rent and service to be provided.

A long term lease (60 years) exists with Rotherham MBC for the Thurcroft library, though the lease does not provide for any rental income.

The Council raises charges for the use of the Gordon Bennett Hall and also the cemetery. However, there is no coherent trail which demonstrates that all income has been accounted for. I acknowledge that the Clerk is aware of these shortcomings.

I therefore support the intention to introduce a comprehensive system (using Scribe) to record bookings, raise invoices and provide an audit trail identifying how payments due are received and banked. Similarly, the cemetery income needs to have a clear trail from burial records to banked receipts.

At my final visit I reviewed the work undertaken on records relating to the usage of the Gordon Bennett Hall. No invoices were raised during the year and payments were made in cash; receipts were issued by the Caretaker, who also banked the cash.

A considerable effort has been made to add the bookings to Scribe, and to confirm that all users have paid in full for 2023/24. I tested a sample of users in September 2023 and found that all payments received had been banked. However, some individual charges were not supported by the charging schedule, and there was not a clear alignment between dates and payments where users paid multiple invoices in one payment. The Clerk recognises these issues and is introducing a comprehensive system of invoicing with bacs payment wherever possible in 2024/25.

Work has also been carried out to improve the records relating to the cemetery, and officers have sought to reconcile sums due with payments received. Again, no invoices were raised in the year, and some sums due had not been paid. I tested a sample of records during the year and found that sums received had been banked. However, some interment fees paid by funeral directors had small discrepancies when compared with the charging schedule. From April 2024, invoices will be raised and fees will be aligned to a comprehensive schedule of charges. Unpaid accounts are being pursued.

I recognise that significant efforts have been made to bring income records up to date; however, in view of poor procedures throughout the year, some unpaid sums and

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discrepancies found on items tested during the audit, I have, on balance, answered no to Control Objective E

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.

Most staff have a contract of employment signed by both the employee and the employer. A contract for the relief caretaker is currently being prepared.,

I sample tested payroll payments and deductions for September and November 2023 and found that gross pay was supported by the contract of employment. I tested deductions and found that SY Pensions were incorrect in November 2023; the employee contribution was calculated at £191.79 (but should be £225.59), whilst the employer contribution was calculated at £534.07 (but should be £628.19). The Clerk is to correct this.

I also noted that income tax was calculated before the deduction of employee pension contributions, resulting in more tax being deducted than should be the case.

I recommend that the provider of the payroll system be contacted to consider how to correct this and that suitable adjustments be made. It may be necessary to also consider whether similar corrections are required for the previous tax year.

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

The Council has not maintained a suitable asset register recording new assets and removing asset disposed of. The schedule provided at audit identified primarily the Gordon Bennett Memorial Hall, but no other assets. At my final visit, I confirmed that a comprehensive asset register had been compiled and that the assets recorded on the asset register agreed with the entry on the AGAR.

I recommend that a comprehensive, up to date, register be compiled of all assets owned by the Council, and that a more realistic figure is calculated for the previous year, and corrected on the AGAR.

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

Regular bank reconciliations were carried out, scrutinised by the Council and/or the Finance and General Committee and approved by councillors. I reviewed two bank reconciliations in the year and agreed them to bank statements. I reviewed the year-end bank reconciliation totaling £865,818.42 and agreed it to bank statements.

I note that the Council holds over £850,000 in the Co-op bank. This is well in excess of the Financial Service Guarantee Scheme which covers £85,000 per institution.

I recommend that the Council spreads its deposits more widely to minimise the risks to its funds.

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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. The Clerk has identified that both internal and external audit fees have been included in the incorrect years; this will be corrected in 2023/24. 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 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.

The Council did not provide for public rights in line with legal requirements, because of the delay in approving the AGAR (see N below). The public rights notice was published at the earliest opportunity, with the date resolved by the Council on 27 July 2023. The notice was made on Friday 28 July to commence Monday 31 July. This, period therefore failed to cover the first 10 working days of July, as required.

Whilst there is no reason to presume that this failure will be repeated, I detail below some helpful information relating to the notice of public rights.

There has been some confusion regarding the legal requirements surrounding the publication of the AGAR and the related notice of public rights, and I therefore note below the detailed reference to assist the Council in ensuring it continues to comply.

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

The correct period is 30 working days including the first 10 working days of July.

However, it is important to note that public rights commence on the **DAY FOLLOWING** the announcement.

Regulation 15(3) of the Accounts and Audit Regulations 2015 says:

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“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 than the commencement of rights, but effectively should say “one day”.

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

Because of the extensive Internal Audit and the implications thereto the Council did not approve the AGAR by the deadline of 1 July 2023. Consequently, the publication requirements were not met. The (interim) notice of the external audit was published by 30 September.

I also note that the Council published both the Internal Audit report (page 3 of the AGAR) as is good practice, as well as the detailed Internal Audit report, containing 74 recommendations.

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

The Council is currently considering the legal position relating to two parcels of land which should be held in trust. However, at present the Council is not a sole trustee.

When this is clarified, and if a Trust is established, regular returns should be made to the Charity Commission.

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 2024, when the AGAR and final year end documentation is available.

Report ends.