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Shrewsbury Town Council

Internal Audit Report 2024-25: Final update

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For and on behalf of
Auditing Solutions Ltd

Background

All town and parish councils are required by statute to make arrangements for an independent internal audit examination of their accounting records and system of internal control and for the conclusions to be reported each year in the Annual Return. Auditing Solutions Ltd has provided this service to Shrewsbury Town Council since 2009-10.

This report sets out the work undertaken in relation to the 2024-25 financial year to date which was undertaken on 25th & 26h September 2024 and 26th February and 25th May 2025 together with the matters arising and recommendations for action, where appropriate.

Internal Audit Approach

In undertaking our reviews for the financial year, we have had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts/Annual Return. We have employed a combination of selective sampling techniques (where appropriate) and 100% detailed checks in a number of key areas in order to gain sufficient assurance that the Council's financial and regulatory systems and controls are appropriate and fit for the purposes intended.

Our programme of cover has been designed to afford appropriate assurance that the Council's financial systems are robust and operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory regulatory framework. The programme is also designed to facilitate our completion of the 'Annual Internal Audit Report' in the Council's Annual Return, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We have concluded that, on the basis of the programme of work we have undertaken, the Council has maintained adequate and effective internal control arrangements during the year.

We are also pleased to record that, in the areas examined, no major issues or concerns have been identified.

We consider the Clerk and her staff continue to operate generally effective control procedures in in most areas. We ask that members consider the content of this report and acknowledge that the report has been received and reviewed by Council.

We have completed and signed the 'Annual Internal Audit Report' in the year's Annual Governance and Accountability Return, having concluded that, in all significant respects, the control objectives set out in that report were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

Detailed Report

Accounting Records and Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers, which are maintained using the Omega accounting software. Current & High Interest accounts are in place with Natwest Bank plc with an automatic daily sweep facility, detail being recorded in a single cashbook: a separate Imprest account, also with Nat West Bank plc, is in place. Surplus funds are also held in fixed term deposits with Lloyds Bank plc and the CCLA. Consequently, we have:

- Checked and agreed the opening Omega trial balance detail for 2024-25 to the closing Accounts and certified Annual Return for 2023-24;
- Verified that an appropriate cost centre and nominal ledger structure remains in place;
- Ensured that the Accounts remain in balance at the year-end;
- Checked and agreed a sample of transactions and transfers on the combined Current and High Interest accounts April, August and January and March 2025;
- Checked detail of a sample transactions on the Imprest account for April, August 2024 and January and March 2025; and
- Agreed the month-end bank reconciliations as at 30th April, 31st August 2024 and 31st January and 31st March 2025 on all bank accounts.

Conclusions

We are pleased to report that no issues have been identified in this area.

Review of Corporate Governance

Our objective is to ensure that the Council has robust corporate governance documentation and processes in place, that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We have consequently: -

- Noted that Standing Orders, Financial Regulations have been reviewed and re-adopted, in May 2024 by Full Council and will be reviewed again in 2025-26;
- Completed our review of the Council and Standing Committees' minutes to ensure that no issues affecting the Council's financial stability either in the short, medium or long term exist, also that no legal issues are in existence whereby the Council may either be considering or have taken decisions that might result in ultra vires expenditure being incurred; and
- Noted that the Council, having met the necessary conditions, formally adopted the General Power of Competence, as defined by the Localism Act 2011.

Conclusions

There are currently no matters requiring formal comment or recommendation in this area of our review process.

Review of Expenditure

Our aim here is to ensure that: -

- A sound system of control is in place over the authorisation, documentation and approval of expenditure, whilst also ensuring that Council resources are released in accordance with the Council's approved procedures and budgets;
- Payments are supported by appropriate documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and/or an acknowledgement of receipt, where no other form of invoice is available;
- Financial limits for the acquisition of tenders and quotations for the supply of goods and services had been observed in accordance with the Council's Financial Regulations;
- An official order has been raised for all purchases and service delivery where one would be expected;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have selected a sample of payments processed during the year to ensure compliance with the above criteria.

We have reviewed the grants documentation, management processes and procedures and note that the records are maintained to a high standard with applications and Council decisions being recorded appropriately.

We have verified the timely submission of the first quarterly return to March 2025 and agreed a sample of the content to the underlying control account detail in the Rialtas report.

Conclusions

There are no issues arising from work competed in this area.

Assessment and Management of Risk

Our aim here is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks identified in order to minimise the opportunity for their coming to fruition.

The Council has undertaken a review of the Risk Management Policy including Financial Risk Aassessments for 2024-25.

We have noted the renewal of the insurance policy with Aviva for 2024-25 and consider that cover remains appropriate in all areas with Employers Liability at £10m, Public Liability at £10 million and Fidelity Guarantee cover at £5 million.

Conclusions

No issues have been identified in this area warranting formal comment or recommendation.

Precept Determination and Budget Control

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and the level of precept to be drawn down from the District Council: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

We note from the Full Council draft minutes that the Council, at its 27th January 2025 meeting approved a precept of £2,389,594 for 2025-26. The minutes will be considered and formally approved at its March 2025 meeting.

We are pleased to note that members continue to receive regular budget monitoring reports with over/under-spends and the level of earmarked reserves the subject of regular review.

Conclusions

No issues have been identified in this area warranting formal comment or recommendation.

Review of Income

In considering the Council’s income streams, we aim to ensure that robust systems are in place to ensure the identification of all income due to the Council from its various sources; to ensure that it is invoiced in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council.

We did, however, following a review of the Markets during our 2023-24 audits find that the records relating to the stall holders including the signed Rental Agreements and the Insurance and Food Hygiene certificates (Where appropriate) was in need of reorganisation. We are pleased to note that the work continues in this area and work is now undertaken following the appointment of a Commercial, Markets & Events Manager.

We note that the Finance & General Purposes Committee agreed revised fees and charges for 2025-26, for the majority of the income generating areas for the Council in December 2024 at the time of the budget setting. These fees are yet to be formally approved by Full Council.

At the interim update audit, we have reviewed the management processes for the football pitch and astro pitch hires and we are satisfied that they are well managed and funds are collected in an effective manner.

Finally, we have reviewed the Sales Ledger "Unpaid debtors report" and are pleased to record that a generally satisfactory position exists with no anomalous entries for which The Council is unaware.

Conclusions

We are pleased to record that no significant issues have been identified in this area.

We previously discussed the Market operation and documentation with the Commercial, Markets & Events Manager and the Responsible Finance Officer and we are satisfied that the appropriate controls have been implemented.

Petty Cash Account

Our aim in this area is to ensure that appropriate controls are in place; that all expenditure incurred is adequately supported by trade invoices or till receipts; that the expenditure is appropriate for the Council's requirements; that VAT has been separately identified for periodic recovery and that cheque encashment from the main cashbooks are properly recorded.

We have not physically checked the cash but have reviewed the records from the information that we have been provided.

We have undertaken a review of the vehicle fuel payments at this first audit and are satisfied that this is controlled in a satisfactory manner and that adequate checking processes are applied to ensure that the facility is not misused.

Conclusions

We are pleased to record that no significant issues have been identified in this area.

Salaries and Wages

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed and the requirements of HM Revenue and Customs (HMRC) as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme, as further revised from 1st April 2023 in relation to employee percentage bandings. Our work has embodied: -

- Ensuring that the Council had approved employee pay rates for the financial year and that these have been duly and accurately applied;
- Checking to ensure that appropriate PAYE tax codes are being applied in 2024-25;
- Checking to ensure that national insurance deductions have been computed accurately depending on whether the employee was a member of the pension scheme or not;
- Checking that the correct scales of superannuation deductions, based on the revised LGPS arrangements are being applied where appropriate;
- Ensuring that appropriately signed and approved timesheets and mileage claims are submitted by employees in support of any flexible hours worked or claimed as overtime or for expenditure re-imbursement;
- Ensuring that payment to third parties of Tax, National Insurance and Pension deductions are made in a timely and accurate manner;

Conclusions

We are pleased to record that no significant issues have been identified in the testing completed in this area.

Fixed Asset Registers

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We have checked and agreed the principles used in the detail, as recorded in the Council's Asset Register, noting that it has been prepared using purchase cost values or where that value is unknown at the previous year's Return level or uplifted or decreased to reflect the acquisition or disposal of assets.

Conclusion

No issues require formal comment or recommendation.

Investments and Loans

The Council holds no formal "investments" at present, surplus funds being deposited in periodic "Fixed Rate Bonds" with Lloyds and CCLA together with a Property Investment deposit with CCLA, which is recorded in the Fixed Asset Register. We have verified the holding of these funds to the Lloyds and CCLA confirmatory advices for the current financial year, also ensuring that interest earned is appropriately either credited to the Council's current or High Interest bank account or "re-invested" in further such Bonds. The Council currently has no loans repayable either by or to it.

Conclusions

No issues arise in this area.

Annual Governance and Accountability Return

The Accounts and Audit Regulations required that all Councils prepare a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council's financial affairs.

We have examined the Council's procedures in relation to the preparation of the year-end detailed Annual Governance and Accountability Return data, also reviewing the arrangements for the identification of year-end debtors and creditors with no issues arising.

Conclusions

No issues have arisen in this review area and, on the basis of work undertaken during the year, we have duly signed off the Internal Audit Report of the Annual Governance and Accountability Return, assigning positive assurances in each relevant area.