

Shanklin Town Council

Internal Audit Report 2025-26 (Final update)

Stuart J Pollard

Director

Auditing Solutions Ltd

Background

Statute requires all town and parish councils to arrange for an independent Internal Audit (IA) examination of their accounting records and systems of internal control and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR).

This report sets out the work undertaken in relation to the 2025-26 financial year, during our two reviews the first of which was undertaken on site on 28th January 2026 with the final review undertaken remotely on 20th April 2026. We thank the Clerk for assisting the process, providing all necessary documentation in either hard copy or electronic format to facilitate completion of our review for the year.

Internal Audit Approach

In undertaking our review, we have as in previous years had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover is designed to afford assurance that the Council's financial systems remain robust and operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or abuse of the Council's own and the national statutory regulatory framework. The programme is also designed to facilitate our completion of the 'IA Certificate' in the Council's AGAR, which requires independent assurance over a series of internal control objectives.

We are pleased to note the Council's positive actions to address the requirements of the new, for 2025-26, Assertion 10 in the AGAR Governance Statement relating to GDPR, general website security arrangements, etc which will facilitate a positive response in this respect.

Overall Conclusions

We are pleased to report that, based on the work undertaken this year, the Clerk and Council continue to maintain adequate and effective internal control arrangements with no significant issues identified. Detail of the work undertaken is set out in the following detailed report with the few recommendations raised at our interim review further summarised in the appended Action Plan together with the updated position on their implementation: we ask that this final report for the year be presented to members as required by the Accounts and Audit Regulations.

Based on the overall satisfactory conclusions drawn from our review programme for the year and testing applied, we have signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

Our objective here is to ensure that accounting records are being maintained accurately and currently and that no anomalous entries appear in the cashbooks, also that effective controls are in place to confirm the accuracy of that detail.

The Council continues to operate a few bank accounts, with detail of both receipt and payment transactions being recorded in the Scribe accounts. Consequently, we have: -

- Checked the accurate roll forward of the 2024-25 closing balances as opening balances for 2025-26;
- Ensured that an appropriate coding structure remains in place to provide accurate reporting of financial performance during the year and analysis of detail in the year's AGAR at Section 2 when prepared;
- Checked and verified detail of all transactions recorded in Scribe for the full financial year by reference to supporting bank statements; and
- Checked and agreed detail on the combined account bank reconciliations on 30th September and 31st December 2025, plus 31st March 2026.

We have noted previously the move to online banking with one officer setting up the payments and a second officer or councillor going online to physically release the payments and consider that this arrangement remains appropriate for the Council's present requirements.

Conclusions

We are pleased to record that no issues arise from work undertaken in this area this year.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we are reasonably able to ascertain as we do not attend meetings, no actions of a potentially unlawful nature have been or are being considered for implementation.

We have examined Council minutes for the financial year as posted on the Council's website or provided by the Clerk electronically with no issues identified that might affect the Council's financial stability either in the short, medium, or longer term, also ensuring that no unlawful actions are being or have been considered.

We have again noted the satisfactory completion of a review and re-adoption of both SOs and Financial Regulations (FRs) and consider both documents appropriate for the Council's present requirements.

We are pleased to note that the external auditors signed off the 2024-25 AGAR with no significant issues raised. We are also pleased to note the publication on the Council's website of the statutorily required Notice of Public Rights for electors to examine the Council's financial records for the requisite 30 working days.

We are also pleased to note the positive action taken to address the requirements of the newly added, for 2025-26, Assertion 10 in the Governance Statement in relation to Digital and Data Compliance and consider the actions taken appropriate and provide the Council with sufficient assurance to provide a positive response to this assertion in the 2025-26 Governance Statement.

Conclusions

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

Review of Expenditure & VAT

Our aim here is to ensure 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;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure any applicable discount;
- The correct coding analysis has been applied to invoices when processed; and
- Expended VAT is appropriately identified for recovery through reclaims prepared and submitted to HMRC quarterly.

To ensure compliance with the above criteria we have selected a sample of 56 payments for review in the financial year as recorded in the Scribe "payments cashbook" including all transactions individually more than £1,750 plus every 25th. The payment sample totals £180,805 equating to 81% by value of non-pay related payments.

We are pleased to note that the previously acquired certification stamp continues to be placed on each invoice / payment docket with the relevant boxes duly completed and signed off by a reviewing councillor.

We have ensured that quarterly VAT reclaims continue to be prepared and submitted to HMRC examining and agreeing detail of those reclaims prepared for 2025-26, the first three having been settled in the year and recorded appropriately in the Scribe accounts.

We have also examined the detailed expenditure by code transaction reports to ensure that payments have been analysed appropriately with no obvious anomalies identified.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

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 to minimise the opportunity for their coming to fruition.

We have previously noted that the Clerk and Council used the LCRS software to maintain the Register of potential risks facing the Council: we now note that a new format has been developed in the latter stages of 2025-26 being approved and adopted at the full Council meeting in February 2026. We have reviewed the resultant document and consider it appropriate for the Council's present requirements.

We note that the Council's insurance cover continues to be provided by Hiscox and have examined the 2025-26 insurance schedule: with Employer's and Public Liability cover both set at £10 million, together with Fidelity Guarantee cover of £500,000 and Business Interruption – "Loss of Revenue" cover at £10,000, all of which we consider appropriate for the Council's present requirements.

Conclusions

We are pleased to record that no issues arise in this area this year.

Budgetary Control & Reserves

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 Isle of Wight 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.

Following a full review of the budgetary requirements for 2026-27, the Council approved and adopted a precept of £455,000 at the February 2026 Council meeting.

We have reviewed the level of retained reserves noting that total funds have increased to £431,683 (£325,982 at 31st March 2025), with £92,069 set-aside in four specific earmarked reserves. The residual General Reserve balance of £339,594 equates to approximately 1 year's spending at the 2025-26 level.

We have also reviewed the year-end budget performance report in Scribe with no significant or unexpected / unexplained variances existing warranting further enquiry or follow-up.

As last year, we note that no budget detail, other than the precept, is recorded for the albeit limited various income budget headings and again suggest that, whenever and wherever possible, an assessment of the anticipated income detail should be made and be recorded when entering the annual budget detail (based on the prior year actual income received): obviously due to its variable nature, accurate assessments are not possible for other areas such as hall hire, toilet income, bank interest, etc. although we urge that a "best estimated" value is assigned.

Conclusions & recommendation

We are pleased to record that no significant issues arise in this area although, as indicated above, we urge that either factual or best estimated budget values for the various income headings are input to the Scribe accounts for future years to facilitate a degree of effective monitoring of budgeted income levels.

R1. In line with best practice and to afford members appropriate information on budgetary performance for the various income headings, either factual (e.g. precept) or “best estimate” values for the various income headings” be entered in Scribe in future years.

Review of Income

The Council has relatively limited sources of income including the annual precept, hire of Falcon Cross Hall, library book sales and late book return fines, coin machine income from the public WCs and occasional donations, plus limited interest on bank deposits.

At our interim review we examined detail of bookings in November 2025 by reference to the booking diary ensuring that appropriate booking forms have been completed and invoices raised at the correct fee level in accordance with the Council’s approved scale of fees and charges which were increased for 2025-26 with no issues arising.

We also reviewed income arising at the library by reference to the underlying daily till print outs and weekly prepared summary of income handed over to the Clerk for banking by the Library Co-ordinator. We *also* checked the physical cash income held on the day of our visit noting a minor *inconsequential* shortfall of 10 pence against the value of recorded income per the supporting till receipts. We have also checked and agreed the £40 cash change float.

We have also as part of our final review examined the status of any year-end debtors, with VAT of £6,824 and Falcon Cross hire fees of £112 outstanding at the year-end.

Conclusions

We are pleased to record that no issues arise in this area warranting formal comment or recommendation.

Petty Cash Account

No formal petty cash account is in place, the Clerk and librarian reclaiming expenses through the normal trader payment procedures, detail of which we have reviewed and checked as part of the above referenced expenditure check. A £40 change float is held in the library, which is appropriately accounted for in the Scribe accounts as a “Cash in hand” holding at the financial year-end. We have, as referred to previously in this report, during our interim visit checked and agreed the library change float.

Review of Staff Salaries

In examining the Council’s payroll function, we aim to confirm that extant legislation is being appropriately observed ensuring adherence to the Employee Rights Act 1998 and the requirements of HMRC legislation as regards the deduction and payment over of income tax and NI contributions, together with those in relation to pension contributions to the LG Pension Fund, where applicable.

At our interim review, we checked and verified the accuracy of the gross salary payments made in August 2025, in which month the 2025-26 national pay award was applied together with arrears backdated to 1st April 2025 by reference to the Council approved NJC spinal points and contracted

working hours for all four staff members. We also ensured the accuracy of income tax, NI and pension scheme deductions / Council contributions for that month with no issues arising.

Conclusions

We are pleased to report that no issues have been identified in this area warranting formal comment or recommendation.

Fixed Asset Registers

“The Practitioner’s Guide” requires all councils to maintain a detailed register of their assets. We aim in examining this aspect of the Council’s documentation, to ensure that the Council has complied with that requirement noting that an appropriate and comprehensive asset register is maintained in the Scribe software: no new assets have been acquired during the financial year, nor have any been disposed of with, consequently, the AGAR asset value at Section 2, Box 9 remaining unchanged from that at the prior year-end.

Conclusions

No issues arise in this area warranting comment or recommendation.

Investments and Loans

The Council continues to deposit excess funds with the Co-operative bank, re-investing the amount held, together with the periodic interest earned: we have verified the accuracy of recorded interest earned for the financial year in the Scribe accounts.

We are also pleased to note that the Council has reviewed and re-adopted at the February 2026 Council meeting an updated Investment Strategy detail of which we have reviewed and are pleased to record that we consider that it remains appropriate for the Council’s present requirements.

No loans are in existence repayable either by or to the Council.

Conclusions

No issues arise in this area of our review process this year.

Statement of Accounts & AGAR

The Scribe accounting software generates a formal I&E Account and Balance Sheet annually, together with data for inclusion in the year’s AGAR. The Clerk has duly identified all year-end debtors (there being no creditors) with detail input to the Scribe accounting software to generate the year-end Accounts and AGAR Section 2 financial data. We have duly checked that detail reported therein to the underlying financial and other documents and are pleased to report that no issues have been identified.

Conclusions

We are pleased to record that no issues have been identified in this area this year. We have also ensured the accurate transfer of the Scribe accounts detail to the AGAR and have duly signed off the IA Certificate assigning positive assurances in each relevant area.

Rec. No.	Recommendation	Response
-------------	----------------	----------

Budgetary Control & Reserves

R1	In line with best practice and to afford members appropriate information on budgetary performance for the various income headings, either factual (e.g. precept) or “best estimate” values for the various income headings” be entered in Scribe in future years.	
----	---	--
