

DECLARATIONS OF INTERESTS

BUDGET & PRECEPT SETTING

S.106 LOCAL GOVERNMENT FINANCE ACT 1992

Members' are reminded that s.106 Local Government Finance Act 1992 makes it a criminal offence for a local Councillor in council tax arrears for at least two months or more to vote on the setting of a precept or any recommendation, resolution or other decisions which might affect the calculation of the precept.

If the Member concerned declares at the outset of the meeting that he/she is in arrears and will not be voting on the decision for that reason, the Member concerned must not vote, but may speak.

The onus is on the individual Member to declare at the start of the meeting. This restriction is absolute and cannot be removed by a dispensation.

Shanklin Town Council

Internal Audit Report 2025-26 (Interim)

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 interim review of the Council's records for the year, which has been undertaken both in advance of and on site on 28th January 2026. We thank the Clerk for assisting the process, providing all necessary documentation.

Internal Audit Approach

In commencing our review, we have again 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.

Overall Conclusions

We are pleased to report that, based on the work undertaken to date, the Clerk and Council continue to maintain adequate and effective internal control arrangements with no issues identified warranting formal comment or recommendation. Detail of the work undertaken is set out in the following detailed report: we ask that the report be presented to members as required by the Practitioner's Guide.

We shall update this report following our final review, which we have agreed with the Clerk will be undertaken remotely this year following closure of the year's accounts in April 2026.

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 number of 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 year to 31st December 2025 by reference to supporting bank statements; and
- Checked and agreed detail on the combined account bank reconciliations on 30th September and 31st December 2025.

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 to date. We shall examine the residual transactions for the year, also verifying the accuracy of the year-end combined account bank reconciliation and ensuring the accurate disclosure of the combined cash and bank balances in the year's AGAR at Section 2, Box 8.

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 to date as posted on the Council's website in advance of our visit 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 note both SOs and Financial Regulations (FRs) are due for consideration and adoption by the Council at the next meeting and will examine the resultant documents at our final review.

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 take 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. We will, as indicated above, check to ensure that the Council has adopted the revised SOs and FRs at its next meeting check and will review the content of the resultant documents at our final review. We will also examine minutes for the remainder of the year at our final review.

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 42 payments for review in the year to 31st December 2025 as recorded in the Scribe “payments cashbook” including all transactions individually in excess of £750 plus every 25th as recorded in the Scribe “payments cashbook”. The payment sample totals £102,250 equating to 81% by value of non-pay related payments to the above date. We are pleased top record that no issues arise in this area currently.

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 relating to the quarter ended 31st March 2025, plus those for the first two quarters of 2025-26 (i.e. to 30th September 2025).

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 currently warranting formal comment or recommendation. We will extend our review of processed payments at our final review selecting a further sample on the same basis as above: we will also review the final two quarterly VAT reclaims for the year.

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 in order to minimise the opportunity for their coming to fruition.

We have previously examined the Council's approach to the identification, recording and management of financial risks and again note the intended review and formal re-adoption of the LCRS register at the next Council meeting. We have also provided the Clerk with another potential risk register format which the Clerk will consider and adapt accordingly to the Council's specific requirements, with the aim of presenting the document to a future Council meeting for adoption.

We note that the Council's insurance cover continues to be provided by Hiscox and have examined the 2025-26 insurance schedule: we consider that appropriate cover remains in place 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.

Conclusions

We are pleased to record that no issues arise in this area at present: we shall ensure formal adoption of the Council's risk register at our final review.

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.

This review has taken place in advance of the Council's formal adoption of the 2026-27 budget and precept.

We have reviewed the latest available budgetary performance report in Scribe (as of 31st December 2025) with no significant or unexpected variances existing warranting further enquiry or follow-up action.

Conclusions

No issues arise in this area currently: we will undertake further work at our final review ensuring the formal consideration and adoption of the 2026-27 budget and precept, also reviewing the year-end performance outturn and considering the ongoing appropriateness of the retained reserves to meet the Council's revenue spending requirements and any potential development aspirations.

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.

We have at this interim review 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 have 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 have checked the physical cash income held on the day of our visit noting a minor 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.

Conclusions

We are pleased to record that no significant issues arise in this area warranting formal comment or recommendation. We shall undertake further work on income at our final review including checking the status of any unpaid debtor accounts at the year-end and ensuring their appropriate disclosure in the year's AGAR.

Petty Cash Account

No formal petty cash account is in place, staff reclaiming any expenses incurred 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 we are pleased to note is now appropriately accounted for in the Scribe accounts. We have, as set out above, 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.

We have, at this interim review, 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 have 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.

Investments and Loans

The Council continues to place excess funds in a deposit with the Co-operative bank, reinvesting the amount held together with the interest earned: we have, consequently, verified the accuracy of interest earned for the financial year to date at this interim review.

We have reported previously that the Council had complied with the latest guidance on Investment Strategies / Policies noting at our final 2024-25 review that the relevant document had been subjected to further review, update and formal re-adoption in February 2025. We understand that the document will be subjected to further review and adoption by the Council at the February 2026 Council meeting and will review the resultant document at our final review ensuring that it remains appropriate for the Council's ongoing requirements.

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

Conclusions

No issues arise in this area of our review process at present.

Shanklin Town Council
65 Landguard Road
Shanklin
Isle of Wight
PO37 7JX

Dear Sirs

January 2026

The purpose of this letter is to set out the basis on which we (are to) act as internal auditors of the Council and the respective areas of responsibility of the Council and of ourselves.

As Councillors of the above Council you are responsible for maintaining proper accounting records and preparing financial statements, which give a true and fair view and comply with the Local Government Act Accounts and Audit Regulations 1996, as amended periodically. You are also responsible for making available to us, as and when required, the Council's accounting records and all other necessary records and related information for us to undertake our review in accordance with the requirements of the "Governance and Accountability Manual – The Practitioner's Guide", including minutes of all Council and Committee meetings.

We have a responsibility to report to the members whether, in our view, the financial statements, as summarised at Section 2 of the statutory Annual Governance and Accountability Return (AGAR), are in accordance with the Council's accounting records, whether they are supported by appropriate systems of internal financial control in the areas specified in the Internal Audit Report embodied in the AGAR and whether they comply with the relevant legislation. In arriving at our view, we are required to consider the following matters, and to report on any in respect of which we are not satisfied:

- a. whether proper accounting records have been kept by the Council;
- b. whether the Council's Balance Sheet and Income and Expenditure Account or Receipts and Payments Account and supporting statements are in agreement with the accounting records and returns;
- c. whether we have obtained all the information and explanations which we think necessary for the purpose of our audit.

In addition, there are certain other matters, which, according to the circumstances, may need to be dealt with in our report.

We have a professional responsibility to report if the financial statements do not comply in any material respect with Statements of Standard Accounting Practice and Financial Reporting Standards, as applicable to local Councils, unless in our opinion the non-compliance is justified in the circumstances.

Our audit will be conducted in accordance with Part 2, Regulation 5 of the Accounts and Audit Regulations as set out in the Local Audit and Accountability Act 2014 (amended) and the Auditing Standards issued by the accountancy bodies and will have regard to relevant Auditing Guidelines. Furthermore, it will be conducted in such a manner as we consider necessary to fulfil our responsibilities and will include such tests of transactions and of ownership and valuation of assets and liabilities as we consider necessary.

We shall obtain an understanding of the accounting systems in order to assess their adequacy as a basis for the preparation of the financial statements and to establish whether proper accounting records have been maintained.

We shall expect to obtain such relevant and reliable evidence as we consider sufficient to enable us to draw reasonable conclusions therefrom. The nature and extent of our tests will vary according to our assessment of the Council's accounting systems, and where we may wish to place reliance on the systems of internal control and may cover any aspect of the Council's business operations. We shall report to you any significant weaknesses in or observations on, the Council's systems which come to our notice and which we consider should be brought to your attention. We will also examine annually the Council's approach to the assessment and formal adoption of the risks associated with the various financial and related systems in the Council.

All evidence obtained, whether in electronic or hard copy format, will be retained in accordance with the General Data Protection Legislation, Auditing Solution's GDPR, and Document & Data retention policies, and the General Data Protection Regulation Non-Disclosure Agreement issued in concert with this Agreement.

As part of our normal audit procedures, we may request you to provide written confirmation of oral representations, which we have received from you during the course of the audit.

In order to assist us with the examination of your financial statements, as summarised in the AGAR, we shall request sight of all relevant supporting documents, including those relating to the chairman's certification of the AGAR, which are due to be issued with the financial statements. We reserve the right to attend relevant meetings of the Council and to receive notice of all meetings.

We may ask, additionally, for confirmation in writing that all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records, and our audit report on your Council's financial statements may refer to this confirmation.

The responsibility for the prevention and detection of irregularities and fraud rests with the Council. Notwithstanding this, we shall endeavour to plan our audit so that we have a reasonable expectation of detecting material misstatements in the financial statements or accounting records resulting from irregularities or fraud, but our examination should not be relied upon to disclose irregularities and frauds that may exist. We also require that, in the event of any suspected irregularity being identified by members or the Council's Clerk, we are advised immediately and, if appropriate, consulted on the appropriate courses of action that should be applied to examine the position further.

We shall not be treated as having notice, for the purposes of our audit responsibilities, of information provided to members of our firm other than those engaged on the audit (e.g. information provided in connection with accounting and other services).

Agreement of terms

Once it has been agreed, this letter and contract will remain effective for future years, until it is either cancelled by the Council or ourselves. We respectively ask that, should the Council wish to cancel the contract, due notice is given by 30th September latest in the financial year under review, as work on the year's review will have either commenced prior to or shortly after that date. We shall be grateful if you could confirm in writing your agreement of the terms of this letter or let us know if they are not in accordance with your understanding of our terms of appointment.

Please indicate your agreement by signing this letter and returning to this office.

On behalf of Auditing Solutions Ltd	Signature	Shanklin Town Council	Signature
Stuart J Pollard Director	<i>Stuart Pollard</i>	Dated:	