

# *Public Sector Audit*

## **Kirton In Lindsey Town Council**

### ***Interim Internal Audit Report for the year ended 31 March 2022***

*Public Sector Audit*

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### **Interim Internal Audit Report for the year ended 31 March 2022**

#### Introduction

Part 2, paragraph 5 (1) of the Accounts and Audit Regulations 2015 imposes a duty on Local Councils to “undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

Internal audit is a key component of the system of internal control. The purpose of internal audit is to review whether the systems of financial and other controls over a council's activities and operating procedures are effective.

At the request of the council I have conducted an interim Internal Audit review of the council's accounting records in respect of the financial year ended 31 March 2022. I have acted independently and, on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in place during the financial year.

The audit has been carried out in accordance with the council's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions and recommendations have been recorded in the table below.

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## Prioritisation of recommendations

In accordance with good internal audit reporting practice and the Governance and Accountability for Local Councils Practitioners Guide, the recommendations contained in this report have been prioritised. The following 'traffic light' system for the prioritisation of recommendations has been adopted: Page | 3

- Significant weakness in internal control requiring urgent attention.
- Moderate weakness in internal control requiring attention within the current year.
- Minor weakness in internal control, or matters of good practice the council may wish to consider, to be addressed within the current year.

### Distribution List

Chairman of the Council

All members of the Council

Clerk to the Council

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The findings of the audit are summarised below

	<b>Tests Performed</b>	<b>Findings and Recommendations</b>
1	Have appropriate books of account been properly maintained throughout the year?	<p><u>Appropriate accounting records</u></p> <p><b>Findings</b></p> <p>The cash book is maintained on spread sheets on a receipts and payments basis and is balanced to the end of October 2021. It is comprehensively analysed to provide all the information required for the completion of the Annual Governance and Accountability Return (AGAR). As noted in section 3 of this report, some staff costs are currently being analysed as Power of Competence as they relate to the Connecting Kirton project.</p> <p>The spread sheets are arithmetically correct and bank reconciliations have been undertaken monthly.</p> <p>All invoices and receipts are consecutively numbered and cross referenced to the cash book thus providing an audit trail from original documentation to the council's financial records.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● All staff costs incurred by the council (with the exception of costs in relation to Trust Funds with their own bank accounts containing funds) whether funded by Precept or by an external grant, should be analysed as staff costs in the cash book for inclusion in box 4, staff costs, on the year-end AGAR; the council may wish to maintain a separate spreadsheet of the costs incurred in respect of the Connecting Kirton project. This would provide Council Members with useful management information regarding the use of the Community Renewal Project Grant funding received from NLC.</li> </ul>
2	Have the council's Financial Regulations and Standing Orders been formally adopted and complied with?	<p><u>Adherence to Financial Regulations and Standing Orders</u></p> <p><b>Findings</b></p> <p>The council re-adopted Standing Orders, with minor amendments, at the Town Council meeting held on the 24th June 2021. Financial Regulations were re-approved at the Annual Town Council meeting held on the 6th May 2021. Both Standing Orders and Financial Regulations are the latest NALC Models.</p>

3	<p>Are payment controls effective and VAT properly accounted for?</p> <p>Has the council recorded s137 expenditure separately and is it within the statutory limit?</p>	<p><u>Adequate payment controls</u></p> <p><b>Findings</b></p> <p>I have tested a large sample of payments throughout the year. All payments tested have been correctly reported to council for authorisation and approval.</p> <p>For the sample of invoices tested I have reviewed for completeness, accuracy, the correct year of account, classification within the council's accounts and compliance with Financial Regulations.</p> <p>I have tested that VAT has been correctly identified and recorded in the cash book for reclaim from HMRC. All payments tested which included a VAT element have been correctly accounted for.</p> <p>Following the council's adoption of the General Power of Competence at the Annual Meeting held on the 22nd May 2019 all grant funding is now allocated to this legislative power unless a more specific power is available. The council's donation to the British Red Cross and a donation to Lincolnshire Lowland Search and Rescue have, however, been correctly analysed to s.137 expenditure.</p> <p>One cheque has been issued during the year and the stub has been correctly signed by both signatories to indicate agreement with the cheque and the documentation provided at the time of signing.</p> <p>It is noted that the council does not maintain a separate bank account and accounting records for receipts and payments in respect of the Mayor's chosen charity(s). Owing to the Covid 19 pandemic the Mayor has continued in office during the year and it is anticipated that surplus accumulated funds will start to be distributed during the current financial year.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● A detailed record of receipts and payments in respect of the Mayor's chosen charity(s) should be prepared to support the final payment(s) and made available for audit and verification purposes.</li> </ul>
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4	<p>Has the council assessed the significant risks in delivering its activities and services and regularly reviewed the adequacy of these assessments?</p> <p>Is insurance cover appropriate and adequate?</p> <p>Are financial controls documented and regularly reviewed?</p>	<p><u>Assessment of significant risks</u></p> <p><b>Findings</b></p> <p>The council's Health and Safety Policy was re-approved at the meeting held on the 27th October 2021.</p> <p>The council reviewed and approved the Financial Risk Assessment at the Annual Town Council meeting held on the 6th May 2021 and the Risk Assessments for the Cemetery and Play Area were re-approved on the 24th March 2021.</p> <p>The Summer Gala was not held during the year and the Christmas Festival Risk Assessment was last reviewed and approved by the Promoting Kirton Committee on the 11th October 2021.</p> <p>I have reviewed the council's insurance cover and the levels of indemnity are considered to be adequate.</p> <p>The council's Play Area was inspected by Playsafety Ltd., an independent RoSPA accredited company, during August 2021. The inspection report was presented to council on the 22nd September 2021 for formal review and approval; necessary repairs have been undertaken.</p> <p>Inspection sheets are completed for each inspection and details of the items checked and any actions found to be required are recorded. The inspection sheets include provision to record the action taken to remedy faults. The sheets are completed and presented to council monthly for review and approval. They are signed as reviewed and approved by a member of the council. When any actions required have been completed the Clerk adds the date completed to the inspection sheets. The Clerk maintains a log of any actions required, to ensure that any essential repairs are completed in a timely manner and not forgotten.</p> <p>Basic Internal financial controls and procedures are included in the council's Financial Regulations.</p>
5	<p>Has the annual precept requirement resulted from an adequate budgetary process?</p>	<p><u>Adequate budgetary process</u></p> <p><b>Findings</b></p> <p>The council prepared a detailed annual budget for 2021/22 in the correct format; it was adopted at the Full Council Meeting held on the 27th January 2021. A Precept of £103,488 was approved.</p>

	<p>Has progress against budget been regularly monitored and reported?</p>	<p>A detailed budget monitoring report in respect of quarter one and quarter two were presented to council on the 28th July and 27th October 2021 respectively and discussions took place regarding the cemetery budget.</p> <p>The council's Reserves Statement was presented to and approved at the Extraordinary Meeting of the Council held on the 24th April 2021. The council's balances brought forward on the 1st April 2021 totalled £125,680. Earmarked reserves totalled £85,680 and the remaining general balance of £40,000, which equates to 38% of the 2021/22 Precept, is considered to be adequate for a council the size of Kirton in Lindsey Town Council.</p>
6	<p>Was all expected income fully received in accordance with the current scale of charges, properly accounted for and promptly banked?</p> <p>Were security controls over cash and cash equivalents effective?</p>	<p><u>Adequate income controls</u> <b>Findings</b></p> <p>The two Precept instalments of £51,774.00 received from NLC on the 20th April and 30th July 2021 agree to the council's Precept requirement of £103,548.</p> <p>The council also received income in respect of devolved grass cutting and Parish paths funding, a Community Renewal Project Grant, a VAT refund, the cemetery, a final grant for the Traingate project, donations, miscellaneous and a small amount of bank interest. In addition, income was received in respect of a virtual quiz which held in support of the Mayor's charity fund.</p> <p>It is noted that the council also received a Community Sports Grant from North Lincs Council for the provision of sporting sessions in the town. A charge of £2.00 per person for each session was agreed by the Clerk, Assistant Clerk and the provider of the sessions and the income received for each session was forwarded to the council by the sports provider. I have agreed the income received - and banked - to the Kirton Community Sports Register which identified the number of people attending each session.</p> <p>Income has been received in respect of the Christmas Festival and I have agreed the full charges of £25 per stall to the charge agreed by the Promoting Kirton Committee on the 11th October 2021. It is noted that a reduced charge of £15 has been received from Kirton in Lindsey Community Groups and Charities (identified as a "Suggested donation" on the Christmas Festival and Light Switch On leaflet). The Clerk has confirmed that the reduced charge/donation for Community Groups and Charities has not been formally authorised by council.</p>

		<p>I have checked all income from April to October 2021 and agreed receipt documentation to the cash book and the bank. All income was well documented, accurately recorded and cross referenced to the cash book.</p> <p>All income received in respect of the cemetery was in accordance with the council's current Scale of Charges which was re-approved, without change, at the Annual Council meeting held on the 6th May 2021.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● All charges should be agreed by council and identified on a formal scale of charges, agreed by council, or noted in council minutes.</li> </ul>
7	<p>Were petty cash payments appropriate and supported by receipts?</p> <p>Was all expenditure approved and reported to members?</p> <p>Has VAT been correctly accounted for?</p>	<p><u>Appropriate petty cash controls</u></p> <p><b>Findings</b></p> <p>The council does not maintain a petty cash account. All petty items of expenditure are reimbursed to the Clerk and Council Members via the normal payments system and reported to council together with all other council payments.</p> <p>I have checked a large sample of petty cash payments and all of those checked have been correctly recorded in the council's accounting system and reported to council for approval. VAT, where appropriate, has been correctly recorded in the accounting system.</p>
8	<p>Do all employees have contracts of employment with clear terms and conditions?</p> <p>Are salaries to employees and all other payments and allowances paid in accordance with council approvals?</p>	<p><u>Adequate payroll controls</u></p> <p><b>Findings</b></p> <p>The council's employees have both received contracts of employment which contain clear terms and conditions.</p> <p>I have checked the gross pay calculations for the Clerk and Assistant Clerk from April to October 2021 by reference to the current NJC National Pay Scales (April 2020), an authorised change of standard hours for the Assistant Clerk and additional hours worked by the Assistant Clerk per timesheets.</p>



	Has PAYE and NI been correctly deducted and paid to HMRC?	<p>It is also noted that the Assistant Clerk has taken on the role of Project Coordinator for Connecting Kirton. I have reviewed the project's Terms of Reference and confirmed that the salary being paid for this role is in accordance with the Terms of Reference.</p> <p>The council's employees are subject to PAYE and NI regulations using HMRC Basic Tools software and, for the sample checked, statutory deductions have been correctly paid to HMRC.</p>
9	Is the asset and investment register complete and accurate and reviewed on a regular basis?	<p><u>Appropriate recording of assets</u> <b>Findings</b> The council maintains an Asset Register in the form of a spread sheet. All new assets purchased during the year have been added to the register using the correct valuation method.</p> <p>The Clerk has confirmed that the levels of cover provided by the council's new insurance policy are adequate to provide sufficient cover for the new assets purchased during the year.</p> <p>More detailed checking of the Asset Register will be undertaken at the year-end audit.</p>
10	Were bank reconciliations performed on a regular and timely basis? Have all bank reconciliations been reviewed by an appointed member and evidenced as such?	<p><u>Adequate bank reconciliations</u> <b>Findings</b> The council's bank balances for both the current and savings accounts and the deposits held in the Public Sector Deposit Fund are identified on each month's Finance Report which is signed by the Chairman and one other Member. The respective bank statements are also provided to the authorising councillors at the same time as the reconciliations and these have also been signed as authorised. I have checked and agreed the balances on the Finance Reports each month to the bank and Public Sector Deposit Fund statements.</p>
11	Has the previous year's Internal Audit Report been submitted to council and actioned as necessary?	<p><u>Previous Internal Audit Report actioned</u> <b>Findings</b> The 2020/21 final Internal Audit Report was submitted to an Extraordinary Meeting of the council held on the 24th April 2021. The recommendation regarding the recording of income and expenditure on the Mayor's account was discussed and noted.</p>

12	Has the council met its responsibilities as a trustee?	<p><u>Trustee responsibilities</u></p> <p><b>Findings</b></p> <p>The council amalgamated the Poores Close Trust and the Torksey Trust into one Charitable Trust known as Torksey Charity (Charity number 251454). This fund was originally registered with the Charity Commission in 1967 and the bank accounts from both Trusts have been amalgamated into the Torksey Charity and held in a Business Manager Account, a Community Account and a CCLA Deposit Account. The council has now, with the permission of the Charities Commission, widened the scope of the Trust to enable it to spend Trust monies in an appropriate way.</p> <p>The Charitable objects have been amended with effect from the 25th March 2019 to:</p> <p><i>"Provide the relief of residents in Kirton in Lindsey in need, by reason of youth, age, ill health, disability, financial hardship or other disadvantage by providing finance, services or facilities to relieve their specific need."</i></p> <p>As required by the External Auditor, I have confirmed that the monies paid out during the year are in accordance with the stated charitable objects and that none of the Trust Fund's expenditure has been recorded in the Town Council's accounts.</p> <p>Another fund is known as The Green and the Market Place and was registered with the Charity Commission in 1974. This fund has a dormant bank account. The Clerk has a bank statement dated September 2013 showing a nil balance and the bank has confirmed that the account contains no funds. The Charity Commission identifies that the activities of the Trust are to "maintain and preserve the Green and Market Place for the use and enjoyment of the residents of Kirton in Lindsey". Apart from maintaining the grass, no additional expenditure has been incurred in respect of the Green and Market Place. Such expenditure is in accordance with the view of the External Auditor and the council minute of the 23rd January 2019 that confirmed;</p> <p><i>"Because there are no Trust Fund monies available, the council has spent its own funds on the maintenance and upkeep of these assets and areas for the good of the community as a whole".</i></p>
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One further fund, known as The War Memorial and the Garden of Edward Elmhirst Duckering has been identified. The council has confirmed that there are no known bank accounts associated with this Trust. No income has been received or expenditure incurred on behalf of this Trust.

The transfer of the trusteeship of Kirton in Lindsey Actively Supporting Sport in the Community (KLASSIC) to the Town Council as sole Trustee was completed in June 2020. The work to change the mandate for the bank account is now complete. The council's Personnel and Disciplinary Committee held on the 6th July 2021 confirmed that the management of KLASSIC finances is to be under the control of the Assistant Clerk. As the staff cost attributable to this Trust (50% of the Assistant Clerk's time) cannot be included in the AGAR as staff costs, this percentage is transferred out of staff costs on the accounting system to the Power of Competence prior to completion of the AGAR.

The Charity Commission website confirms that KLASSIC is a registered charity number 1115978. The purpose of the Charity is the provision of recreational and sports facilities for the community. The website confirms that Kirton in Lindsey Town Council was appointed as sole trustee on the 22nd June 2020 and the date for the charity's financial reporting is the 31st March 2022.

The charitable objectives are confirmed as:

*"The Trustees are to provide or assist in the provision of a recreation ground (grounds) involving the construction of pitches, greens, courts, pavilions, changing facilities and associated amenities to be held upon charitable trust namely for the purpose of providing recreation and leisure time occupation in the interest of social welfare and with the object of improving the conditions of life for the benefit of the inhabitants of Kirton in Lindsey and the neighbourhood (hereinafter called the "area of benefit") and for other charitable purposes for the benefit of the inhabitants in the area of benefit".*

## Executive Summary

The accounts and governance arrangements of the council have continued to be maintained to a very high standard and the assistance of the Clerk of the council in the completion of this audit was much appreciated.

The internal financial control environment within the council is excellent and the adoption of the above recommendations and consideration of the advisory note will serve to further enhance and strengthen the systems, procedures and governance arrangements already in place.

The Internal Audit has been conducted in accordance with the Governance and Accountability for Local Councils – Practitioners Guide 2020.

I confirm that I have no relationship or interest, financial or otherwise, with any member or officer of the council.

Richard Dixon

*Public Sector Audit*

17<sup>th</sup> November 2021

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