

Public Sector Audit

Kirton in Lindsey Town Council

Internal Audit Report for the year ended 31 March 2022

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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 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

	Test	Findings and Recommendations
1	Have appropriate books of account been properly maintained throughout the year?	<p><u>Appropriate accounting records</u></p> <p>Findings</p> <p>The cash book is maintained on spread sheets on a receipts and payments basis and is balanced to the 31st March 2022.</p> <p>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>It is noted that the council has correctly transferred the staffing costs relating to KLASSIC from council staff costs, for box 4 of the AGAR purposes, to the council's General Power of Competence, which is analysed to box 6 on the AGAR.</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>
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>Findings</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> <p>The Government has announced revised thresholds in respect of tendering for public contracts, which came into effect on the 1st January 2022; the NALC Model, however, has not yet been updated.</p>

		<p>Recommendation</p> <ul style="list-style-type: none"> ● Standing Orders should be amended in the current financial year to take account of the Government's revised procurement thresholds.
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>Findings</p> <p>I have tested a large sample of payments throughout the year.</p> <p>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. A total of £347 has been coded to s.137 expenditure; the expenditure is appropriate for this statutory power and well within the statutory limit.</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>
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><u>Assessment of significant risks</u></p> <p>Findings</p> <p>The council's Health and Safety Policy was re-approved at the meeting held on the 27th October 2021.</p>

<p>Is insurance cover appropriate and adequate?</p> <p>Are financial controls documented and regularly reviewed?</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 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>The council also undertakes monthly inspections of The Green Play Area; 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> <ul style="list-style-type: none"> ➤ The council removed a toddler swing in January 2022 owing to strimmer damage to the supports and rot suspected in the ground as there was significant movement in the framework. It is noted that an in-depth examination of this piece of equipment has been recommended since 2018 when it was recommended to replace the decayed components, where possible, and plan the replacement of the item. Inspections have taken place since 2018 and the inspection reports have continued to note the damage and deterioration of the wooden supports. Fortunately, no incidents or injuries occurred involving this equipment prior to its removal. The increasing score rating of the level of risk on the
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		<p>annual safety inspection reports, however, suggests that earlier action to rectify the fault should have been considered.</p> <p>➤ It is also noted that the August 2021 annual safety inspection report identified that there was broken glass on site, and it should be cleared away immediately. The risk level attributed to this issue was only 12, however, which is considered to be <i>"medium risk and some control measures may be identified to reduce the risk to low, tolerable levels."</i> The inspection reports do identify a risk level of <i>"13 and above, which is high risk and urgent action is considered to be necessary to reduce the risks to tolerable levels."</i></p> <p>Basic Internal financial controls and procedures are included in the council's Financial Regulations.</p> <p>I have reviewed the council's electronic data storage arrangements. A full back up of all council information is carried out weekly and saved onto an external hard drive which is stored in a secure fireproof safe.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● To fully protect the public and the council's interests the council should endeavour to respond to known defects and issues in a more timely manner. ● Defects and other safety issues should be carefully scored to ensure that appropriate risk levels are attributed to matters as they arise.
5	<p>Has the annual precept requirement resulted from an adequate budgetary process?</p> <p>Has progress against budget been regularly monitored and reported and were reserves appropriate?</p>	<p><u>Adequate budgetary process</u></p> <p>Findings</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>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 third quarter's budget monitoring report was presented to council on the 26th January 2022, and it was noted that no actions were required.</p> <p>The council reviewed its Reserves Policy at the Town Council meeting held on the 24th November 2021. It was resolved that the council will typically hold four months expenditure as a general reserve.</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. An amended reserves position will be presented to the next council meeting later this month and the Clerk has confirmed that the council will continue to hold approximately four months expenditure as a general reserve as agreed in November 2021.</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></p> <p>Findings</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.</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>I have checked all income throughout the year 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>Income received in respect of the cemetery was in accordance with the council's Scale of Charges (with the exception of an overpayment from a Funeral Director, which has subsequently been repaid) which was re-approved, without change, at the Annual Council meeting held on the 6th May 2021.</p> <p>It is noted that the General Purposes Committee held on the 9th February 2022 approved a revised Scale of Charges in respect of cemetery fees for a 40-year renewal of the grant for the Exclusive Right of Burial (to reflect a previously paid 10-year grant). A £2.00 administration fee for cheque payments to the council in respect of the cemetery was also approved.</p>
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>Findings</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</p>	<p><u>Adequate payroll controls</u></p> <p>Findings</p> <p>The council's employees have received contracts of employment which contain clear terms and conditions.</p> <p>I have checked and agreed the gross pay calculations for the Clerk and for the current and previous Assistant Clerk throughout the year by reference to the previous and updated 2021/22 NJC National Pay Scales, an</p>

	<p>in accordance with council approvals?</p> <p>Has PAYE and NI been correctly deducted and paid to HMRC?</p>	<p>authorised change of standard hours for the previous Assistant Clerk and additional hours worked by the Assistant Clerks.</p> <p>It is 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	<p>Is the Asset and Investment Register complete and accurate and reviewed on a regular basis?</p>	<p><u>Appropriate recording of assets</u></p> <p>Findings</p> <p>The council maintains an Asset Register in the form of a spread sheet. For the sample tested, 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>The updated total on the Asset Register agrees to the declaration in box 9 of the Accounting Statement on the AGAR.</p> <p>The updated register will be presented to the next Annual Town Council Meeting to be held in May 2022, for review and approval.</p>
10	<p>Were bank reconciliations performed on a regular and timely basis?</p>	<p><u>Adequate bank reconciliations</u></p> <p>Findings</p> <p>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 Council Member. The respective bank statements are also provided to the authorising councillors at the</p>

	<p>Has a year-end reconciliation been performed and balanced?</p> <p>Have all bank reconciliations been reviewed by an appointed member and evidenced as such?</p>	<p>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> <p>As a separate bank account is not held for the Mayor's Charity account, the Clerk maintains a detailed spreadsheet which identifies both receipts and payments during each year. This provides a record of funds raised, and subsequently dispersed to the Mayor's chosen charity(s) or cause.</p>
11	<p>Were Accounting statements prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate, were debtors and creditors properly recorded?</p> <p>Has the previous Internal Audit Report been submitted to council and actioned as necessary?</p>	<p><u>Correct accounting basis and previous Internal Audit Report actioned</u></p> <p>Findings</p> <p>The year-end statements have been prepared on the correct accounting basis (Receipts and Payments) and, therefore, debtors and creditors have not been included.</p> <p>The statements agree with the cash book and there is an audit trail from underlying financial records to the year-end statements.</p> <p>The 2021/22 interim Internal Audit Report was submitted to the Town Council meeting held on the 24th November 2021 and the recommendations were considered.</p>
12	<p>If the council certified itself as exempt from an External Audit Limited Assurance Review last year, has it met the exemption criteria and correctly declared itself exempt?</p>	<p><u>Exemption Certificate</u></p> <p>Findings</p> <p>The council, correctly, did not complete an Exemption Certificate under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015.</p>

13	Did the council correctly provide, during the summer, the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations 2015?	<p><u>Exercise of Public Rights</u></p> <p>Findings</p> <p>I have confirmed by a review of the council's website that, during the summer of 2021, the council correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the 2015 Accounts and Audit Regulations.</p>
14	Did the council comply with the publication requirements for the previous year's AGAR?	<p><u>Publication Requirements</u></p> <p>Findings</p> <p>I have reviewed the council's website and confirmed that the Town Council published the correct documents as required by the Accounts and Audit Regulations 2015.</p>
15	Has the council met its responsibilities as a Trustee?	<p><u>Trustee responsibilities</u></p> <p>Findings</p> <p>The council amalgamated the Poors 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. During the year the council transferred the funds from the HSBC Business Manager and Community Accounts into a single Community Direct Plus Account at the Co-operative Bank. Funds are also held in a CCLA Deposit Account. The council has, 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 were amended with effect from the 25th March 2019 to:</p> <ul style="list-style-type: none"> ➤ <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>

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.

Following the closure of the HSBC accounts and transfer of the closing balances to the Co-op Bank, I have checked that balances upon closure have been correctly transferred to the account at the Co-op Bank.

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, additional expenditure has been incurred in respect of tree works, new bollards and chain link fencing. Such expenditure is in accordance with the view of the External Auditor and the council minute of the 23rd January 2019 that confirmed; *"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"*.

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 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.

It is noted that the council also intends to change bank accounts for the KLASSIC Charity from HSBC to the Co-operative Bank. This process was not completed by the year-end, however.

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

		<p>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.</p> <p>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.</p>
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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 consideration and adoption of the above recommendations 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 2021.

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

Richard Dixon

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13th April 2022

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