

Public Sector Audit

Kirton in Lindsey Town Council

Internal Audit Report for the year ended 31 March 2023

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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 2023. 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 |
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| 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 has been balanced to the 31st March 2023.</p> <p>It is comprehensively analysed to provide all the information required for the completion of the Annual Governance and Accountability Return (AGAR).</p> <p>The council has correctly transferred the staffing costs relating to KLASSIC from council staff costs (box 4 of the AGAR) to the council's General Power of Competence, which is analysed to box 6 on the AGAR.</p> <p>For the period of audit, 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 which provides 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 adopted Standing Orders, with revised wording to take account of the Government's updated procurement thresholds, at the Town Council meeting held on the 25th May 2022. Financial Regulations were also re-approved at this meeting. Both Standing Orders, as amended, and Financial Regulations are the latest NALC Models. Standing Orders were re-presented to council on the 23rd November 2022 for adoption.</p> <p>On the 21st December 2022, the Government increased the £25,000 threshold, under the Public Contracts Regulations, to £30,000. NALC has not yet amended its Model Standing Orders and Financial Regulations to</p> |

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| | | <p>take account of this legislative change. The Clerk included reference to the change in minute 2302/12/o of the meeting held on the 22nd February 2023. For transparency purposes, however, this change should be reflected in both the council's Standing Orders (18.c) and Financial Regulations (11.b).</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● For transparency purposes the change in the Government's procurement threshold under the Public Contracts Regulations should be reflected in both the council's Standing Orders (18.c) and Financial Regulations (11.b). |
| 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 From April 2022 to March 2023.</p> <p>All payments tested have been correctly reported to council for authorisation and approval.</p> <p>I have tested and confirmed that VAT has been correctly identified and recorded in the cash book for reclaim from HMRC.</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 does, however, need to use s.137 of the 1972 Local Government Act for certain specific expenditure. A total of £300 expenditure has been coded to s.137. The expenditure is appropriate for this statutory power and is well within the annual statutory limit.</p> <p>Four cheques have been issued by the council and the stubs have been correctly initialled by both signatories to indicate agreement with the cheque and the documentation provided at the time of signing.</p> <p>As the council does not maintain a separate bank account for receipts and payments in respect of the Mayor's chosen charity(s), payments have been made via the council's bank account. As reported in section 10 of this</p> |

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| | | <p>report, the Clerk now maintains a document which identifies both receipts and payments during each civic year. This provides a record of funds raised, and subsequently dispersed to the Mayor's chosen charity(s) or cause.</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>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>Findings</p> <p>The council's Health and Safety Policy was approved, with amendments, at the Town Council meeting held on the 22nd June 2022.</p> <p>The council reviewed and re-approved the Cemetery Risk Assessment, with no amendment, at the Town Council meeting held on the 23rd March 2023. At the Annual Town Council meeting, held on the 25th May 2022, the council's Financial Risk Assessment was re-approved. The Extraordinary meeting of the Town Council held on the 7th September 2022 approved the Allotment Risk Assessment. On the 10th October 2022 the Promoting Kirton Committee approved in principle, with amendments regarding indoor activities which needed to be added, the Christmas Festival Risk Assessment. The Summer Gala was not held during the year.</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, and the inspection report was presented to Town Council on the 28th September 2022. The meeting also received the weekly play inspection rota and monthly play park inspection reports from Councillor Fox and actions required were noted.</p> <p>Inspection sheets are completed for weekly play area inspections; 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> |

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| | | <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> |
| 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 2022/23 in the correct format; it was adopted at the Full Council Meeting held on the 22nd December 2021. A Precept of £97,500 was approved.</p> <p>A detailed budget monitoring report in respect of quarter one was presented to council on the 27th July 2022. The second quarter's monitoring report was presented to the General Purposes Committee on the 10th October 2022 and the third quarter figures were presented to the Town Council meeting held on the 25th January 2023 and it was recorded that no actions were required.</p> <p>The council's Reserves Statement as at April 2023 will be presented to the next Town Council meeting on the 26th April 2023. The council's balances brought forward on the 1st April 2023 totalled £106,513. Earmarked reserves totalled £66,513 and the remaining general balance of £40,000, which equates to 39% of the 2023/24 Precept, is considered to be adequate and prudent 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></p> <p>Findings</p> <p>The two Precept instalments of £48,750.00 received from NLC on the 29th April and 2nd August 2022 agree to the council's Precept requirement of £97,500.</p> <p>The council also received income in respect of devolved grass cutting and Parish paths funding, an NLC Community Grant for the allotments, funding and an NLC Grant for the play area, VAT refunds, various</p> |

refunds, flower bed sponsorship, the cemetery, allotment rent, Christmas lights stalls, sportszone fees, cheque admin fees, an insurance claim, donations, a small amount of bank interest and miscellaneous.

The Allotments are new this year and a tenant's deposit of £30 was agreed at the Extraordinary meeting of the council on the 7th September 2022. At the Town Council meeting held on the 22nd June a rent of £30, to be reviewed annually, was agreed.

An allotment register has now been created. It records all plot numbers, the current tenants, the rent due for the year, the amount and date paid, the date paid into the bank and the receipt number.

It is noted that the council 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.

The council minuted, in November 2022, the Christmas lights Scale of Charges for stalls and gazebos and the reduced donation for Charities and local organisations.

I have checked a large sample of income throughout the year and agreed receipt documentation to the cash book. All income was well documented, accurately recorded, and cross referenced to the cash book.

All income received in respect of the cemetery was in accordance with the council's May 2022 Scale of Charges and the revised Scale of Charges from November 2022.

As the council does not maintain a separate bank account for receipts and payments in respect of the Mayor's chosen charity(s), income in respect of the Mayor's civic service, dinner, and charity event is paid into the council's bank account. As reported in section 10 of this report, the Clerk now maintains a document which

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| | | identifies both receipts and payments during each civic year. This provides a record of funds raised, and subsequently dispersed to the Mayor's chosen charity(s) or cause. |
| 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.</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>Has PAYE and NI been correctly deducted and paid to HMRC?</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 Assistant Clerk from April 2022 to March 2023 by reference to the revised 2022/23 NJC Pay Scales, authorised changes to the Clerk and Assistant Clerk's terms and conditions and hours worked by the Assistant Clerk.</p> <p>The External Auditor now requires me to check that the correct employer's pension percentage contribution has been applied. I have reviewed the council's minutes and confirmed that the percentage employer's pension contribution paid during the year is in accordance with council approvals.</p> <p>It is noted that the council has decided to not recharge the cost of the Assistant Clerk's time that she spends on Trust duties. In view of this, the cost of such work continues to be met by the council and is charged to the General Power of Competence.</p> |

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| | | 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. |
| 9 | Is the Asset and Investment Register complete and accurate and reviewed on a regular basis? | <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, i.e., cost price, net of VAT and £1 nominal value for gifted assets.</p> <p>The Clerk has contacted the insurance company regarding the new allotment sheds and play equipment purchased during the year and has confirmed that these have been added to the policy. Other items purchased during the year did not require in an increase to the sums insured for these items.</p> <p>The updated total on the Asset Register, as at 31st March 2023, 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 Meeting to be held in May 2023, for review and approval.</p> |
| 10 | <p>Were bank reconciliations performed on a regular and timely basis?</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><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 submitted to council and is signed by the Chairman and one other council 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 from April 2022 to March 2023 to the bank statements for the two accounts at HSBC and for the Public Sector Deposit Fund.</p> |

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| | | As a separate bank account is not held for the Mayor's Charity account, the Clerk maintains a document which identifies both receipts and payments during each civic year. This provides a record of funds raised, and subsequently dispersed to the Mayor's chosen charity(s) or cause. |
| 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 declaration in box 9, fixed assets, on the AGAR agrees to the total value of assets recorded in the updated Asset Register as at the 31st March 2023.</p> <p>The 2022/23 Interim Internal Audit Report was submitted to the Town Council meeting held on the 26th October 2022 and the action plan to address the recommendations was agreed.</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 | <p>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> | <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 2022, 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> |

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| 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"> ➤ "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." <p>As required by the External Auditor, I have confirmed that the three payments made this financial 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. The council's records for this Trust have been completed for the transactions that took place during the year and balanced to the bank. It is noted, however, that as the deposit in CCLA account is not used for transactions, it has not been included on the council's Balance of Accounts for the year-ended 31st December 2022.</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</p> |

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".

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.

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.

The council has now completed the change of bank accounts for the KLASSIC Charity from HSBC to the Co-operative Bank. I have reviewed the respective bank statements and confirmed that the closing HSBC bank account balances were completely and accurately transferred to the Co-operative bank.

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

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| | | <p>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> <p>Recommendation</p> <ul style="list-style-type: none">● For completeness, the CCLA Deposit Account should be added to the council's annual Balance of Accounts statement. |
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Executive Summary

The accounts and governance arrangements of the council have been 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 2022.

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

12th April 2023

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