

# *Public Sector Audit*

## **Kirton In Lindsey Town Council**

### ***Interim Internal Audit Report for the year ended 31 March 2024***

*Public Sector Audit*

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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 interim Internal Audit review of the council's accounting records in respect of the financial year ended 31 March 2024. 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 has been balanced to the 30th September 2023.</p> <p>It is sufficiently well analysed to provide all the information required for the completion of the Annual Governance and Accountability Return (AGAR).</p> <p>To the date of the 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><b>Findings</b></p> <p>The council's Standing Orders and Financial Regulations were re-approved at the Annual meeting of the Town Council held on the 24th May 2023. 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 From April to September 2023.</p> <ul style="list-style-type: none"> <li>➤ All payments tested have been correctly reported to council for authorisation and approval.</li> <li>➤ For the sample of invoices tested I have reviewed and confirmed completeness, accuracy, the correct year of account, classification within the council's accounts and compliance with Financial Regulations.</li> </ul>

		<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 re-adoption of the General Power of Competence at the Annual Meeting held on the 24th May 2023, all grant funding is allocated to this legislative power unless a more specific power is available. The council is, however, required to use s.137 of the 1972 Local Government Act for certain specific expenditure such as donations to registered charities. To the date of the audit no expenditure has been coded to s.137.</p> <p>To the date of the audit, three 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 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><b>Findings</b></p> <p>At the Annual Town Council meeting held on the 24th May 2023, the council noted the policies that had been reviewed between June 2022 and April 2023. These included the Health &amp; Safety Policy (June 2022), the Cemetery, Play Area and Allotment Risk Assessments (March 2023) and the Lone Worker Policy (September 2022). The council's Financial Risk Assessment was also re-approved, without amendment at the Annual meeting on the 24th May 2023. On the 12th June 2023, the Promoting Kirton Committee approved the Risk Assessment for the Summer Gala. The Christmas Festival Risk Assessment was approved by this committee on the 9th October 2023.</p>

		<p>A Risk Assessment was prepared during March 2023 for the King's Coronation event. It was presented to and approved by the Promoting Kirton Committee on the 17th April 2023: the minutes, however, do not record the Committee's decision.</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 27th September 2023.</p> <p>Inspection sheets are completed for the routine play area inspections 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> <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><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● All discussions and decisions in respect of the council's Risk Assessments should be recorded in the minutes for audit and transparency purposes.</li> </ul>
5	Has the annual precept requirement resulted from an adequate budgetary process?	<p><u>Adequate budgetary process</u></p> <p><b>Findings</b></p> <p>The council prepared a detailed annual budget for 2023/24 in the correct format; it was adopted at the Full Council Meeting held on the 21st December 2022. A Precept of £103,875 was approved.</p>

	Has progress against budget been regularly monitored and reported?	A detailed budget monitoring report in respect of quarter one was presented to council on the 26th July 2023. The second quarter's monitoring report was presented to the General Purposes Committee on the 9th October 2023.
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><b>Findings</b></p> <p>I have reviewed and checked a large sample of council income from April to September 2023. The two Precept instalments of £51,937.50 received from NLC on the 24th April and 25th July 2023 agree to the council's Precept requirement of £103,875.00.</p> <p>The council also received income in respect of devolved grass cutting, NLC Grants for the Coronation and CCTV, VAT refunds, the cemetery, allotment rent, Coronation Market stalls, sportszone fees, donations, bank and investment interest, cheque administration fees, refunds of training courses, the Civic Service and miscellaneous.</p> <p>At the Town Council meeting held on the 26th April 2023 an amended Allotments Tenancy Agreement was agreed and it was also agreed to maintain the original rent of £30.00 for 2023/24. The minutes, however, do not record the council's agreement of the figure for the current years rent.</p> <ul style="list-style-type: none"> <li>➤ I have agreed the Allotment Register, which records the plot numbers, the current tenants, the rent due for the year and the amount and date the rent has been paid to the council's receipts and the cash book.</li> </ul> <p>The Town Council held an event for the Kings Coronation in May 2023, and I have agreed a sample of income received for stalls to the fees recorded in the Promoting Kirton minutes of the 17th April 2023.</p> <p>I have also agreed the charges for stalls for the Christmas lights switch on which were confirmed by the Promoting Kirton committee meeting on the 9th October 2023.</p> <p>I have checked a large sample of income throughout the year and agreed the income received to receipts, remittance advices and the council's authorised and minuted charges (as amended in respect of the Summer</p>

		<p>Gala) to the accounting records. 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 November 2022 revised Cemetery Fees, which were agreed at the Town Council's budget setting meeting held on the 23rd November 2022.</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), income in respect of the Mayor's civic service and dinner has been paid into the council's bank account. As reported in section 10 of this report; 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.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● The council's minutes should record the agreed figure for Allotment rents for audit and transparency purposes.</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.</p>
8	<p>Do all employees have contracts of employment with clear terms and conditions?</p>	<p><u>Adequate payroll controls</u></p> <p><b>Findings</b></p> <p>The council's employees have received contracts of employment which contain 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>I have checked and agreed the gross pay calculations for the Clerk and Assistant Clerk, from April to September 2023, to the current 2022/23 NJC Pay Scales and hours worked by the Assistant Clerk.</p> <p>The External Auditor 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 the latest council approval in November 2018.</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> <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><b>Findings</b></p> <p>The council maintains an Asset Register in the form of a spread sheet. I have checked, for the sample tested, that 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> <ul style="list-style-type: none"> <li>➤ It was noted that a wire fence for the cemetery and the recently purchased play equipment has yet to be added to the register.</li> </ul> <p>The Asset Register is more fully described by the Government and the External Auditor as an Asset and Investment Register. As the council has now purchased long term investments from CCLA, the cost of such investments should be added to the register at the cost price.</p> <p>The Clerk has requested the insurance company to add to the policy the new play equipment purchased during the year as the total sum insured for such equipment needs to be increased. Other items purchased during the year did not require an increase to the sums insured for such items.</p> <p>The Asset Register will be reviewed in detail at the year-end audit.</p>

		<p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>● The wire fencing at the cemetery and the new piece of play equipment should be added to the register.</li> <li>● As the council is now a holder of long-term investments in the CCLA Public Sector Deposit Fund, the cost of these investments should be added to the register at the cost price.</li> </ul>
10	<p>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>	<p><u>Adequate bank reconciliations</u></p> <p><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 are submitted to council and are 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 to September 2023 to the bank statements for the two accounts at HSBC and for the Public Sector Deposit Fund. This procedure is considered to be best practice and forms an important part of the council's internal financial control systems.</p> <p>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. The account has been reconciled by the Clerk and provides detailed evidence of all receipts and payments and the final disbursement to the Mayor's charity in July 2023.</p>
11	<p>Has the previous year's Internal Audit Report been submitted to council and actioned as necessary?</p>	<p><u>Previous Internal Audit Report actioned</u></p> <p><b>Findings</b> The 2022/23 Final Internal Audit Report was submitted to the Town Council meeting held on the 26th April 2023. The minutes note that no action was taken in respect of the recommendation to update the council's Standing orders and Financial Regulations to reflect the Government's updated procurement thresholds, which was subsequently rescinded.</p>

12	Has the council met its responsibilities as a trustee?	<p><u>Trustee responsibilities</u></p> <p><b>Findings</b></p> <p>At the Annual meeting held on the 24th May it was resolved, following the receipt of legal advice from ERNLLCA, <i>"That the Town Council recognises it cannot act as Sole Trustee for Torksey Charity and so the Charity sits entirely separately from the Town Council"</i>.</p> <p>Another fund, known as The Green and the Marketplace, 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 <i>"maintain and preserve the Green and Marketplace for the use and enjoyment of the residents of Kirton in Lindsey"</i>. Apart from maintaining the grass, additional expenditure has been incurred on the fencing. Such expenditure is in accordance with the intention of the Trust and, in accordance with the External Auditor's advice, the council minute of the 23rd January 2019 that confirmed; <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> <p>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 and a small amount of expenditure has been incurred on the replacement of two flags at the War Memorial. This again is appropriate expenditure.</p> <p>The Council is also the Sole Trustee for KLASSIC. 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 May.</p> <ul style="list-style-type: none"> <li>➤ 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</li> </ul>
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		neighbourhood (hereinafter called the "area of benefit") and for other charitable purposes for the benefit of the inhabitants in the area of benefit.
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## Executive Summary

The accounts and governance arrangements of the council have again been maintained to a 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 will 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 2023.

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> October 2023

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