

# *Public Sector Audit*

## Kirton in Lindsey Town Council

*Internal Audit Report for the year ended 31 March 2021*

*Public Sector Audit*

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### **Internal Audit Report for the year ended 31 March 2021**

#### 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 2021. 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>Test</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 year-end.</p> <p>It is sufficiently well analysed to provide all the information required for the completion of the Annual Governance and Accountability Return. The Clerk has correctly taken note of the revised classification of staff mileage costs in accordance with Government guidance.</p> <p>The spread sheets are arithmetically correct and bank reconciliations are 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><b>Findings</b></p> <p>The council adopted amended Standing Orders at the Town Council meeting held on the 26th February 2020. The adopted version is the latest revised NALC Model that was issued in July 2018.</p> <p>During July 2019 NALC revised its Model Financial Regulations. The council reviewed and adopted the revised regulations (amended for the council's purposes) at the meeting held on the 25th September 2019.</p> <p>The Clerk has confirmed that Standing Orders and Financial Regulations will be presented to council during May 2021 for review and re-approval.</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 that 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. It is noted that the council's annual donation to the British Red Cross continues to be correctly analysed to s.137 expenditure.</p> <p>Only one cheque has been issued during the year; the stub has been correctly initialled 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 current year and any surplus accumulated funds for the Mayor's chosen charity(s) will be distributed at the end of her tenure.</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 last presented to the meeting held on the 25th November 2020 for review and re-approval.</p> <p>The council reviewed and approved the Financial Risk Assessment on the 22nd January 2020 and the Risk Assessments for the Cemetery and Play Area on the 24th March 2021.</p> <p>The council also maintain annual Risk Assessments in respect of the Summer Gala and Christmas Festival. The Summer Gala Risk Assessment was last reviewed and approved by the Promoting Kirton Committee on the 11th February 2019 and the Christmas Festival Risk Assessment was reviewed and approved by the same Committee on the 9<sup>th</sup> September 2019. Owing to the current pandemic the Summer Gala and the Christmas Festival was not held during 2020. The Risk Assessments for these events have not therefore, needed to be reviewed during the year.</p> <p>Additional Covid 19 Risk Assessments in respect of the council's premises and play area were adopted at the Extraordinary Meeting of the Town Council on the 22nd July 2020.</p> <p>Following the interim audit, the council resolved to open an account with the Public Sector Deposit Fund (CCLA Fund Management) as a means of spreading its balances between separate institutions. The account was opened in February and funds have subsequently been successfully transferred.</p> <p>I have reviewed the council's insurance cover and the levels of indemnity are considered to be adequate. The council's Play Area was inspected by Playsafety Ltd., an independent RoSPA accredited company, during August 2020. The inspection report was presented to council on the 23rd September 2020 for formal review and approval.</p> <p>When the lockdown restrictions were lifted and the play area was reopened in July 2020 the council reintroduced its usual monthly inspections. 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</p>
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		<p>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>
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><b>Findings</b></p> <p>The council prepared a detailed annual budget for 2020/21 in the correct format; it was adopted at the Full Council Meeting held on the 22nd January 2020.</p> <p>A detailed budget monitoring report in respect of quarter one was presented to council in July 2020. A second quarter monitoring report was presented to council on the 28th October 2020 and a third quarter report to the 31st December was presented to the meeting held on the 27th January 2021.</p> <p>The council's Reserves Statement was presented to and approved at the Extraordinary Meeting of the Council held on the 24th June 2020. The council's balances, brought forward on the 1st April 2021, totalled £125,863. Earmarked reserves totalled £70,925 as at the year-end and the remaining general balance of £54,938, which equates to 53% of the 2020/21 Precept, is considered to be both 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</p>	<p><u>Adequate income controls</u></p> <p><b>Findings</b></p> <p>The two Precept instalments of £51,369.50 received from NLC on the 21st April and 31st July 2020 agree to</p>

	<p>accounted for and promptly banked?</p> <p>Were security controls over cash and cash equivalents effective?</p>	<p>the council's Precept requirement of £102,739. The Council Tax Grant of £749.00 was received from NLC on the 21st April 2020 and agrees to the cash book and the bank.</p> <p>The council also received income in respect of devolved grass cutting and Parish paths funding, a VAT refund, the cemetery, donations and grants for the Traingate project, refunds in respect of a cancelled training event and VE Day grant funding, miscellaneous and a small amount of bank interest. In addition, income was received in respect of a virtual quiz which is to be held in support of the Mayor's charity fund.</p> <p>I have checked a large sample of income from throughout the year and agreed all income receipts to the cash book and the bank. All income was well documented, accurately recorded and cross referenced to the cash book.</p> <p>For the sample checked, income received in respect of the cemetery was in accordance with the council's current Scale of Charges which was approved by Full Council on the 11th December 2019. The Clerk has confirmed that the Scale of Charges will be re-presented to the council during May 2021 for review and amendment if considered necessary.</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><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 Councillors 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 had been correctly recorded in the accounting system when appropriate.</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><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 2020 to March 2021 by reference to the 2020 NJC National Pay Award, an authorised change of salary grade for the Clerk and hours worked per timesheets for the Assistant Clerk. Following the interim audit, adjustments were made to the salaries paid in November to correct previous back pay and overtime calculations and I have checked and agreed the calculations.</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. All new assets purchased during the year have been added to the register using the correct valuation method. A separate column has been added to the cash book to highlight the assets purchased during the year to facilitate updating of the register.</p> <p>The Clerk has confirmed that any new assets purchased during the year, that needed to be added to the insurance policy, have been added.</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 Asset Register will be presented to the Annual Meeting to be held in May 2021 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><b>Findings</b></p> <p>The council's bank balances for both the current and savings accounts 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 statements. Following the transfer of funds to CCLA, this account has also been included in the monthly reconciliations and the year-end reconciliation for the External Auditor.</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><b>Findings</b></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>Following the Government's revised guidance on the treatment of staff travelling costs on the Annual Governance and Accountability Return the Clerk has correctly restated the previous year's figures in boxes 4 and 6 on the 2020/21 Accounting Statement.</p> <p>The interim 2020/21 Internal Audit Report was submitted to an Extraordinary meeting of the council held on the 25th November 2020. The minutes record that the Council considered the recommendations made.</p>
12	<p>If the council certified itself as exempt from an External Audit Limited Assurance Review last year,</p>	<p><u>Exemption Certificate</u></p> <p><b>Findings</b></p> <p>The council, correctly, did not complete an Exemption Certificate under Section 9 of the Local Audit (Smaller</p>

	has it met the exemption criteria and correctly declared itself exempt?	Authorities) Regulations 2015.
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><b>Findings</b></p> <p>I have confirmed by a review of the council's website that, during the summer of 2020, 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><b>Findings</b></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><b>Findings</b></p> <p>The council amalgamated the Pours 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 and a Community account. During the year rent in respect of Ings Lane and Scotter Road has been received into the accounts and interest has also been received. 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. The council, as Trustees, has provided three grants under the provisions of the charity since the first of April 2020. Each of the grants was in accordance with the widened scope of the charity.</p> <p>The Charitable objects have been amended with effect from the 25th March 2019 to:</p> <p>"The charity provides the relief of residents in Kirton in Lindsey in need, by reason of youth, age, ill health,</p>

	<p>disability, financial hardship or other disadvantage by providing finance, services or facilities to relieve their specific need."</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>One other 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</p> <p>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".</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 or expenditure incurred on behalf of this Trust.</p> <p>The Clerk has confirmed that 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 ongoing.</p> <p>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>
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		<p>that Kirton in Lindsey Town Council was appointed as sole trustee on the 22nd June 2020; the charity's financial reporting is up to date.</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> <p>It is noted that part of the Assistant Clerk's role is the administration of KLASSIC. Government guidance, however, does not permit the council to include Trustee expenditure on the year-end Accounting Statement in the AGAR. The Assistant Clerk's salary would normally be included as Staff Costs in box 4 on the Accounting Statement. To prevent the proportion of her salary that relates to KLASSIC being included as Council Staff Costs on the AGAR the Clerk has correctly calculated the proportion of her time spent on KLASSIC duties and re-allocated this at the year-end to the council's Power of Competence legislative power, which is legitimate Council expenditure, that is recorded in box 6, All Other Payments, on the AGAR. I have discussed this methodology with the External Auditor and it has been agreed as a correct way of dealing with such costs.</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 one minor recommendation will serve to further enhance and strengthen the systems, procedures and governance arrangements already in place.

The Clerk is to be congratulated on the continuing maintenance of very high standards of governance and financial control whilst operating under very difficult circumstances during the current pandemic.

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*

21<sup>st</sup> April 2021

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