

# *Public Sector Audit*

## Kirton in Lindsey Town Council

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

*Public Sector Audit*

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

#### 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 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

	Test	Findings and Recommendations
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 31st March 2024.</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>The council has correctly transferred the first nine months 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. The remaining three months were recharged to KLASSIC in accordance with minute number 2312E/05 of the Extraordinary meeting of the council held on the 18th December 2023. The reimbursement from KLASSIC for the period January to March 2023 has correctly been credited against staffing costs in the cash book. This methodology ensures that staffing costs for KLASSIC during the year have been correctly accounted for and in accordance with the External Auditor's requirements.</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	<p>Have the council's Financial Regulations and Standing Orders been formally adopted and complied with?</p>	<p><u>Adherence to Financial Regulations and Standing Orders</u></p> <p><b>Findings</b> 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> <p>On the 1st January 2024 the Government increased the procurement thresholds to £214,904 for goods or services and to £5,372,609 for public works (construction). Financial Regulations have been updated accordingly and were approved at the council meeting held on the 28th February 2024.</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> I have tested a large sample of payments From April 2023 to March 2024.</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. During the year £425 has been coded to s.137; the expenditure is appropriate for this statutory power and well within the annual statutory limit.</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.

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(s).

On 26 October 2023, the Levelling-up and Regeneration Act (the 2023 Act) received Royal Assent. Section 82 of the 2023 Act amends the Local Government Act 1894 (the 1894 Act) by inserting a new section 19A into the 1894 Act. Section 19A came into force on 26 December 2023.

- The government's view is that its amendment, in the form of section 19A, clarifies that the 1894 Act does not affect the discretionary powers of parish councils in England to fund church repairs or improvements or property held for an ecclesiastical charity.
- Councils will, therefore, need to consider requests in respect of church property or property held for an ecclesiastical charity as they would any other funding request. Funding powers, further to section 19A of the 1894 Act coming into force, are discretionary. Town and Parish Councils are not under any additional duties as a result of the 2023 Act and the insertion of section 19A to the 1894 Act.
- NALC's previous view on this subject (as set out in Legal Briefing L01-18 – financial assistance to the church) was that only explicit local council powers could override the prohibition in the 1894 Act to fund churches. NALC is now, therefore, withdrawing Legal Briefing L01-18, further to the Government's amendment as per section 19A which came into force on 26 December 2023. NALC has updated and reissued Legal Topic Note 31E to remove references to the prohibition, which will no longer apply since section 19A came into force. A further advice note, LO2-23, was issued by NALC on the 20th December 2023, which provides additional clarification on this subject.

		<p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● The council should take note of the change in the legal position in relation to the funding of church repairs, or improvements or property held for an ecclesiastical charity, since the introduction of the Levelling-up and Regeneration Act 2023.</li> </ul>
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>Risk Assessments reviewed by council during the 2023/24 include the Health &amp; Safety Policy (reviewed June 2023), the Cemetery, Play Area and Allotment Risk Assessments (March 2024) and the Lone Worker Policy (December 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. The council's Financial Risk Assessment was also re-approved, without amendment, at the Annual meeting on the 24th May 2023.</p> <ul style="list-style-type: none"> <li>➤ 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.</li> </ul> <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. From 2024/25, Zurich Insurance will undertake this annual inspection. North Lincs will continue to undertake in-depth operational inspections on a monthly basis and council members will continue to carry out weekly checks.</p> <ul style="list-style-type: none"> <li>➤ Inspection sheets are completed for all 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 weekly sheets record is updated, by changing the outstanding issue (coloured orange) to "completed" (coloured green).</li> </ul>

		<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 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> <p>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 25th October 2023. Updated income and expenditure figures up to the end of November 2023 were included in the budget planning document submitted to the Town Council meeting on the 20th December 2023. A third quarters budget monitoring report was submitted to the council meeting held on the 24th January 2024.</p> <p>The council's Reserves Statement as at April 2024 will be presented to the next Town Council meeting on the 24th April 2024. The council's balances brought forward on the 1st April 2024 totalled £91,040.87. Earmarked reserves total £51,040.87 and the remaining general balance of £40,000, which equates to 35% of the 2024/25 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><b>Findings</b></p> <p>I have reviewed and checked a large sample of council income from April 2023 to March 2024. 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>

The council also received income in respect of devolved grass cutting, NLC Grants, a VAT refund, the cemetery, allotment rent, Coronation and Christmas Market stalls, sportszone fees, donations, bank and investment interest, cheque and cash administration fees, refunds, reimbursement of KLASSIC staffing costs, the Civic Service and miscellaneous.

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, did not record the council's agreement of the figure for the current year's rent. This was done retrospectively at the Town Council meeting held on the 28<sup>th</sup> February 2024.

- 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.

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 minute of the 17th April 2023.

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.

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 Gala) to the accounting records. 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 November 2022 revised Cemetery Fees, which were agreed at the Town Council's budget setting meeting held on the 23rd November 2022. The council meeting held on the 24th May 2023 reviewed the charges and resolved that no changes were required.

		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 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.
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>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 received new contracts of employment dated the 1st January 2024, which contain clear terms and conditions.</p> <ul style="list-style-type: none"> <li>➤ It is noted that there was a delay between the date of issue of the new contracts and them being signed by the council as employer. This was due to a delay in the holding of a Personnel and Disciplinary Committee, following council's decision on the 18th December 2023, to change the employees' terms and conditions of employment, and availability of the Chair of the Personnel Committee to sign the Clerk's contract.</li> </ul> <p>I have checked and agreed the gross pay calculations for the Clerk, Assistant Clerk and the council's Community Co-ordinator to the current 2023/24 NJC Pay Scales, hours worked and revised contractual hours.</p>

		<p>At the Extraordinary meeting of the council on the 18th December 2023 it was resolved that the Assistant Clerk maintains a Charity role for 4 of her weekly hours which will be recharged to KLASSIC.</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>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> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>● As Contracts of Employment are legally binding contracts, the council should arrange if possible, for these to be signed by both parties as soon as they are issued.</li> </ul>
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><b>Findings</b></p> <p>The council maintains an Asset Register in the form of a spread sheet. I have checked and confirmed, 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> <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 a short-term investment from CCLA, the cost of the investment has been added to the register at the cost price. The value of this investment has, correctly, not been included in the year-end Asset Register total for the purpose of box 9 on the Accounting statement.</p> <p>The updated total on the Asset Register, as at 31<sup>st</sup> March 2024, agrees to the declaration in box 9 of the Accounting Statement on the AGAR.</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 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. This procedure is considered to be best practice and forms an important part of the council's internal financial control systems. I have checked and agreed the balances on the Finance Reports from April 2023 to March 2024 to the bank statements for the two accounts at HSBC and for the Public Sector Deposit Fund.</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 up to the financial year-end. Additional income will be received, and expenditure incurred prior to the end of the current civic year. This will be added to the document maintained by the Clerk and the final disbursement(s) will be made after the end of the civic year.</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><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>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 2024.</p>

	Has the previous Internal Audit Report been submitted to council and actioned as necessary?	The 2023/24 Interim Internal Audit Report was submitted to the Town Council meeting held on the 25th October 2023 and the recommendations were agreed.
12	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?	<u>Exemption Certificate</u> <b>Findings</b> The council, correctly, did not complete an Exemption Certificate under Section 9 of the Local Audit (Smaller 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?	<u>Exercise of Public Rights</u> <b>Findings</b> I have confirmed by a review of the council's website that, during the summer of 2023, 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.
14	Did the council comply with the publication requirements for the previous year's AGAR?	<u>Publication Requirements</u> <b>Findings</b> 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.
15	Has the council met its responsibilities as a Trustee?	<u>Trustee responsibilities</u> <b>Findings</b> At the Annual meeting held on the 24th May 2023 it was resolved, following the receipt of legal advice from ERNLLCA, "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".  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 *"maintain and preserve the Green and Marketplace for the use and enjoyment of the residents of Kirton in Lindsey"*. Apart from maintaining the grass, additional expenditure has been incurred on the fencing and postage to send a letter to a new resident regarding parking. 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; *"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"*.

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 also is appropriate expenditure.

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.

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

## Executive Summary

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

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

The Internal Audit has been conducted in accordance with the Governance and Accountability for Local Councils – Practitioners Guide 2024.

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*

13<sup>th</sup> April 2024

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