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# *Public Sector Audit*

## Kirton In Lindsey Town Council

### *Interim Internal Audit Report for the year ended 31 March 2025*

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### **Interim Internal Audit Report for the year ended 31 March 2025**

#### 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 2025. 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 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>Minutes of the Extraordinary meeting of the council held on the 17th April 2024, min 2402E/06, resolved to revisit the recharging of costs to KLASSIC at "an appropriate time in the future."</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 8th May 2024. The council's Standing Orders are based on the latest NALC Model.</p> <p>During April 2024 NALC published revised Financial Regulations and, at an Extraordinary meeting of the Town Council, held on the 3rd July 2024, the new model was reviewed and approved, including the council's decisions on the non-statutory regulations (such as tendering, quotations and estimates for goods and services, etc.) where the council has discretion.</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 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. To the date of the audit £53.60 has been coded to s.137; the expenditure is appropriate for this statutory power and well within the annual statutory limit.</p> <p>To the date of the audit, one cheque has been issued by the council and 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> <ul style="list-style-type: none"> <li>➤ It was noted that a cheque stub records that a cheque was cancelled during the year. The cancelled cheque was not however left in the cheque book as evidence, and to support the reason for cancellation.</li> </ul> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● If a cheque needs to be cancelled, it should be crossed through and left in the cheque book attached to the stub as evidence and the reason for cancellation.</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>Risk Assessments reviewed by the council, at the Annual Meeting and the Promoting Kirton Committee, to the date of the audit include the council's Financial Risk Assessment (reviewed May 2024) and the Health &amp; Safety Policy (reviewed June 2023). The Promoting Kirton Committee reviewed and approved the D-Day Risk Assessment in March and April 2024, the Summer Gala in May; the Risk Assessment for Christmas was approved in July by this committee.</p> <ul style="list-style-type: none"> <li>➤ The Risk Assessments for Lone Workers, the Allotments, the Play Area and the Cemetery will be reviewed during the remainder of the financial year.</li> </ul> <p>I have reviewed the council's insurance cover and the levels of indemnity are adequate. It is noted that the council renewed its insurances with the previous insurers following the seeking of quotations from alternative providers.</p> <p>At the time of the audit, the council's Play Area has not yet had its annual inspection by Zurich, an independent RoSPA accredited company, under the agreement with North Lincs Council (NLC). NLC is also contracted to undertake in-depth operational inspections on a monthly basis. Also, Council Members continue to carry out weekly checks.</p> <ul style="list-style-type: none"> <li>➤ Inspection sheets are completed for all 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 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>
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5	<p>Has the annual precept requirement resulted from an adequate budgetary process?</p> <p>Has progress against budget been regularly monitored and reported?</p>	<p><u>Adequate budgetary process</u></p> <p><b>Findings</b></p> <p>The council prepared a detailed annual budget for 2024/25 in the correct format; it was adopted at the Full Council Meeting held on the 20th December 2023. A Precept of £112,226.07 was approved.</p> <p>A detailed budget monitoring report in respect of quarter one was presented to council on the 24th July 2024. The second quarter's monitoring report will be presented to the General Purposes Committee to be held on the 14th October 2024.</p> <p>The council discussed and agreed the 2024/25 Reserves Statement at the Town Council meeting on the 24th April 2024.</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 to September 2024. The two Precept instalments of £56,113.04 received from NLC on the 25th April and £56,113.03 received on the 26th July 2024 agree to the council's Precept requirement of £112,226.07.</p> <p>The council also received income in respect of devolved grass cutting, NLC Grants, a VAT refund, the cemetery, allotment rent, Summer Gala, Christmas Market stalls, donations, bank and investment interest, cheque administration fees, a refund, and the Civic Service and Civic Dinner.</p> <p>The council agreed to maintain the 2023/24 Allotment rent of £30 when the 2024/25 budget planning was undertaken.</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. Only two rents were received during the current year as eight tenants paid the 2024/25 rent early in March 2024.</li> </ul>

		<p>I have also agreed the charges for stalls for Christmas, 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. All income checked 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 previous year's charges, up to the 8th May 2024. From the 9th May 2024 all charges to the date of the audit were in accordance with the amended charges, confirmed by council at the Annual Meeting held on the 8th May 2024.</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 via the normal payments system and reported to council together with all other council payments.</p> <p>I have checked a sample of petty disbursements 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><u>Adequate payroll controls</u></p> <p><b>Findings</b></p> <p>The council's existing employees received new contracts of employment dated the 1st January 2024. A new council employee received a contract of employment upon the commencement of her employment on the 2nd September 2024. All contracts contain clear terms and conditions.</p> <p>I have checked and agreed the gross pay calculations for the Clerk, Assistant Clerk and the council's previous and current Community Co-ordinators to the current 2023/24 NJC Pay Scales, hours worked and approved overtime.</p>



	Has PAYE and NI been correctly deducted and paid to HMRC?	<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, Min 1811/09.</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	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 spreadsheets. 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 will be reviewed in detail at the year-end audit.</p>
10	<p>Were bank reconciliations performed on a regular and timely basis?</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 Chair 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 to September 2024 to the bank statements for the two accounts at HSBC and for the Public Sector Deposit Fund.</p>

		A separate bank account is not held for the Mayor's Charity account, the Clerk therefore 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 date of the dispersal of funds to the Mayor's chosen charities.
11	Has the previous year's Internal Audit Report been submitted to council and actioned as necessary?	<p><u>Previous Internal Audit Report actioned</u></p> <p><b>Findings</b> The 2023/24 Final Internal Audit Report was submitted to the Town Council meeting held on the 26th April 2024 any actions required regarding the recommendations were noted.</p>
12	Has the council met its responsibilities as a trustee?	<p><u>Trustee responsibilities</u></p> <p><b>Findings</b> A Trust 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 a tree safety survey. 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>A further fund, known as The War Memorial and the Garden of Edward Elmhirst Duckering has also been identified. The council has confirmed that there are no known bank accounts associated with this Trust. No income has been received and no expenditure has been incurred on behalf of this Trust up to the date of the audit.</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 each year.

- 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.

The Clerk is aware that, In view of the council's Sole Trusteeship of KLASSIC, disclosure notes 11.a (*The Council, as a body corporate, acts as sole trustee and is responsible for managing Trust funds or assets*) and 11.b (*The figures in the accounting statements above exclude any Trust transactions*) on the year-end AGAR Accounting Statements, need to be confirmed as "Yes".

## 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. Page | 12

The internal financial control environment within the council is excellent and the adoption of the above recommendation will strengthen the systems, procedures and governance arrangements already in place.

This report demonstrates the council's continuing commitment to excellence, its adherence to legislative requirements and guidance, and the Clerk's professionalism, thoroughness and diligence.

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*

5<sup>th</sup> October 2024

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