

Kirton In Lindsey Town Council

Interim Internal Audit Report for the year ended 31 March 2026

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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 2026. 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.

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

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The findings of the audit are summarised below

	Tests Performed	Findings and Recommendations
1	Have appropriate books of account been properly maintained throughout the year?	<u>Appropriate accounting records</u> Findings The cash book is maintained on spread sheets on a receipts and payments basis and has been balanced to the 30th September 2025. It is sufficiently well analysed to provide all the information required for the completion of the Annual Governance and Accountability Return (AGAR). The spread sheets are arithmetically correct and bank reconciliations have been undertaken monthly. 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.
2	Have the council's Financial Regulations and Standing Orders been formally adopted and complied with?	<u>Adherence to Financial Regulations and Standing Orders</u> Findings The council's Standing Orders, including a NALC recommended amendment in respect of the Code of Conduct, was approved at the Annual meeting of the Town Council held on the 7th May 2025. The council's Financial Regulations were also re-approved at the same meeting. Standing Orders and Financial Regulations reflect the latest NALC Models.
3	Are payment controls effective and VAT properly accounted for? Has the council recorded s137 expenditure separately and is it within the statutory limit?	<u>Adequate payment controls</u> Findings I have tested a large sample of payments from April to September 2025. ➤ All payments tested have been correctly reported to council for authorisation and approval.

		➤ 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. I have tested and confirmed that VAT has been correctly identified and recorded in the cash book for reclaim from HMRC. 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. £51.57 has been analysed to s.137 during the year; the expenditure is appropriate for this statutory power and is well within the annual statutory limit. No cheques have been issued to the date of the audit.
4	Has the council assessed the significant risks in delivering its activities and services and regularly reviewed the adequacy of these assessments? Is insurance cover appropriate and adequate? Are financial controls documented and regularly reviewed?	<u>Assessment of significant risks</u> Findings The council's Risk Management Policy was agreed, with no amendment, at the Annual Meeting held on the 7th May 2025. The Financial Risk Assessment and Allotment Risk Assessment (RA) were also reviewed at this meeting. The council's Health & Safety Policy was approved at the Town Council meeting held on the 28th May 2025. The RA's for VE Day, including beacon lighting, and the Summer Gala were reviewed and approved at the Promoting Kirton Committee meeting held on the 14th April 2025. The RA for the Christmas Festival was agreed at the Promoting Kirton Committee held on the 14th July 2025. The Lone Worker, Cemetery and Play Area RA's are scheduled to be reviewed later in the financial year. I have reviewed the council's insurance renewal and the levels of indemnity are considered to be adequate. 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). The council has, therefore, contracted with PlaySafety Ltd to undertake a detailed inspection during the summer for Health and Safety purposes. NLC is

		also contracted to undertake in-depth operational inspections on a monthly basis. Additionally, Council Members continue to carry out weekly checks. ➤ 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 red) to "completed" (coloured green). Basic Internal financial controls and procedures are included in the council's Financial Regulations. 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.
5	Has the annual precept requirement resulted from an adequate budgetary process? Has progress against budget been regularly monitored and reported?	<u>Adequate budgetary process</u> Findings The council prepared a detailed annual budget for 2025/26 in the correct format; it was adopted at the Full Council Meeting held on the 18th December 2024. A Budget and Precept of £117,224.56 was approved. A detailed budget monitoring report in respect of quarter 4 of 2024/25, to the 31st March 2025, was presented to the council meeting held on the 14th April 2025. A Statement of Reserves was also reviewed and agreed at this meeting. It is noted that, in addition to specific Earmarked Reserves, the council has increased its General Reserve to a figure within the range prescribed by the External Auditor. A budget monitoring report in respect of quarter one of 2025/26 was presented to and received by council on the 23rd July 2025.

6	Was all expected income fully received in accordance with the current scale of charges, properly accounted for and promptly banked? Were security controls over cash and cash equivalents effective?	<u>Adequate income controls</u> Findings I have reviewed and checked a large sample of council income from April to September 2025. The two Precept instalments of £58,612.28 received from NLC on the 25th April and 23rd July 2025 agree to the council's Precept requirement of £117,224.56. The council also received income in respect of devolved grass cutting, a VAT refund, the cemetery, a Police grant for CCTV, allotment rent, Summer Gala, Christmas Market stalls, various donations, bank and investment interest, cheque administration fees, compensation from HSBC in relation to a stopped payment and the Civic Service and Civic Dinner. Minute 2505/17 of the council meeting held on the 28th May 2025 resolved to not increase Allotment charges and to consider them again early in 2026. ➤ 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 invoices and the cash book. I have also reviewed the charges for stalls for the Summer Gala, which were confirmed as not to be increased from the previous year by the Promoting Kirton committee meeting held on the 10th March 2025. I have agreed the council's invoices and income received for the Christmas Festival to the charges agreed at the Promoting Kirton Committee meeting held on the 9th October 2023 (PK2310/05), which remained unchanged in accordance with Minute 2403/06 (PK 11/03/24). Minute PK 2412/06 of the 9th December 2024 confirmed an amendment in respect of refunds for cancellations at short notice and minute PK 2507/07 added a new charge for stalls in the marquee. I have checked a large sample of income throughout the year and agreed the income received to invoices, 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.
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		All income received in respect of the cemetery was in accordance with the previous year's charges as confirmed by council at the Annual Meeting held on the 7th May 2025. Recommendation ● For clarity and transparency purposes when the Christmas Festival charges for stalls are next reviewed by the Promoting Kirton Committee, a formal Scale of Charges should be prepared, in a similar format to the Cemetery Charges, which can then be updated each time changes are made in the future.
7	Were petty cash payments appropriate and supported by receipts? Was all expenditure approved and reported to members? Has VAT been correctly accounted for?	<u>Appropriate petty cash controls</u> Findings 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. 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.
8	Do all employees have contracts of employment with clear terms and conditions? Are salaries to employees and all other payments and allowances paid in accordance with council approvals? Has PAYE and NI been correctly deducted and paid to HMRC?	<u>Adequate payroll controls</u> Findings All council employees have received contracts of employment which contain clear terms and conditions. I have checked and agreed the gross pay calculations for the Clerk, Assistant Clerk and the council's previous and current Community Co-ordinator/Venue Manager to the current 2025/26 NJC Pay Scales, including back pay from 1st April 2025, hours worked and approved overtime. ➤ It is noted that on two occasions (Min. 2504.20 of the Town Council meeting held on the 23rd April and min. 2509E/11 of the KLASSIC Trustee Meeting of the 10th September 2025) that the minutes for additional overtime hours for the Assistant Clerk and Community Co-ordinator do not identify the number of hours being authorised. As I am required to certify on the year-end Internal Audit

		Certificate on the AGAR that: "Salaries to employees were paid in accordance with this authority's approvals" the number of additional hours being authorised need to be included in the minutes. 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. The council's employees are subject to PAYE and NI regulations using HMRC Basic Tools software and for the sample checked statutory deductions have been correctly paid to HMRC.
9	Is the asset and investment register complete and accurate and reviewed on a regular basis?	<u>Appropriate recording of assets</u> Findings The council maintains an Asset Register in a spreadsheet format. 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. It is noted that the Cemetery was valued during the year. At the time of the audit, however, this has not been added to the Asset Register. The Asset Register will be reviewed in detail at the year-end audit. Recommendation ● The Cemetery should be added to the Asset Register using the recent valuation figure.
10	Were bank reconciliations performed on a regular and timely basis?	<u>Adequate bank reconciliations</u> Findings 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

	Have all bank reconciliations been reviewed by an appointed member and evidenced as such?	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 2025 to the bank statements for the council's two accounts at HSBC and for the Public Sector Deposit Fund. At the time of the audit the CCLA statement to the 30th September had not yet been received; the Clerk has confirmed that there has been no movement on this account since the 31st August, the date of the latest statement received. 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 reconciled by the Clerk provides detailed evidence of all receipts and payments up to the date of the dispersal of funds to the Mayor's chosen charities. I have reviewed the account and agreed all entries to the council's records of receipts and payments during the civic year, which comprises two financial years.
11	Has the previous year's Internal Audit Report been submitted to council and actioned as necessary?	<u>Previous Internal Audit Report actioned</u> Findings The External Auditor has recently confirmed to another Town Council that, the following the annual appointment of the council's Internal Auditor, a formal letter of appointment should be issued to the appointed auditor. ➤ This matter was raised with the Clerk at the time of the audit and a signed letter of appointment has been issued for 2025/26. From the 1st April 2026 an additional assertion (Assertion 10) will be added to the Annual Governance Statement on the AGAR. The assertion is in respect of compliance with the General Data Protection Regulations and the Data Protection Act 2018.

		The 2024/25 Final Internal Audit Report was submitted to the Town Council meeting held on the 23rd April 2025. It was noted that no issues were identified and hence no recommendations were necessary. Recommendations ● The future annual appointment of the council's Internal Auditor should be confirmed by a signed letter from the council. ● The council should note the requirements of the newly added assertion 10 on the Annual Governance Statement. The detailed requirements in respect of this assertion are contained in sections 1.47 to 1.54 and sections 5.117 to 5.128 of the Smaller Authorities Proper Practices Panel's Practitioner' Guide 2025.
12	Has the council met its responsibilities as a trustee?	<u>Trustee responsibilities</u> Findings 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 land registration fees and chain link 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 confirmed that, <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>. 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 a small amount of expenditure has been incurred on painting the railings around the Memorial on behalf of this Trust up to the date of the audit. 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. ➤ It is noted that the KLASSIC Trustees are currently seeking legal advice regarding the possibility of maintaining overall arm's length control of KLASSIC following the possible conversion of the Trust into a Charitable Incorporated Organisation (CIO).
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Executive Summary

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

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

The Internal Audit has been conducted in accordance with the Governance and Accountability for Local Councils – Practitioners Guide 2025.

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

3rd October 2025

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