

Public Sector Audit

Winterton Town Council

Interim Internal Audit Report for the year ended 31 March 2022

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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 2022. 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

	Tests Performed	Findings and Recommendations
1	Have appropriate books of account been properly maintained throughout the year?	<p><u>Appropriate accounting records</u></p> <p>Findings The council's financial records are maintained on a computerised system (RBS). The accounting system is balanced up to the end of September as evidenced by bank reconciliations.</p> <p>The software system ensures that it is arithmetically correct, and the cash book is sufficiently well analysed to provide the information required for the Annual Governance and Accountability Return (AGAR).</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>Findings The council's Financial Regulations were approved at the council meeting held in April 2021 and Standing Orders were reviewed and approved at the meeting held in October 2021. Both Financial Regulations and Standing Orders are the latest NALC Models. ERNLLCA has confirmed that it expects yet another change given that the UK is no longer in member of the EU, though the timing of this is not yet known.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● When the council next reviews its Standing Orders it should enquire whether a further updated Model has been announced to take account of the UK ceasing to be a member of the EU.
3	Are payment controls effective and VAT properly accounted for? Has the council recorded s137 expenditure separately and is it within the statutory limit?	<p><u>Adequate payment controls</u></p> <p>Findings Payment schedules of all payments for the Town Council and the Winterton Community Pavilion (WCP) are prepared by the Clerk/RFO. All schedules are presented to Council for approval and authorised by the Mayor.</p> <p>I have tested a large sample of payments for both the Town Council and WCP from April to September 2021 to ensure that there is a formal invoice and that the expenditure has been reported to council.</p>

		<p>It is noted that competitive quotations were sought in accordance with Financial Regulations for purchases Above £3,000.</p> <p>I have checked and confirmed that VAT has been correctly identified in the council's accounting system to enable it to be reclaimed from HMRC.</p> <p>S.137 is separately recorded in the cash book. To the date of the audit no expenditure has been coded to this statutory power.</p> <p>The current account cheque book has been reviewed and only one cheque has been issued to the date of the audit. The cheque stub was correctly initialled by both signatories to confirm agreement with the cheque and the documentation provided at the time of signature.</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>Findings</p> <p>The council's Risk Assessments are currently being reviewed by the Clerk and Administrative Assistant and updated as necessary. Covid Risk Assessments have also been reviewed and updated to take account of changing legislation and requirements. The Clerk has confirmed that she is preparing a summary document to identify all council Risk Assessments to ensure that they are continually reviewed and kept up to date.</p> <p>Weekly inspections are carried out at West Street and Marmion Drive Parks for Health & Safety purposes. All play equipment is inspected and reported; any repairs required are detailed on the inspection sheets. It is noted that the any subsequent action taken to remedy defects is not recorded on the inspection sheets and it is possible that if, for example, parts are ordered and not received, the fault may not be remedied.</p> <p>The Town Council also contracts with North Lincs. Council to undertake six-monthly playground inspections.</p> <p>The council's insurance policy was renewed on the 1st June 2021. I have reviewed the limits of indemnity and all are considered to be adequate.</p>

		<p>I have reviewed the council's security arrangements in respect of electronic data and the Clerk has confirmed that all data is saved automatically to cloud. The council's computers are encrypted and password protected.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● The inspection sheets should be redrafted to include the remedial action taken to rectify any issues or faults identified and the dates on which such action was taken. ● A summary of any defects reported on the inspection sheets should also be maintained and kept under review to ensure that all issues are subsequently dealt with.
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>Findings</p> <p>At the council meeting held on the 12th January 2021 a Precept of £114,284.14 was agreed for 2021/22. Detailed budget setting documentation, in the correct format, was presented to the council by the Clerk.</p> <p>Detailed budget monitoring reports produced by the accounting system are presented to each full council meeting.</p> <p>Together with the payment schedules provided to council each month, the Clerk also identifies any movement of funds between the council's current account and reserves accounts. It is noted that £85,000 held in the council's Co-op Reserve account has been identified for remedial works to the cemetery wall.</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>Findings</p> <p>Apart from the Precept and grants from NLC and an FCC Communities Foundation grant, the council received income in respect of VAT refunds, allotments, football pitches, the Pavilion, bank interest and sundry income. For the sample checked, income received during the year has been agreed to supporting documentation, where available, the Pavilion booking system, the council's accounting records, Scales of Charges and the council's bank accounts.</p>

		<p>At the council meeting held on the 14th July 2020 the council agreed its Scales of Charges in respect of allotments, WCP Pavilion hire and Christmas lights event. The council meeting held on the 11th August 2020 agreed the charges for football pitch hire. All charges have remained the same for 2021/22. It is considered to be good practice for councils to review Scales of Charges at least every two years and the council's charges should, therefore, be again reviewed - whether they are increased or not - during 2022.</p> <p>The Clerk has confirmed that no cash income was received during the year.</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>Findings</p> <p>The council has a separate petty cash bank account which is a Community Direct Plus Account with the Co-operative Bank. A debit card is attached to this account to enable the Clerk to purchase incidental items using this method should she so wish. The balance remaining on the account is £62.30.</p> <p>The Clerk and Administration Officer incur sundry expenditure on minor items; these are reimbursed to the officers via the normal payments system. A petty cash account is also maintained in the accounting system with a current balance of £208.84. As the Community Direct Plus Account and the petty cash account are no longer used, the council may wish to consider closing the Community Direct Plus Account (and destroying the debit card) and reducing the petty cash account to a smaller balance of say £50.00 for any emergencies which may arise.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The council may wish to consider closing the Community Direct Plus Account, which is no longer used, and reducing the petty cash float to a smaller amount to cover any emergencies which may arise.
8	<p>Do all employees have contracts of employment with clear terms and conditions?</p>	<p><u>Adequate payroll controls</u></p> <p>Findings</p> <p>All employees have received 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>I have checked and agreed all employees' monthly gross pay to their contractual terms and conditions, including any overtime worked, from April to September 2021.</p> <p>It was noted that the Administrative Assistant worked 4.5 hours overtime during July but was paid for 2.5 hours and the Grounds Maintenance Worker was paid an additional hour - at the rate of time and a half - in error in July.</p> <p>The council's Grounds Maintenance Worker and Cleaner's timesheets have been signed as authorised by the Clerk and the Chairman has authorised the monthly payroll summary which includes the overtime hours worked by the Clerk and all her staff.</p> <p>For the sample checked National Insurance and PAYE deductions have been correctly paid to HMRC each month.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The underpayment for the Administrative Assistant and the overpayment for the Grounds Maintenance Worker should be adjusted on next month's payroll.
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>Findings</p> <p>The Asset Register is maintained in the correct format on detailed schedules. The Clerk has confirmed that assets purchased during the year are added to the register when the invoices are paid and that they are added to the register using the correct method of valuation, i.e. net cost, excluding VAT.</p> <p>The council does not hold any investments.</p> <p>The register will be checked in detail at the year-end audit.</p>

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> Findings The council holds six bank accounts:</p> <ul style="list-style-type: none"> • <i>Yorkshire Bank - Current</i> • <i>Yorkshire Bank - General Reserves</i> • <i>Yorkshire Bank- Earmarked Reserves</i> • <i>Yorkshire Bank - Winterton Community Pavilion</i> • <i>Co-op Bank - Business Select Petty cash debit card a/c</i> • <i>Co-op Bank - Business Reserve</i> <p>The petty cash account has a debit card in the name of the Clerk with a cash limit of £100.</p> <p>Monthly reconciliations are produced by the accounting system for all of the council's accounts, including the petty cash account.</p> <p>The bank statements for each of the council's accounts are presented to council at the same time as the monthly bank reconciliation statements to allow for the authorising council Member to compare and agree the month end balances and then also sign off the bank statements as being authorised. With the exception of the reconciliations for September - which are awaiting signature - all previous reconciliations and respective bank statements have been signed as authorised by the Chairman.</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> Findings The 2020/21 Final Internal Audit Report was presented to council on the 4th May 2021.</p>
12	<p>Has the council met its responsibilities as a trustee?</p>	<p><u>Trustee responsibilities</u> Findings I have seen no evidence that the council has responsibility for managing Trust Funds and the Clerk/RFO has confirmed that this is the case.</p>

Executive Summary

The accounts and governance arrangements of the council have been maintained to a consistently 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 and consideration of the advisory notes 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 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

20 October 2021

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