

# *Public Sector Audit*

## Winterton Town Council

*Internal Audit Report for the year ended 31 March 2023*

*Public Sector Audit*

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# Public Sector Audit

## Winterton Town Council

### **Internal Audit Report for the year ended 31 March 2023**

#### 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 2023. 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 council's financial records are maintained on a computerised system (RBS). The accounting system was balanced, as evidenced by bank reconciliations for all of the council's accounts, up to the 31st March 2023.</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><b>Findings</b></p> <p>The council's Financial Regulations were approved at the council meeting held in May 2022 and Standing Orders were reviewed and approved at the meeting held in October 2021. The council's Financial Regulations are the latest NALC Models.</p> <p>NALC released an updated version of Standing Orders in April 2022, which were approved at the council meeting held on the 8th November 2022.</p> <p>Following the increase of the threshold to £30,000 for the publication of contracts on the Contracts finder website, in accordance with the Public Contract Regulations 2015, the council amended Standing Orders accordingly and they were approved at the council meeting on the 14th March 2023. Financial Regulations have also been amended for the increased threshold and they were approved at the meeting held on the 11th April 2023.</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>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. In addition, each individual invoice is reviewed and authorised by the Mayor and one other Council Member.</p> <p>I have tested a large sample of payments for both the Town Council and WCP from April 2022 to March 2023 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 have been sought in accordance with the requirements of the council's Financial Regulations.</p> <p>I have checked and confirmed, for the sample checked, that VAT has been correctly identified in the council's accounting system to enable it to be reclaimed from HMRC.</p> <p>S.137 expenditure is separately recorded in the accounting system. A total of £50 has been coded to s.137 during the year; the expenditure is appropriate for this statutory power and well within the annual statutory power.</p> <p>The current account cheque book has been reviewed and I have confirmed that no cheques have been issued during the year.</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><u>Assessment of significant risks</u></p> <p><b>Findings</b></p> <p>The council's General Risk Assessment, covering all council risks, was approved with amendments to village signs and the Health and Safety Policy, at the meeting held in May 2022.</p> <p>The weekly inspection sheets have been re-drafted to include the dates on which action/remedial work has been completed. Weekly inspections are carried out at West Street and Marmion Drive Parks for Health &amp;</p>

	<p>Is insurance cover appropriate and adequate?</p> <p>Are financial controls documented and regularly reviewed?</p>	<p>Safety purposes. All play equipment is inspected and reported, and any repairs required are detailed on the inspection sheets. Following RoSPA training during the year, the Clerk now also undertakes monthly operational inspections.</p> <p>The Town Council also contracts with North Lincs. Council to undertake a full and detailed annual playground inspection.</p> <p>The council's insurance policy was renewed on the 1st June 2022. 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>
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>At the council meeting held on the 11th January 2022 a Precept of £116,116.87 was agreed for 2022/23. 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. 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.</p> <p>The council's total balances on the 31st March 2023 were £116,464. It is noted that £85,000 has been identified for remedial works to the churchyard wall and contingencies for other assets, and a further £20,000 in respect of Marmion Drive park. The difference of £11,464 represents the council's general balance. This equates to 9% of the current year's Precept and is considered to be very low for a council the size of Winterton Town Council. Government guidelines recommend three months net revenue expenditure, which for Winterton Town Council represents approximately £31,000. It is acknowledged that the council has</p>

		<p>received a report that identifies that there is currently no movement on the wall and hence the earmarked reserve may not be needed.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● At budget setting time for 2024/25 the council should review its earmarked reserves for continued relevance and amend them if appropriate. The council needs to be mindful, however, of the Government's Guidelines in respect of the level of general reserves held.</li> </ul>
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>Apart from the Precept and Council Tax Grant from NLC, the council received income in respect of a VAT refund, football pitches, the Pavilion, grass cutting SLA from NLC, an In Bloom grant, a s.106 receipt from NLC, Civic dinner, allotments, Xmas market, bank interest, and sundry income. For the sample checked, income received during the year has been agreed to supporting documentation, 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 in December 2022 the council reviewed its Scales of Charges in respect of Allotments, Pavilion hire, pitch and ground fees and the Christmas lights event. The council meeting held in July 2022 agreed the charges for the allotments. All charges have remained the same and not have not been increased from those in 2021/22.</p> <p>I have tested and agreed a sample of bookings for the Pavilion to the bookings diary, invoices raised and the council's accounting system.</p> <p>I have agreed a large sample of allotment income to the Allotment Register and the council's accounting system and agreed all other income to supporting documentary evidence.</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> The Clerk, Administration Officer and occasionally a council Member, incur sundry expenditure on minor items; these are reimbursed to the officers/Member(s) via the normal payments system.</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. As this account is no longer used, however, the council resolved at its meeting on the 9th November 2021 to reduce the balance to £1 and transfer the balance to the Town Council's Current account at the Virgin Bank. This minimal balance still remains on the account.</p> <p>A petty cash account is also maintained in the accounting system. This account is also not used, and the council resolved on the 9th November to reduce the balance to £50.00 for any emergencies which may arise. The remaining balance on this account was also transferred to the council's current account.</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> All employees have received Contracts of Employment with clear terms and conditions.</p> <p>I have checked all monthly gross pay to employees' contractual terms and conditions, including any overtime worked, the current 2022/23 pay award (including back pay), a new contract for one employee and authorised additional on call payments. I have also checked and agreed a sample of hours worked per time sheets to payslips.</p> <p>The timesheets for all council staff have been signed as authorised by the Clerk and the Chairman has authorised the Clerk's timesheet as well as the monthly payroll summary which includes the overtime hours worked by the Clerk and all her staff.</p>



		<p>The External Auditor now requires me to check that the correct employers' pension percentage contribution has been applied. I have checked the East Riding Pension Fund portal for Winterton Town Council which confirms that the 19.3% being applied by the council for 2022 is correct for the employees who have joined the East Riding Pension Fund. For the employee that contributes to the NEST pension scheme, the percentage contributions paid agree to the NEST website.</p> <p>For the sample checked National Insurance and PAYE deductions have been correctly paid to HMRC each month.</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 Asset Register is maintained in the correct format on detailed spreadsheets. The Clerk has confirmed that assets purchased during the year are added to the register when the invoices are paid. For the sample tested of new additions during the year, all have been 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>
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 holds six bank accounts:</p> <ul style="list-style-type: none"> <li>➤ <i>Virgin Bank - Current</i></li> <li>➤ <i>Virgin Bank - General Reserves</i></li> <li>➤ <i>Virgin Bank- Earmarked Reserves</i></li> <li>➤ <i>Virgin Bank - Winterton Community Pavilion</i></li> <li>➤ <i>Co-op Bank - Business Select Petty cash debit card a/c</i></li> <li>➤ <i>Co-op Bank - Business Reserve</i></li> </ul>

		<p>The petty cash account has a debit card in the name of the Clerk with a cash limit of £100. As noted in section 7 of this report, this account is not currently used and the balance has been reduced to £1.00.</p> <p>Monthly reconciliations are produced by the accounting system for all of the council's accounts as well as the internal petty cash account.</p> <p>The bank statements for each of the council's accounts, including the Pavilion, 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. The evidencing, by initialling or signing of the monthly accounting system bank reconciliation statements and the respective month-end balances on the bank statements by a nominated Councillor, is considered to be a key control and an important part of the council's internal control environment.</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>There is an audit trail from underlying financial records to the year-end statements.</p> <p>The total on the register at the 31st March 2023 is £1,629,811 which agrees to the declaration in box 9, fixed assets, on the AGAR.</p> <p>The 2022/23 Interim Internal Audit Report was presented to council on the 8th November 2022. The minutes record that the report was received.</p>

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?	<p><u>Exemption Certificate</u></p> <p><b>Findings</b> The council, correctly, did not complete an Exemption Certificate under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015.</p>
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> I have confirmed by a review of the council's website that, during the summer of 2022, 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> 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> 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 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 the above recommendation will strengthen the 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 2022.

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*

15<sup>th</sup> April 2023

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