

Public Sector Audit

Winterton Town Council

Internal Audit Report for the year ended 31 March 2024

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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 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>Findings</p> <p>The council's financial records are maintained on a computerised system provided by Rialtas Business Solutions Ltd. (RBS). The accounting system is balanced, as evidenced by bank reconciliations for all of the council's accounts, up to the 31st March 2024.</p> <p>The 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> <p>It is noted that the External Auditor drew attention to the requirement that the council should have prepared its accounts for 2022/23 on an income and expenditure basis, as the highest of either income or expenditure had exceeded £200,000 for three consecutive years. This basis of accounting is being used for the current year of audit and will continue to be used for subsequent years in accordance with Government requirements. The conversion from receipts and payments to an income and expenditure basis of accounting has been undertaken by the council's accounting system suppliers, RBS.</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</p> <p>The council's Financial Regulations and Standing Orders were reviewed and approved at the meeting held on the 24th May 2023.</p> <ul style="list-style-type: none"> ➤ The Clerk re-presented revised Standing Orders to council on the 13th February 2024 to amend the wording of 18.f. This now reflects NALC's revised generic wording for procurement, which does not now include the actual threshold figures. <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).</p>

		<p>➤ The Clerk amended Financial Regulations accordingly and these were approved by council on the 12th March 2024.</p> <p>Both Standing Orders and Financial Regulations are the latest NALC Models that have been amended to reflect the Government's revised procurement thresholds of £30,000 for public sector contracts.</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>Findings</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. Lists of payments are also included in the council's minutes.</p> <p>I have tested a large sample of payments for both the Town Council and WCP from April 2023 to March 2024 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 previously been sought in accordance with the requirements of the council's Financial Regulations. Additional quotations were also initially sought for a proposed BMX track prior to North Lincs Council's involvement.</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>The council formally re-confirmed its eligibility for the use of The General Power of Competence at the Council Meeting held on the 24th May 2023.</p> <p>The council also correctly maintains a cost code in the accounting system in respect of s.137 expenditure which cannot be charged to any other legislative power. No expenditure has been coded to this statutory power during the year, however.</p>

The current account cheque book has been reviewed and I have confirmed that no cheques have been issued during the year.

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.

Recommendation

- 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.

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 General Risk Assessment, Financial Risk Assessment and Health and Safety Policy, were approved at the meeting held on the 24th May 2023.</p> <p>Weekly inspections are carried out by council staff at West Street and Marmion Drive Parks for Health & Safety purposes. All play equipment is inspected and reported, and any repairs required are detailed on the inspection sheets. A monthly in-depth operational inspection is also undertaken by the Clerk. The council also contracts with Kompan Ltd. to undertake quarterly inspections and facilitate any repairs found to be necessary and, in addition, NLC also undertakes a full annual inspection.</p> <p>The Clerk maintains a control document that identifies the council's policies and procedures, when they were last reviewed, the date of the next review and the minute references of the latest review. This document ensures that all council policies and procedures are reviewed when required and at the required frequency.</p> <p>The council's insurance policy was renewed on the 1st June 2023. 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>Findings</p> <p>At the council meeting held on the 13th December 2022 a Precept of £120,035.93 was agreed for 2023/24 and it was agreed to accept the Precept grant of £6,575.00 from NLC. 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>In addition to 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 2024 were £98,880. It is noted that £60,000 has been identified for possible remedial works to the churchyard wall and contingencies for other assets; a further £15,000 is earmarked for a BMX park. The difference of £23,880 represents the council's general balance. This equates to 24% of the current year's Precept and is considered to be adequate for a council the size of Winterton Town Council. It is noted that the council has received a report that identifies that there is currently no movement on the wall and hence the sum identified for remedial works may not be needed.</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 Council Tax Grant from NLC, the council received income in respect of a VAT refund, football pitches, the Pavilion, grass cutting SLA with NLC, In Bloom sponsorships, grants from NLC for solar panels and the King's Coronation, a donation, allotments, bank interest, Christmas market stalls 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 and the approved Scale of Charges.</p> <ul style="list-style-type: none"> ➤ It is noted that the council received a refund of £3,122.69 from Eon in respect of overpaid electricity. The council's online account with Eon confirms the amount due but does not provide details of the calculation of this amount, including the VAT element of the total received. <p>At the council meeting held on the 13th December 2022 the council reviewed its Scales of Charges in respect of Allotments, Pavilion hire, pitch and ground fees, and the Christmas lights event.</p> <p>I have tested and agreed a large sample of bookings for the Pavilion to the bookings diary, invoices raised and the council's accounting system.</p>

		<p>I have agreed allotment income to the latest Scale of Charges, the Allotment Register and the council's accounting system and have agreed all other income, including the Precept and Council Tax grant, to supporting documentary evidence.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● In order to ascertain the amount of VAT included in the refund from Eon, the council should obtain a detailed breakdown of the amount received, including the period to which it relates. The council should also make enquiries to establish the methodology to enable it to repay HMRC the VAT included in the refund it received from Eon.
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 Clerk, Administration Officer and occasionally council members 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 sundry items using this method. As this account is no longer used, the council resolved to reduce the balance to £1 and transfer the balance to the Town Council's Current account at the Virgin Bank. The minimal balance continues to remain on the account to keep it "active" as the account is required by the Co-op Bank to enable it to continue to provide the Business Reserve 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.</p>
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 all monthly gross pay from April 2023 to March 2024 to employees' current contractual terms and conditions, including any overtime worked, the 2023/24 NJC pay award 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 Chair of the Personnel Committee authorises the Clerk's timesheet as well as the monthly payroll summary which includes the overtime hours worked by the Clerk and all staff.</p> <p>The External Auditor requires me to check that the correct employers' pension percentage contribution has been applied. I have checked the East Riding Pension Fund (ERPF) Actuarial Valuation from Hymans Robertson (ERPS's Actuary for 2023/24 to 2025/26) which confirms that the 19.3% being applied by the council for 2023/24 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>Findings</p> <p>The Asset Register is maintained in the correct format on individual 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 had been added to the register using the correct method of valuation, i.e. net cost, excluding VAT. Deletions during the year have also been accurately recorded.</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>Findings</p> <p>The council holds six bank accounts:</p> <ul style="list-style-type: none"> ➤ <i>Virgin Bank - Current</i> ➤ <i>Virgin Bank - General Reserves</i> ➤ <i>Virgin Bank- Earmarked Reserves</i> ➤ <i>Virgin 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. As noted in section 7 of this report, this account is not currently used, and the balance has been reduced to £1.00. Monthly reconciliations are produced by the accounting system for all of the council's bank accounts including the internal petty cash account. These are presented to council monthly for completeness, review and authorisation.</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.</p> <ul style="list-style-type: none"> ➤ The evidencing, by initialling or signing by a nominated Councillor, of the monthly bank reconciliation statements and the respective month-end balances on the bank statements, is considered to be a key control and an important part of the council's internal control environment.
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</p>	<p><u>Correct accounting basis and previous Internal Audit Report actioned</u></p> <p>Findings</p> <p>The year-end statements have been prepared on the correct accounting basis (Income and Expenditure) and, therefore, debtors and creditors have been included.</p> <p>There is an audit trail from underlying financial records to the year-end statements.</p>

	records and where appropriate, were debtors and creditors properly recorded? Has the previous Internal Audit Report been submitted to council and actioned as necessary?	The total on the Asset Register at the 31st March 2024 is £1,654,265 which agrees to the declaration in box 9, fixed assets, on the AGAR. The 2023/24 Interim Internal Audit Report was presented to council on the 14th November 2023.
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> Findings 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> Findings 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> Findings 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> 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.

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 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

15th April 2024

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