

Public Sector Audit

Immingham Town Council

Internal Audit Report for the year ended 31 March 2023

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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 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

	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 cash book is maintained on a computerised system designed by Rialtas Business Systems (RBS) for Town and Parish Councils. It is well maintained and balanced up to the 31st March 2023.</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>The system ensures that it is arithmetically correct and monthly bank reconciliation confirms that the cash book and bank agree.</p> <p>Records are maintained to provide an audit trail from original receipts and invoices to the cash book and bank.</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 Standing Orders and Financial Regulations were reviewed as part of the annual policy review of all council policies which were adopted at the council meeting held on the 19th July 2022. Updated Standing Orders were approved by council on the 7th December 2022.</p> <p>On the 21st December 2022, the Government increased the £25,000 threshold, under the Public Contracts Regulations, to £30,000. NALC has not yet amended its Model Standing Orders and Financial Regulations to take account of this legislative change.</p>

		<p>Recommendation</p> <ul style="list-style-type: none"> ● The council should update Standing Orders (18.a.c of NALC's latest Model) and Financial Regulations (11.1.b). to reflect the increase in the Government's procurement threshold under the Public Contracts Regulations.
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>I have reviewed and tested a sample of payments from April 2022 to March 2023.</p> <p>I have tested that payments conform to the council's Financial Regulations, have been accurately recorded in the council's accounting system, reported to council and VAT has been correctly identified and recorded for reclaim purposes. It is noted that quotations have been requested and received, during the period of audit, in accordance with Financial Regulations.</p> <p>A total of £2,000 has been analysed as s.137 expenditure in the council's accounting system during the year. The expenditure is in accordance with the legislative requirements of s.137 of the Local Government Act 1972 and is well within the statutory limit.</p> <p>A monthly schedule of payments is produced by the Finance Assistant and included with the agenda papers sent out to Full Council. Any queries can be raised by Council Members and invoices are available if required. The minutes record the approval of the payments schedule.</p> <p>The two-signature rule has been followed in respect of BACS payments. Each payment is set up by the Finance Assistant and authorised by the Clerk and one Council Member, or, in the absence of the Clerk, two nominated Members of the council.</p> <ul style="list-style-type: none"> ➤ Two cheque payments have been made during the year; two Council Members have initialled the cheque stub for one of the cheques, to indicate agreement with the cheque and the documentation seen at the time of the payment. The second cheque has been initialled by one Council Member.

		<p>Recommendation</p> <ul style="list-style-type: none"> ● To confirm agreement with the cheque and the documentation seen at the time of the payment, both cheque signatories should initial the cheque stubs at the time of signing the cheques.
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 Fire Safety Policy, Health and Safety Policy and Risk Management Policy were reviewed and adopted at the council meeting held on the 19th July 2022.</p> <p>Individual risk assessments are held by the council covering the use and safe operation of various machinery and vehicles. These are provided to new staff when they commence their employment with the council and signed by the employees.</p> <p>The council's play parks are inspected annually by a RoSPA approved play inspection company. The last inspection was undertaken on the 17th August 2022. Council staff also inspect the play parks twice weekly and notify the Clerk of any damage or repairs required. Damaged equipment is removed immediately and stored whilst awaiting repair. Formal inspection sheets are not completed; the Clerk is confident that the system in place is adequate and is sufficient to protect the council in the event of any claims from the public for damage or injury.</p> <p>The council also undertakes an annual Fire Risk Assessment covering the Civic Centre. The last assessment was carried out in March 2023. The Humberside Fire and Rescue service also undertook a review of the Civic Hub on the 18th June 2022.</p> <p>I have reviewed the council's insurance policy and the policy's indemnity limits, with the exception of Fidelity Guarantee, are considered to be adequate.</p> <p>The procedures for the banking of income, room bookings, allotments, management of the Civic Centre and burials, swimming applications and reception procedures have been documented.</p>

		<p>It is noted that the Finance Officer's electronic records are backed up monthly onto the council's hard drive which is kept away from the council offices. The external hard drive used for backup is password protected. The Finance Officer has confirmed that the Clerk uses Microsoft One Drive for cloud storage purposes and, at the time of the audit, she is considering using this method of storage.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The indemnity limit for Fidelity Guarantee insurance should be increased to £1,250,000 to adequately protect the council's interests.
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>A detailed annual budget for 2022/23 was prepared by the Clerk; this was agreed at a meeting of the Town Council on the 25th January 2022.</p> <p>Details of actual income and expenditure against budget are produced monthly by the council's accounting system. The information is then input onto a spreadsheet that identifies the individual income and expenditure heads that are used by the Clerk and council to determine the budget and Precept. The original budget, income and expenditure to date, the anticipated year-end outturn and the likely variances are recorded for council's information and discussion.</p> <p>The reports are presented to council frequently throughout the year for review and consideration.</p> <p>The council's balances at the 31st March 2022 totalled £825,730. The council holds earmarked reserves of £739,521 for future projects and liabilities as at the 31st March 2023. The remaining balance of £86,209 represents 25% of the 2022/23 Precept which is adequate for a council the size of Immingham Town Council.</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><u>Adequate income controls</u></p> <p>Findings</p> <p>The Precept of £334,835 has been agreed to the cash book and income received from NELC on the 1st April 2022.</p>

	<p>Were security controls over cash and cash equivalents effective?</p>	<p>Apart from the Precept the council receives income in respect of the cemetery, allotments, litter picking and grounds maintenance, Civic Centre room hire, the renting of office space, use of the public toilets, wayleaves, land rent for Mill Lane, Roval Drive playing field lease, solar panel electricity feed in tariffs, grants, VAT returns, miscellaneous and a small amount of bank interest.</p> <p>The council's fees and charges in respect of the cemetery and allotments were reviewed by council on the 25th January 2022 and revised charges for allotments, the cemetery and room hire for 2022/23 were agreed.</p> <p>I have checked a sample of charges for the cemetery, allotments and room hire, rent of offices and agreed these to the scale of charges, invoices, and accounting records.</p> <p>A sample of other council income, such as angling rights, an insurance claim and solar panel feed-in tariffs has been checked and agreed to supporting documentation and the council's accounting system.</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 maintains a petty cash account for small items of expenditure. The cash float is maintained at approximately £200 and topped up when necessary.</p> <p>Expenditure is also incurred by using a Lloyds Bank corporate "Alto" card which has a £2,000 limit. The total of each month's expenditure is reimbursed to the Lloyds account via a variable Direct Debit from the council's current account with Unity Trust Bank.</p> <p>I have checked a sample of payments throughout the year, to ensure that the expenditure is appropriate, and that VAT has been correctly accounted for via the petty cash journal in the main accounting system.</p> <ul style="list-style-type: none"> ➤ It is noted that the council purchased grass seed in February 2023 and recorded a VAT element in the accounting system. The invoice from the supplier, however, identifies that only the delivery charge is vatable, and the actual seed is zero rated.

		<p>➤ It is also noted that purchases of equipment have been made from a limited company on eBay and the confirmation of orders have been provided in support of the payments. As a result of not having an official VAT invoice, the council is unable to recover the VAT elements of such purchases.</p> <p>Following the recommendation in the Interim 2022/23 Audit Report, the Administration and Finance Officer has confirmed that the payment schedules, in respect of petty cash expenditure, are now being submitted to council together with all other council payments.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● The council should only include VAT in the accounting system when it is in receipt of a VAT invoice and the items purchased are vatable supplies. ● The council should always strive to obtain a VAT invoice/receipt in support of purchases, to enable it to recover the VAT element of any expenditure.
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>Findings</p> <p>I have checked the gross pay calculations for all staff, for each month from April 2022 to March 2023, to existing and new Contracts of Employment; also the NJC Pay Agreement from the 1st April 2022 which was agreed by the Personnel Committee on the 13th October and the Town Council on the 1st November 2022. For the sample tested, I have agreed the hours paid to staff to timesheets. Staff timesheets have been authorised by the Town Clerk and the Town Clerk's timesheets have been signed as authorised by the Chairman.</p> <p>The External Auditor now requires me to check that the correct employer's pension percentage contribution has been applied. I have checked the East Riding Pension Fund portal for Immingham Town Council which confirms that the 19.3% being applied by the council for 2022/23 is correct.</p> <p>Employees' salary payments were subject to PAYE and NI regulations and, for the sample checked, PAYE and National Insurance deductions have been correctly paid to HMRC.</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 The council maintains an Asset Register on a spreadsheet.</p> <p>The Finance Officer has confirmed that the register is fully updated at the year end to reflect additions and disposals during the year. Additions during the year have been added using the correct method of valuation.</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 The council holds a current account and a 90-day account at the Unity Trust Bank, a Lloyd's account for petty cash and a Co-op account for the Mayor's charity. Additionally council funds are held in the Public Sector Deposit Fund.</p> <p>Monthly bank reconciliations for all of the council's accounts are produced by the council's accounting system and presented to Full Council for approval. The accompanying bank statements are also presented to Council Members at the same time as the monthly RBS bank reconciliations. The minutes record that the bank reconciliations were resolved as correct. The reconciliations do not contain any unexplained balancing entries and the Chairman signs the front cover of the Bank Reconciliation document that is submitted to each council meeting, confirming that the reconciliations and respective bank statements have been checked and approved by council.</p> <p>A separate Mayor's bank account is maintained and is used for the receipt of income/donations etc. and payments to the Mayor's chosen charity(s). The Finance Officer maintains a record of income and expenditure in respect of the Mayor's Charity and balances this to the bank statements. The balance at the end of the Civic year, except for £1.00 - in order to keep the account open, was withdrawn and paid to the Mayor's chosen Charities.</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>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> <ul style="list-style-type: none"> ➤ It is noted that boxes 6, 7 and 8 on the Accounting Statement have been restated to comply with the External Auditor's requirements. This was owing to a credit card balance as at 31st March 2023 being included as a reconciling item on the year-end reconciliation. <p>The statements agree with the cash book and there is an audit trail from underlying financial records to the year-end statements.</p> <p>The fixed asset figure in box 9 on the Accounting Return agrees with the total of council assets on the Asset Register as at 31st March 2022 and the figure in box 8 agrees to the year-end bank reconciliation statement.</p> <p>The Interim Internal Audit Report for 2022/23 was presented to the Town Council meeting held on the 7th December 2022 and the report was noted.</p>
12	<p>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>	<p><u>Exemption Certificate</u></p> <p>Findings</p> <p>The council, correctly, did not complete an Exemption Certificate under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015.</p>
13	<p>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>	<p><u>Exercise of Public Rights</u></p> <p>Findings</p> <p>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?	<u>Publication Requirements</u> Findings I have reviewed the council's website and confirmed that the 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 Trust Funds and the Finance Officer has confirmed that this is the case.

Executive Summary

The accounts and governance arrangements of the council have again been maintained to a very high standard and the assistance of the Clerk and Finance Assistant 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 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 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

6th June 2023

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