

Public Sector Audit

Brigg Town Council

Internal Audit Report for the year ended 31 March 2024

Public Sector Audit

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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 cash book is maintained on a computerised system designed by Rialtas Business Systems (RBS) for Town and Parish Councils. It has been well maintained and has been balanced to the 31st March 2024.</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 accounting system ensures that it is arithmetically correct and monthly bank reconciliation confirms that the cash book and bank are in agreement. Monthly reconciliations are presented to each council meeting and signed as authorised by the Chair.</p> <p>Records are maintained to provide an audit trail from original receipts/invoices and remittance advices 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 reaffirmed Financial Regulations and Standing Orders at the council meeting held on the 23rd May 2023. The Clerk re-presented revised Standing Orders to council on the 27th February 2024 which amended the wording of 18.f. This now reflects NALC's revised generic wording for procurement, which does not now include the actual threshold figures. Financial Regulations were re-presented to and approved by council on the 28th March 2024. They were amended to reflect revised procurement and public contract thresholds.</p> <p>Financial Regulation 1.8 formally confirms the appointment of the Clerk as the council's RFO.</p>

		<p>The Clerk maintains a document that identifies key tasks which need to be undertaken on a daily, weekly, monthly, quarterly and annual basis. The document provides useful information in respect of the routine financial processes undertaken by the council in the event of unexpected staff absences. It was also reviewed and approved at the council meeting held on the 23rd May 2023.</p> <p>The council maintains an Internal Audit control document which was also reviewed and re-approved at the council meeting held on the 23rd May 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>Findings</p> <p>I have tested a large sample of payments from April 2023 to March 2024.</p> <p>I have reviewed for completeness, accuracy, correct year of account, authorisation by two Council Members, reporting to council and classification within the council's accounts.</p> <p>I have reviewed expenditure to ensure that quotations have been sought for contracts between £3,000 and £30,000 in accordance with the council's Financial Regulations.</p> <ul style="list-style-type: none"> ➤ All current contracts are logged onto a contracts control document which identifies the duration of contracts and the minute references for amendments/extensions to original contracts. <p>I have tested and confirmed that VAT has been identified and correctly recorded in the accounting records for inclusion in the council's VAT reclaims from HMRC.</p> <ul style="list-style-type: none"> ➤ It is noted that Water plus, who supply water to the council's new allotments, has charged VAT for the most recent supply. The invoice states that they are required to apply VAT charges for water supplied to industrial customers. <p>The council formally re-confirmed its eligibility for the use of The General Power of Competence at the Council Meeting held on the 23rd May 2023.</p>

		<p>The council correctly maintains a cost code in the accounting system in respect of s.137 expenditure which cannot be charged to any other legislative power. During the year £300 has been coded to this statutory power. The expenditure is appropriate for this statutory power and is well within the annual statutory limit.</p> <p>Two cheques have been issued during the year. The stubs have been correctly initialled by both signatories to signify the agreement of the stub with the details on the cheque and the documentary evidence seen in support of the cheque at the time of signature.</p> <p>Invoices paid online via the BACS system and by Direct Debit payments were supported by two authorising signatures on each invoice. A schedule of monthly payments - including BACS, Direct Debit and any cheques, is also included in the council's minutes and approved by council Members.</p> <p>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.</p> <ul style="list-style-type: none"> ➤ 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.
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		<p>Recommendations</p> <ul style="list-style-type: none"> ● The council should investigate why Water Plus has deemed the council to be an industrial customer and thereby charged VAT on its supply to the new allotments. If it is identified that this charge is incorrect, the council will need to claim a refund for all previously paid VAT. ● 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>A summary document of all council Risk Assessments and key policies, which identifies when they were last reviewed and approved, is maintained to ensure that all Risk Assessments and Policies are re-assessed and formally approved by council annually.</p> <p>The council's General Risk Assessment was reviewed and approved on the 27th February 2024. Specific Risk Assessments are maintained; these include an Employee Work Based Risk Assessment, spring clean/litter picking, Health & Safety policy, Emergency Plan, Environment Policy and a Data Protection Policy. All Risk Assessments have been reviewed and approved by council during the previous 12 months.</p> <p>I have examined the council's insurance policy, and the indemnity limits are considered to be adequate.</p> <p>I have also reviewed the security of the council's electronic data. The council's RBS system is stored on cloud and the council's other electronic records are maintained on cloud using "Dropbox" and hence are updated and saved automatically. The council's computers are 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>A budget was prepared for 2023/24 and was approved by Full Council on 22nd November 2023. A Precept of £120,578.93 was agreed and the Precept Grant of £1,534 was accepted. A detailed budget, identifying each income and expenditure cost centre, was formally approved at the council meeting held on the 24th January 2023.</p> <p>Budget monitoring reports, which compare actual income and expenditure against the council's original budget, are automatically produced by the council's RBS accounting system; this information is provided by the Clerk to each council meeting for review and approval. The council's minutes record the receipt and noting of the reports.</p> <ul style="list-style-type: none"> ➤ The monitoring reports are reviewed by council Members and discussions take place if any queries arise or if any income or expenditure codes show significant variations from original budget. <p>The council's total balances as at the 31st March 2024 totalled £39,062. As the council does not hold earmarked reserves for future projects, the whole of the year-end balance represents a general working balance. The balance, which is 31% of the council's current year's Precept requirement, is considered to be adequate for a council the size of Brigg 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>Were security controls over cash and cash equivalents effective?</p>	<p><u>Adequate income controls</u></p> <p>Findings</p> <p>The council's Precept and NLC Grant for 2022/23 totals £122,112.93, which agrees to the two instalments of Precept of £60,289.47 and £60,289.46 received on 25/04/23 and 25/07/23 and the NLC grant of £1,534.00 also received on 25/04/23.</p> <p>With the exception of one minor overpayment, I have checked and agreed allotment income received by the council to the allotment register and approved Scale of Charges.</p>

		<p>At the meeting held on the 28th February 2023 the council agreed the 2023/24 Allotment charges for Redcombe Lane for the year 1st April 2023 to 31st March 2024 and for Grammar School Road for 6 months from 1st April 2023 to the 31st August 2023. It was again agreed to waive the fee for plot 2 at Redcombe Lane for Brigg in Bloom. The charges for Woodbine Park from 1st September 2023 to the 31st August 2024 were also agreed.</p> <ul style="list-style-type: none"> ➤ The Allotment charges for 2024/25 for both Redcombe Lane and Woodbine Park were reviewed and agreed at the council meeting held on the 27th February 2024. The minutes, however, refer to the charges for 2023/24 instead of 2024/25. <p>The council also received income in respect of HMRC VAT reclaims, the highway verge and public rights of way grass-cutting SLA with NLC, an NLC grant for the King's Coronation, sales of Love Brigg Bags, advertising in Brigg Matters, miscellaneous and bank interest. I have reviewed documentation in support of all income received and agreed it to the accounting system. The scale of charges for advertising in Brigg Matters was agreed at the council meeting held on the 28th November 2023 and I have agreed all invoices raised and income received in respect of such charges.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The council should minute that review and approval of the charges for allotments at the meeting held on the 27th February 2024 were for the charges to be made for the year 2024/25.
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 Town Council's petty cash is an imprest system with a float of £30. The council also had a float of £100 with a debit card at Lloyds bank. This had not been used for some time and was closed in May 2023.</p> <p>The remaining petty cash account is also balanced monthly within the accounting system. The petty cash has not, however, been used during the current financial year. I have checked the remaining balance of the petty cash float and confirmed that the full balance was present at the year-end.</p>

		If petty cash payments do occur, they are reported to council as part of the monthly expenditure analysis and the respective vouchers are provided to two council Members to authorise, together with all other monthly payments.
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>The council's Clerk received a formal contract of employment which was signed by the Clerk and the council and contains clear terms and conditions of employment.</p> <p>I have agreed all gross salary payments from April 2023 to March 2024 to the original contract of employment, including any subsequent changes approved by the council and the latest 2023/24 NJC National Pay Award.</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 portal for Brigg Town Council which confirms that the 20.4% being applied by the council for 2023/24 is correct.</p> <p>The Personnel Committee has previously agreed to the reintroduction of a record of any additional hours the Clerk (and any other staff the council may employ) may work each month. This provides an audit trail for the verification of any time to be taken off in lieu of extra hours worked in accordance with the Clerk's current contract of employment or any overtime which could be paid to any other staff the council may employ in the future.</p> <p>The Clerk's salary has been subject to PAYE and NI regulations via the payroll prepared by the council's external payroll provider.</p> <p>For the sample checked, PAYE and NI 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</p> <p>The council's Asset Register is maintained in a spread sheet format, and I have confirmed that the formulae are accurate to provide the correct valuation for box 9 on the AGAR.</p> <p>I have reviewed the expenditure records for April 2023 to March 2024 and confirm that two purchases identified at the audit have been added to the register and correctly valued at cost price excluding VAT. Unfortunately, an asset purchased during 2020/21 and both of the newly purchased assets have been stolen, and the Asset Register has, therefore, been correctly amended to reflect this.</p> <p>The council does not hold any investments.</p> <p>The total value of assets on the register as at 31st March 2024 is correctly stated as £218,005 for the purpose of completion of the AGAR.</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's accounting system automatically produces bank reconciliations each month for the Town Council's Current Account, two Reserve Accounts and the internal Petty Cash Account.</p> <p>The reconciliations are balanced to the bank statements and petty cash record each month. The accounting system reconciliations have been signed by the Chair to confirm that he has reviewed and authorised them. In accordance with best practice and as a key element of sound financial control, the Chair, when authorising the monthly bank reconciliations, also signs against the respective month-end bank balances on the bank statements to indicate that he has checked that both are in agreement.</p> <p>A review of the reconciliations confirms that there are no unusual or balancing entries and I have agreed all month-end bank reconciliations to the respective month-end bank statements.</p>

		The Clerk also administers two separate bank accounts: one in respect of the Mayor's chosen Charity(s) and the other for the annual Civic Dinner. Correctly, neither of these accounts are included in the council's accounting system. I have reviewed the spreadsheets that are maintained for these accounts and agreed them to the respective bank statements.
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> <p>The statements agree with the cashbook and the Annual Return produced by RBS. There is also an audit trail from the underlying financial records to the year-end statements.</p> <p>The total value of council owned assets declared in box 9, section 2, of the Annual Return agrees to the total of the Asset Register as at 31/03/24.</p> <p>The Interim Internal Audit Report in respect of 2023/24 was presented to, and approved by, the Town Council on the 24th October 2023. The recommendations were 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	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>Findings</p> <p>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.</p>
14	Did the council comply with the publication requirements for the previous year's AGAR?	<p><u>Publication Requirements</u></p> <p>Findings</p> <p>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>Findings</p> <p>I have seen no evidence that the council has responsibility for Trust Funds and the Town Clerk 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 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

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5th April 2024

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