

# *Public Sector Audit*

## **Brigg Town Council**

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

*Public Sector Audit*

**UK©CS**

Registered with  
UK Copyright Service  
Reg. No.: 284714616

# *Public Sector Audit*

## **Brigg 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.

*Public Sector Audit*

**UKCS**

Registered with  
UK Copyright Service  
Reg. No.: 284714616

## 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

*Public Sector Audit*

**UKCS**

Registered with  
UK Copyright Service  
Reg. No.: 284714616

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><b>Findings</b></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 has been 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 accounting system ensures that it is arithmetically correct and monthly bank reconciliation confirms that the cash book and bank are in agreement. The monthly reconciliations are presented to each council meeting and signed as authorised by the Chair.</p> <p>The Clerk has confirmed that, for the third consecutive year, the council has exceeded the Government's £200,000 gross income or expenditure threshold. In accordance with Government policy, the council's accounts for 2022/23 have, therefore, been compiled on an income and expenditure basis, including debtors and creditors.</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><b>Findings</b></p> <p>The council reaffirmed Financial Regulations and Standing Orders, which were amended for revised procurement thresholds, at the council meeting held on the 24th May 2022.</p>

		<p>NALC released an updated version of Standing Orders in April 2022, which includes revised wording in respect of the Government's procurement thresholds. These revised Standing Orders were presented to the council meeting on the 25th October 2022 and adopted.</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 which were approved at the council meeting on the 28th February 2023. The Clerk is aware that Financial Regulations also require amendment to reflect this increase, and these will be presented to the next council meeting on the 25th April 2023.</p> <p>Financial Regulation 1.8 formally confirms the appointment of the Clerk as the council's RFO.</p> <p>The Clerk continually reviews the 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 reviewed and approved at the council meeting held on the 22nd February 2022. The document will be re-submitted to council for review and approval at the May meeting.</p> <p>The council also maintains an Internal Audit control document which was last reviewed and was agreed at the council meeting held on the 25th January 2022. This document will also be re-presented to council at the May meeting for review and approval.</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>I have tested a large sample of payments from April 2022 to March 2023.</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 checked to ensure that quotations have been sought for contracts between £3,000 and £25,000 in accordance with the council's Financial Regulations.</p> <p>The council's contracts were reviewed and approved by council on the 25th October 2022 and 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> <p>I have tested that VAT has been identified and correctly recorded in the accounting records for inclusion in the council's VAT reclaims from HMRC.</p> <p>The council formally confirmed its eligibility for the use of The General Power of Competence at the Annual Council Meeting held on the 24th May 2022 and the Clerk has confirmed that it will be re-confirmed at the May 2023 meeting.</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. To the end of September £300 has been coded to this statutory power. The expenditure is appropriate for this legislative power and well within the annual statutory limit.</p> <p>Two cheques have been issued during the year. The cheque stubs have been correctly initialled by both signatories to signify the agreement of the stubs with the details on the cheques 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 were supported by two authorising signatures on each invoice. A schedule of monthly payments - including BACS, Direct Debit and cheques - is also included in the council's minutes and agreed by council Members.</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><b>Findings</b></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>Specific Risk Assessments are maintained; these include an Employee Work Based Risk Assessment, spring clean/litter picking, Health &amp; Safety policy, Emergency Plan, Environment Policy and a Data Protection Policy. All of the 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 for Public and Employers Liability, Fidelity Guarantee, Libel &amp; Slander and Legal Expenses,. It is noted, however, that the council purchased 12 planters in February 2023, but these have not yet been added to the schedule of assets on the insurance policy.</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.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● The planters purchased in February 2023 should be added to the insurance schedule to ensure that all council assets are adequately insured.</li> </ul>
5	<p>Has the annual precept requirement resulted from an adequate budgetary process?</p>	<p><u>Adequate budgetary process</u></p> <p><b>Findings</b></p> <p>A detailed budget, which identified each income and expenditure cost centre, was prepared for 2022/23 and was approved by Full Council on 25th January 2022. A Precept of £120,620.64 was agreed.</p>

	<p>Has progress against budget been regularly monitored and reported and were reserves appropriate?</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. 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> <p>The council's total balances as at the 31st March 2023 totalled £23,808. As at the year-end the council did not hold any earmarked reserves for future projects and, therefore, the whole of the year-end balance represents a general working balance. This balance is 20% of the council's current year's Precept requirement and is considered to be slightly low for a council the size of Brigg Town Council.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● When setting the budget and Precept for 2024/25 the council should aim to achieve a general balance in accordance with the guidance in the latest NALC/SLCC Governance and Accountability Practitioners Guide.</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>The council's Precept and NLC Grant for 2022/23 totals £122,154.64, which agrees to the two equal instalments of Precept of £60,310.32 received on 29/04/22 and 02/08/22 and the NLC grant of £1,534.00 also received on 29/04/22.</p> <p>I have checked and agreed allotment income received by the council to the allotment register and 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>



		The council also received income in respect of the HMRC VAT reclaims, highway verge and public rights of way grass-cutting SLA with NLC, NLC grants for adult gym equipment, the Queen's Diamond Jubilee and a Community Grant for planters, an insurance claim and reimbursement for damage caused to the council's Christmas tree, civic dinner and sundry. In addition, a small amount of bank interest has been received. Documentation has been reviewed and agreed for all significant income received during the year.
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></p> <p>The Town Council's petty cash is an imprest system with a float of £30. The council also currently has a further float of £100 using a debit card at Lloyds bank which the Clerk is authorised to use for larger sundry items.</p> <p>Both petty cash accounts are balanced monthly within the accounting system and reimbursed when necessary. The monthly reconciliations confirm that neither the £30.00 petty cash float nor the £100.00 debit card account have been used during the current financial year. The Clerk is considering closing the debit card and transferring the balance to the council's current account.</p> <p>If petty cash payments were to occur they would be reported to council as part of the monthly expenditure analysis and the respective vouchers would to be provided to the two council Members to authorise, together with all other monthly payments.</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><u>Adequate payroll controls</u></p> <p><b>Findings</b></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 2022 to March 2023 to the original contract of employment, including any subsequent changes approved by the council and the 2022/23 NJC National Pay Award.</p>

	<p>Has PAYE and NI been correctly deducted and paid to HMRC?</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 Brigg Town Council which confirms that the 20.4% being applied by the council for 2022 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><b>Findings</b></p> <p>The council's Asset Register is maintained in a spread sheet format, and I have confirmed that the formulae are accurate and provide the correct valuation for box 9 on the AGAR.</p> <p>I have reviewed the expenditure records for April 2022 to March 2023 and confirm that purchases identified at the audit have been added to the register and correctly valued at cost price excluding VAT.</p> <p>The council does not hold any investments.</p> <p>The total value of assets on the register as at 31st March 2023 is correctly stated as £219,656 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><b>Findings</b></p> <p>The council's accounting system automatically produces bank reconciliations each month for the Town Council's Current Account, two Reserve Accounts and two Petty Cash Accounts.</p> <p>The reconciliations are balanced to the bank statements and petty cash records each month. The accounting system reconciliations have been signed by the Clerk to confirm that she has prepared them and by the Chair to confirm that he has reviewed and authorised them.</p> <p>In accordance with best practice and as a key element of sound financial control, the Chairman, 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> <p>It is noted that the Clerk 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 spreadsheet that is maintained for the Charity account and agreed it to the respective bank statements.</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,</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 (Income and Expenditure) and, therefore, debtors and creditors have been included. Owing to 2022/23 being the third consecutive year when the council's income/expenditure has exceeded £200,000, the accounting system has been adjusted by RBS to take account of changing from a receipts and payments basis of accounting to an income and expenditure basis.</p>

	<p>were debtors and creditors properly recorded? Has the previous Internal Audit Report been submitted to council and actioned as necessary?</p>	<p>The restated statements agree with the cashbook and the restated Annual Return produced by RBS, owing to the change in the basis of accounting. 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 31/03/23.</p> <p>The Interim Internal Audit Report in respect of 2022/23 was presented to, and approved by, the Town Council on the 25th October 2022. The recommendations were recorded and approved.</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> <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	<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> <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	<p>Did the council comply with the publication requirements for the previous year's AGAR?</p>	<p><u>Publication Requirements</u> <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?	<u>Trustee responsibilities</u> <b>Findings</b> I have seen no evidence that the council has responsibility for Trust Funds and the Town Clerk 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 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 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*

7<sup>th</sup> April 2023

*Public Sector Audit*

**UK©CS**

Registered with  
UK Copyright Service  
Reg. No.: 284714616